

Consolidated
Non-Financial Statement

| 2018

AN ONGOING COMMITMENT



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BANCO BPM: AN ONGOING COMMITMENT

Dear readers,

We have concluded our second year of trading as Banco BPM and, looking at the journey we've taken, our performance so far has encouraged us to continue in our chosen direction.

From our beginnings as the union of two banks, we have grown into a robust and integrated business and are privileged to operate in one of the most significant areas in Italy for economic activity and entrepreneurial initiatives.

Current economic and political events, along with technological and social developments, demand new approaches and time frames, posing challenge to be met by transforming our business in every context.

We have created a more modern bank, implementing a change of pace not only in terms of the corporate organisation and structure, but whose effects also resound through the commercial network and the role of branches in the community. We have shifted the decision-making process back to the regions and implemented the

corporate sector, strengthening business units, such as the foreign division, required by our exporting companies and making available the resources required to implement initiatives that can bring value to our customers. Our two banks devoted to private banking and investment banking represent the completion of our business model based on quality of service, yet with the proximity that only regional banks can offer.

Being Banco BPM is more than simply doing our jobs well and aiming for efficiency and results: we believe in the people and culture that make up our business. We want to act as a point of reference in the region through our branches, and we strive to make a concrete and positive contribution to the sustainable development of our country.

In this document we report our journey aimed at responding to market demands and those of our community.

Banco BPM, an ongoing commitment to the market and the region.

Carlo Fratta Pasini
Chairman

Giuseppe Castagna
Chief Executive Officer

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THE BANCO BPM GROUP

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Who we are, our organisation, how we manage risks and what we achieved in 2018 in terms of financial results and certifications achieved.

MISSION AND IDENTITY

The mission of Banco BPM encapsulates the interests of our stakeholders: shareholders, customers, partners and the reference community, expressing - in line with the history and traditions of our two founding Groups - our commitment to supporting the region and placing people first.



Working and innovating to provide **customers**, people and businesses with the best possible services, operating correctly and transparently and contributing to the development of our country and of sustainable value over time.

Growing with commitment and responsibility, maintaining financial stability and profitability to meet our commitment to our **stakeholders**.

Optimising our **personnel** whose work and commitment contribute to the realisation of Group objectives.

Continuing, as per tradition, to support initiatives **aimed at promoting social and environmental development in our reference regions**.

The mission of Banco BPM reflects the Group's identity: a bank that aims to grow and develop while remaining closely linked and attentive to the region, supporting people, businesses and non-profit organisations.

To development and promote its identity, the Group has developed projects and initiatives where **feedback, dialogue and engagement** have been fundamental drivers.

ROAD SHOW

Nine Road Show events in the main offices of the Group to promote Banco BPM and listen to the needs and concerns of the region, involving around 3,500 colleagues and 3,000 business clients.

EVENTS IN BRANCH AND FOR BUSINESSES

Placing the focus back on branches through community initiatives and conferences on financial and economic topics that involve **customers, colleagues** and students, and ad hoc events for local entrepreneurs.

SCHOOLS PROJECT

The many social responsibility initiatives are complemented by improvement measures aimed at inner-city schools, selected thanks to the collaboration with local institutions in order to identify the most pressing needs.

DISTINCTIVE LEADERSHIP

A training programme aimed at senior management to promote a leadership model based on dialogue and proximity, involving 300 colleagues selected to play an active role in the transformation and promoting the distinctive traits of Banco BPM within the Group and beyond.

Similarly, the Group's communications plan has been designed to promote the image of a local and robust bank able to support families and businesses and adapt to their changing needs. To promote the importance of dialogue and people, the advertising campaigns launched by Banco BPM were supported by **customer testimonials** and used simple and direct language.

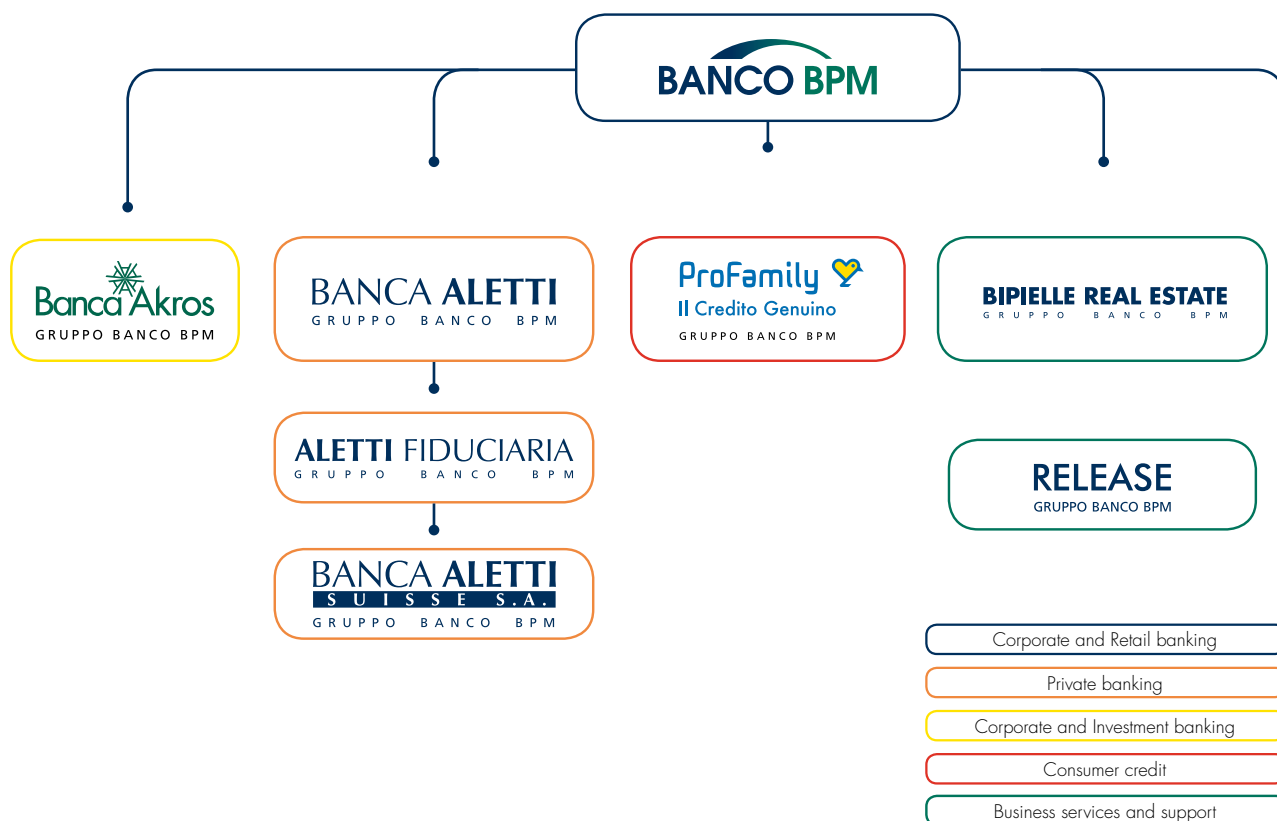


BANCO BPM

The Banco BPM logo, with the stylised bridge over the name, expresses the coming-together of two businesses, whose decision to merge was driven by the pursuit of a common goal: **to create a bank able to offer innovative services to customers with strong roots in the region, develop and consolidate dialogue with customers and local communities, and promote a customer-focused approach.**

GROUP PROFILE

The Banco BPM Group operates in the credit and financial brokering sector. Its main companies are:



This Statement, in line with the Consolidated Financial Statements, refers to all fully consolidated companies except for the exclusions specified in the Note on methodology.¹

In the course of 2018 and the first months of 2019 **corporate transactions were carried out aimed at simplifying and improving the Group's structure and organisation**. In particular:

- Banca Popolare di Milano Spa, Società Gestione Servizi BP Soc. Consortile p.az. and BP Property Management Soc. Consortile a.r.l. were incorporated into Banco BPM Spa;

- the reorganisation of the investment and private banking activities was concluded with the concentration of private banking activities in Banca Aletti and investment activities in Banca Akros.
- the reorganisation of the consumer credit sector was launched, due to conclude in 2019 and involving the sale of Profamily to Agos-Ducato, pending the finalisation of a demerger of the non-captive assets of Profamily to a newly established company that will remain wholly owned by Banco BPM.

¹ In the course of 2018 the bancassurance division was restructured. This reorganisation affected companies consolidated with the equity method; as such these activities are not discussed in the Non-Financial Statement. For further details, please refer to the section that explains the significant events that occurred during the period in the Report on Operations.

ORGANISATIONAL AND GOVERNANCE MODEL

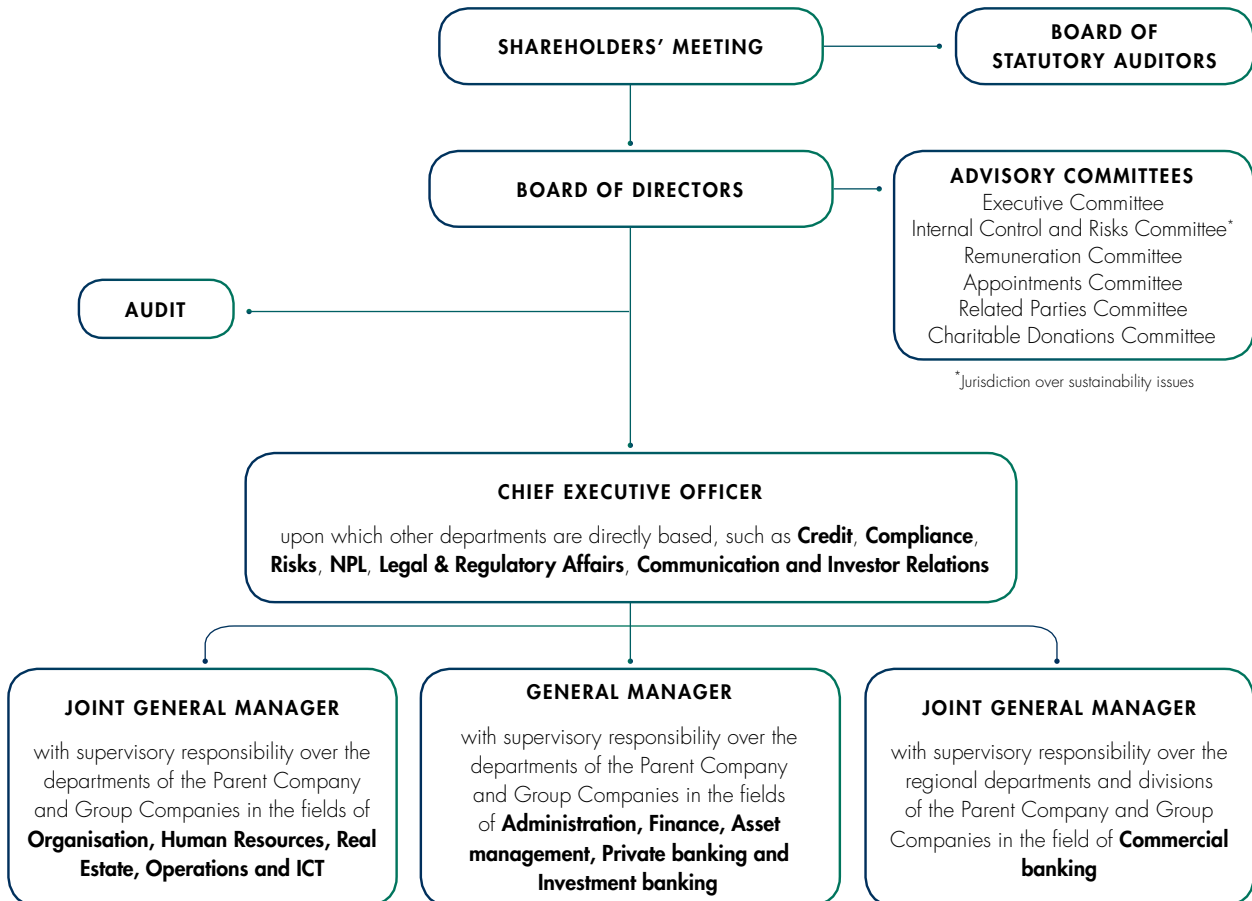
Banco BPM has adopted a traditional governance model composed of:

- **Shareholders’ meeting:** responsible for appointing the Board of Directors and the Board of Statutory Auditors and determining the remuneration; convened at least once a year and resolves on the approval of the annual Financial Statements and the allocation and distribution of profits.
- **Board of Directors:** performs the duties of strategic supervision and management.
- **Board of Statutory Auditors:** oversees auditing activities, monitoring, *inter alia*, the observance of legislation and the adequacy of the organisational and administrative/reporting structure.



€ 7.1 billion
SHARE CAPITAL

in 1.5 billion ordinary shares



COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES OF BANCO BPM

	BANCO BPM BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	INTERNAL CONTROL AND RISKS COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENTS COMMITTEE	RELATED PARTIES COMMITTEE	CHARITABLE DONATIONS COMMITTEE
No. of Directors	19	6	4	4	4	4	8
Of which executive	6	6	0	0	0	0	2
Of which non-executive	13	0	4	4	4	4	6
Of which independent pursuant to Art. 20.1.6 of the Articles of Association ²	11	0	4	3	4	4	5
Of which women	7	0	2	3	1	3	2
Of which men	12	6	2	1	3	1	6
Of which < 30 years	0	0	0	0	0	0	0
Of which 30-50 years	4	0	0	2	2	0	0
Of which > 50 years	15	6	4	2	2	4	8

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS OF BANCO BPM



	STANDING AUDITORS
No. of Auditors	5
Of which women	2
Of which men	3
Of which < 30 years	0
Of which 30-50 years	0
Of which > 50 years	5

² Article 20.1.6 of the Articles of Association of Banco BPM contains a definition of independence which, on the one hand, considers the provisions of Article 148, paragraph 3 of the Consolidated Law on Finance and the recommendations contained in the Corporate Governance Code of Borsa Italiana and, on the other, fulfils the requirement to enable the straightforward certification of relevant situations (relating to decree of relationship, economic or professional relationships, etc.). Said statutory provision also makes reference to a board resolution regarding the identification of the quantitative and/or qualitative criteria used to determine the relevance of certain relationships in which the requirement of independence is deemed not to exist. The resolution was adopted by the Board of Directors at the meeting of 01 January 2017.

SKILLS AND EXPERIENCE OF THE BOARD OF DIRECTORS OF BANCO BPM

To determine the members of the Board of Directors, a broad and diverse skill set is required to ensure a balanced combination of profiles and experience. The members of the Board of Directors, who must normally be no older than 75, must be able to perform the role, according to the provisions of Articles of Association and the legislation in force *pro tempore* and, in particular, must possess the prerequisites of professionalism, integrity and independence, and respect the criteria of competence, fairness and time commitment and the specific limits regarding multiple roles, as provided for by the Article of Association³ and the legislation in force *pro tempore*.

DIRECTORS DIVIDED BY EXPERTISE

	7/19	Risk management
	14/19	Entrepreneurial and organisational management
	18/19	Business administration and control within the financial sector
	12/19	Corporate
	8/19	Regulation of financial assets
	13/19	Global dynamics of the economic and financial system
	6/19	Experience in university activities
	11/19	Experience in professional activities
	5/19	Management experience in public administrations or independent authorities

³ For more details please refer to the Report on Corporate Governance available at the following link: <https://www.bancobpm.it/corporate-governance/documenti-societari/>

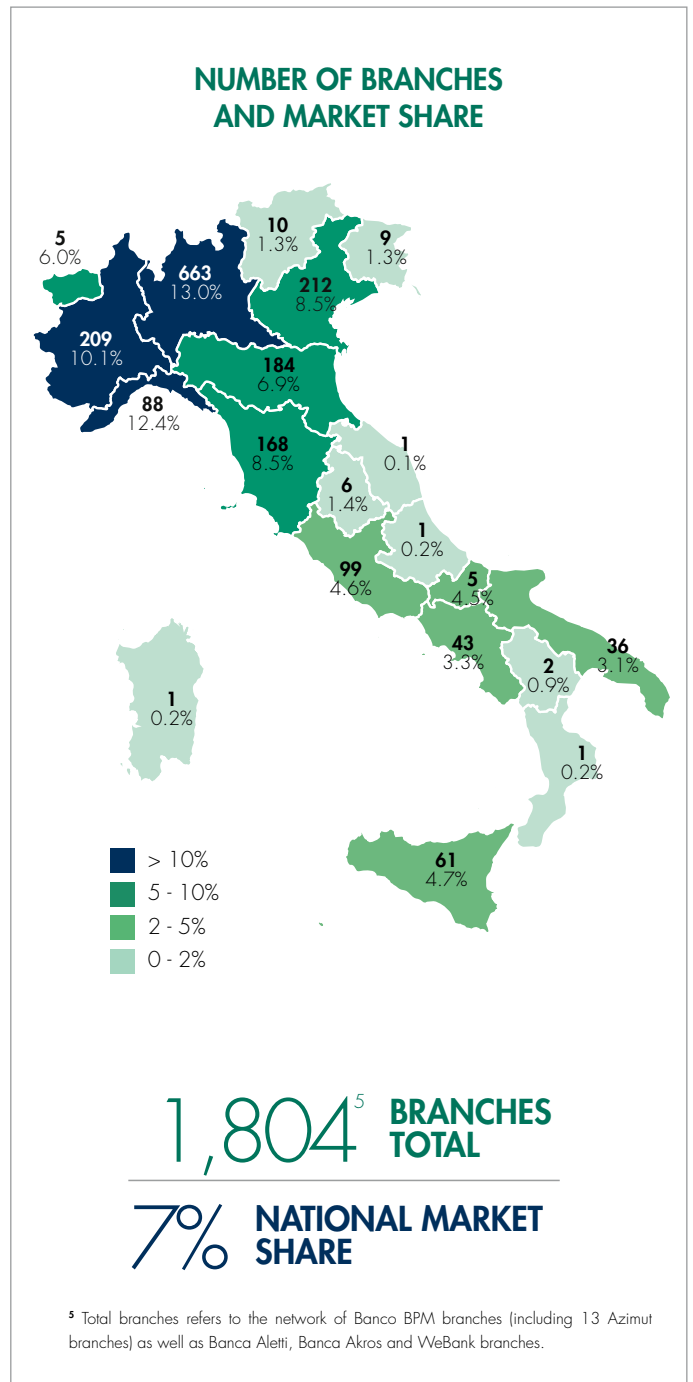
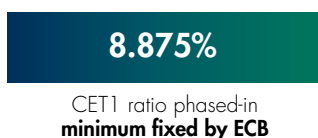
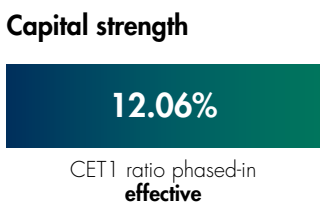
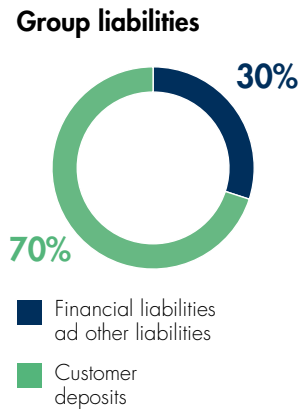
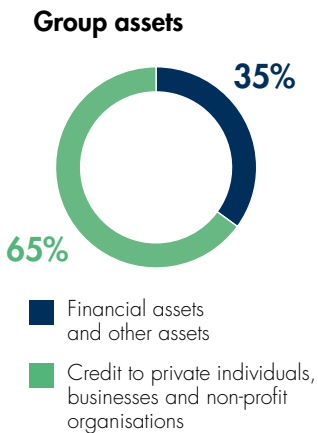
IMPORTANT INFORMATION

Banco BPM is one of the leading banking groups in Italy and operates in most areas of the country, with a strong presence in the wealthiest regions and a high degree of capital strength.

It operates in the various fields of the credit brokering and financial sector with a client base composed mainly of private customers and SMEs.



Customer deposits represent the main source of funding of the Group and are used mainly to support people and the real economy.



⁴Data that considers approximately 240,000 shareholder depositors of Banco BPM as at 31/12/2018 and approximately 125,000 shareholder depositors of other brokers as at 02 January 2017, the date of the share exchange associated with the merger of Banco Popolare and Banco Popolare di Milano.

RISK MANAGEMENT

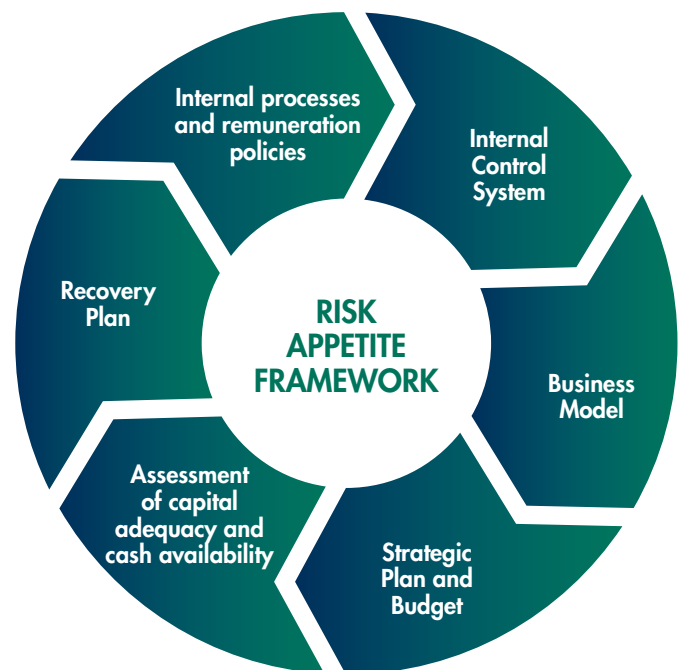
Risk advice, management and control, which are essential to ensuring the sustainability of the Group's activities, are entrusted, for all Group companies, to the Parent Company which guarantees extensive coverage⁶.

Each year the Group prepares the **Risk Appetite Framework (RAF)**, the tool used to define the Group's risk appetite, the maximum level of risk that can be assumed in line with business strategies, objectives and models and which influences all major internal processes (see figure), playing an extremely important role in safe and prudent business management.

A structured and dynamic approach (**the Risk Identification process**) that involves all corporate bodies and senior management of the Group is applied to identify all of the potential risks and risk factors and, consequently, the internal measurement models (for quantifiable risks), organisational measures, processes and internal mitigation procedures.

The non-financial risks associated with the relevant topics and the relative management models and policies adopted are discussed in each chapter.

One transversal risk that applies to all of the topics discussed in this document and that concerns the entire stakeholder community is undoubtedly reputational risk⁷, measured by a specific model that, by monitoring qualitative and quantitative parameters, is able to identify a possible deterioration of reputation in five specific areas:



⁶ For a detailed overview of the risk management system, refer to the relevant section of the Consolidated Financial Statements - Section E of the Notes.

⁷ Actual or prospective risk of a reduction of profits or capital resulting from a negative perception of the Bank's image by customers, institutional counterparties, Bank shareholders, investors or supervisory bodies

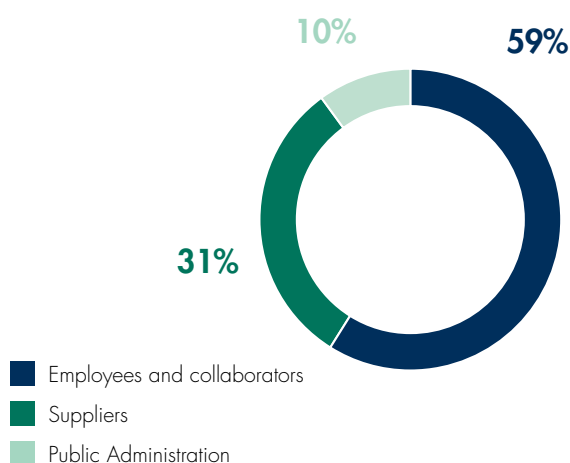
ECONOMIC VALUE GENERATED AND DISTRIBUTED

The economic value generated is distributed among the majority shareholders with interests in the Group.

STATEMENT OF CONSOLIDATED ECONOMIC VALUE (figures in € /000)	2018	2017	Change %
Interest margin	2,292,562	1,975,122	16
Net commission (net of external network fees)	1,843,212	1,958,240	-6
Dividends and similar income	51,956	53,909	-4
Net income (loss) from financial assets and liabilities	8,056	(49,469)	/
Net adjustments on loans	(1,915,477)	(1,520,957)	/
Other operating income / expenses	700,803	3,498,186	N.S.
Profits/(losses) on disposal of shareholdings	170,703	/	/
Profits/(losses) on disposal of investments	2,655	13,070	-80
After tax profit/(loss) on asset disposal groups held for sale	936	762,262	-100
TOTAL GENERATED ECONOMIC VALUE	3,155,406	6,690,363	/
TOTAL DISTRIBUTED ECONOMIC VALUE	2,921,335	2,554,230	/
TOTAL RETAINED ECONOMIC VALUE	234,071	4,136,133	/

The generated economic value in 2018 was distributed to employees, collaborators and suppliers, while less than 0.1% (not shown on the graph) was allocated to shareholders of subsidiaries, communities and the environment.

In 2018 the Group allocated a share of added value of approximately € 293 million to the central and local public administration, mainly in the form of indirect taxes.



Both the economic value generated and retained in 2018 are markedly lower to the previous year as in 2017 the merger difference (badwill) was accounted for in the item "operating income / expenses".

Retained economic value for € 234 million, along with other positive income items, such as the contribution of investment in affiliated businesses, was completely adsorbed by risk provisions, fees and amortisations which determined a negative balance. The consolidated income statement of the Banco BPM Group closed with a loss of approximately € 59 million.

RECOGNITIONS IN 2018

JUNE



MILANO FINANZA GLOBAL AWARDS

XVII edition

MF INNOVAZIONE award to YouCard Business, the innovative prepaid debit card issued by Banco BPM.



AIFin DIGITAL PAYMENTS – INNOVATION AWARD

Special commendation to Banco BPM for the project *Il futuro della customer experience: quando digitale e voce si incontrano* [The future of the customer experience: When voice meets digital].



AIFin “SUSTAINABILITY AWARD”

Honourable mention for the project *Avis e Banco BPM: una partnership di valore* [Avis and Banco BPM: A worthy partnership] in recognition of the long-standing and ever broader partnership.



POSITIVE BUSINESS AWARD
V edition

POSITIVE TEAM award for the Brand Ambassador project for the capacity to create value for the Group through colleagues themselves, promoting the creation of a shared identity and culture.



BEST EQUITY MANAGERS
Benchmark Italia

Banca Aletti was included in the list of excellence 2018/2019 following a detailed analysis of its investment services compared with other leading players in the sector, conducted by the Istituto Tedesco di Qualità e Finanza.

OCTOBER

NOVEMBER



FINANCE COMMUNITY AWARDS

Banco BPM was named Team of the Year - Corporate Lending for its high level of professionalism able to conquer increasingly broader sections of the market, including through innovative transactions.



Oscar di Bilancio

OSCAR DI BILANCIO

At the major awards for financial corporate reporting, promoted by FERPI – Federazione Relazioni Pubbliche Italiana, the Consolidated Non-Financial Statement 2017 was a finalist in the following categories: “Financial businesses” and “Innovation in reporting”.



ITALIAN CERTIFICATE AWARDS

Two prestigious awards for Banca Akros, Investment Bank of the Group:
Miglior certificato a capitale protetto [Best equity protection certificate] for the Borsa Protetta con Cedola su SMI - Swiss Market Index.
Miglior certificato a capitale protetto condizionato [Best qualified equity protection certificate] for the Autocallable Coupon Premium on the Eurostoxx 50.

DECEMBER



JP Morgan Chase 2018 ELITE QUALITY RECOGNITION AWARD, USD Clearing

Banco BPM was awarded this important recognition for its high quality of service to clients in the international payments sector, achieving awards for excellence in transactions in USD.

02

REFERENCE CONTEXT AND MATERIAL TOPICS

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The material topics of the Group consider a context that includes sustainability aspects such as climate change and the most significant social issues.

REFERENCE CONTEXT

GLOBALLY

2015

The **United Nations General Assembly identifies economic, social and environmental goals** (Sustainable Development Goals - SDGs) to be achieved by 2030, with the aim of directing the current development model towards sustainability¹. These goals are highly innovative, extending beyond the concept of sustainability as a purely environmental and philanthropic issue and consolidating an integrated vision of the various scales of development and the importance of involving all members of society.

They were signed by the governments of the 193 UN Member States, including Italy, with the undertaking to report the results achieved.

2018

The **United Nations Climate Change Conference** is held in Poland, establishing the criteria and limits for CO₂ emissions and the measures to be adopted in order to implement the resolutions made in Paris in 2015. A total of 196 countries attended the conference in Katowice, including the United States. The decisions will not come into effect until 2020, despite calls by the Intergovernmental Panel on Climate Change on the urgent need to limit the rise in global temperature to below 1.5°C.



SUSTAINABLE DEVELOPMENT GOALS



¹ For more information visit <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

IN EUROPE

2014

The European Council and Parliament adopt Directive 2014/95/EU concerning the disclosure of non-financial and diversity information by certain large undertakings and groups.

2018

The European Commission publishes the **Action Plan for financing sustainable growth**, which aims to redirect capital flows toward sustainable investments, manage the financial risks caused by environmental and social factors and promote transparency and long-term vision in economic and financial activities.

IN ITALY

2015

The **PISA (Programme for International Student Assessment)** survey is published, showing that **approximately 20% of students in Italy** (compared to the average of 22% in the countries and OECD economies participating in the survey) **are not able to achieve the minimum level of financial literacy and only 6% achieve a high level.**

2016

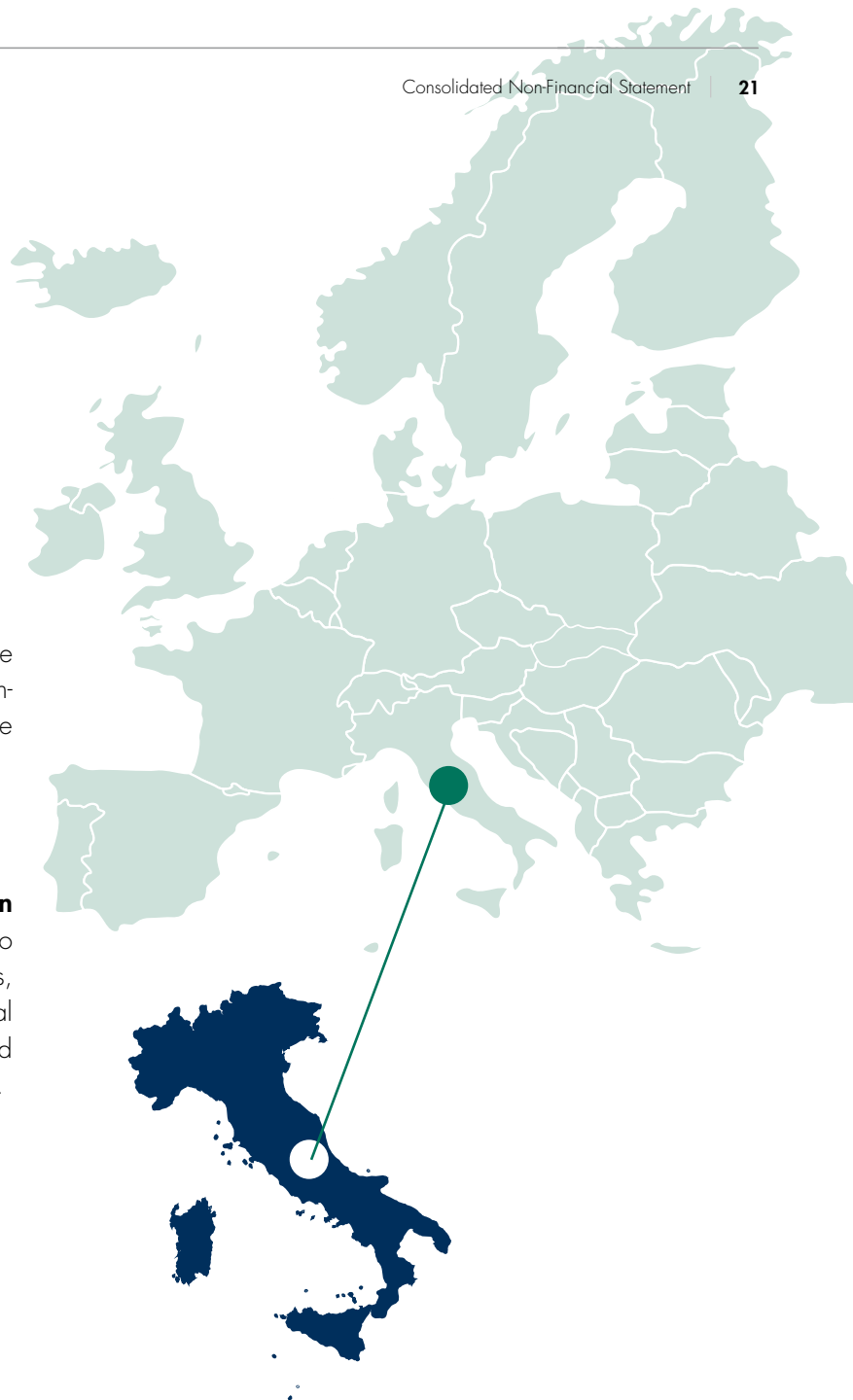
Italian Legislative Decree no. 254/16 transposes the European Directive on the disclosure of non-financial and diversity information.

2018

ISTAT publishes the first **report on the achievement of the goals in Italy** along with a trend analysis.

The critical areas identified for Italy included high unemployment rates particularly among young people and a high NEET (Not in Education, Employment or Training) ratio, and low investments in research and development by businesses. However, these factors were accompanied by an increase in knowledge workers.

Conversely, Italy performed well in the fields of health and welfare, as well as energy, the environment and the region thanks to a significant contribution of renewable energy sources.



MATERIALITY ANALYSIS AND SCOPE OF THE DECREE

The identification of material topics, in line with the provisions of Italian Legislative Decree no. 254/2016, was carried out through interviews with department managers at Banco BPM and the main Group Companies, the analysis of the reference context and the sustainability requirements of the Bank's major investors.

The material topics² in the graph have been positioned according to their impact on different stakeholder categories and the scope of the decree; moreover, alongside each topic is the sustainability goal identified by the UN and to which Banco BPM aims to contribute.

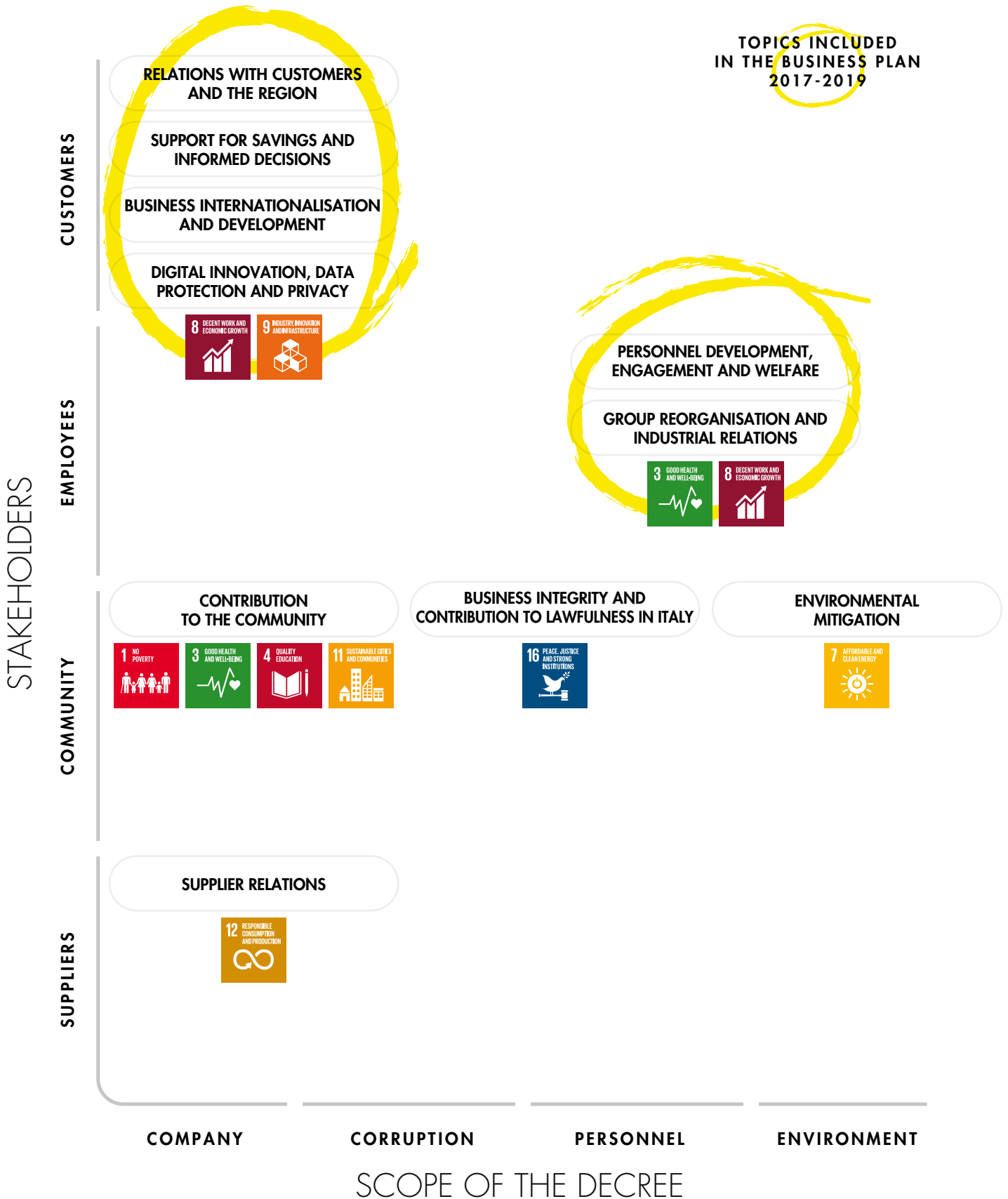
Human rights, although covered by Italian Legislative Decree no. 254/2016, are not included among the material topics of the Banco BPM Group as the Group operates almost exclusively in Italy, a country that performs highly in this regard.

However, the Group recognises the importance of respecting personal dignity as a central element in its activities. In this regard, as well as ensuring compliance with the principles of human rights, the Code of Ethics also states that all conduct must be inspired by the respect of every single person without distinction or discrimination, applying this commitment to relations with employees, customers and suppliers.

With regard to the "Environment", Italian Legislative Decree no. 254/2016 also envisages the disclosure of water **consumption**; however, this topic is not relevant to the Group in relation to the operations and business strategy sector.

² Compared to 2017, the materiality analysis for 2018 describes topics concerning employees and customers in more detail.

The material topics included in the 2017-2019 Industrial Plan correspond to the topics of most relevance to the Group and its stakeholders.



03



CUSTOMERS AND THE REGION

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RELATIONS WITH CUSTOMERS AND THE REGION

Our relationship with our customers and the region is our most important asset and one that we want to protect and develop. For this reason, we have activated all necessary levers in terms of organisation, products and services, credit management and customer relations in order to establish long-lasting relationships founded on trust.

RELATIONSHIP

COMMERCIAL MODEL

organisation of support channels and activities to ensure regional proximity and high and efficient levels of service, synergy, and physical and digital security.

FINANCIAL AND NON-FINANCIAL SERVICES

products and services to meet different needs, evaluated on the basis of structured activities to promote dialogue and initiatives designed to perceive the interests and requirements of each region.

SUSTAINABLE CREDIT MANAGEMENT

the combination of risk management, the achievement of corporate objectives and the implementation of possible measures to support people and firms in difficulty.

The Group customer relations policy is formalised in the Code of Ethics, which establishes that:

“In relations with customers, Group employees are required to act **in accordance with the criteria of proactiveness, courtesy, transparency, collaboration and willingness to listen, providing adequate, complete and timely information in order to establish a reciprocal and mutually beneficial long-lasting relationship.** Any customer complaints are handled with sensitivity and are considered as opportunities for improvement to overcome conflicts and develop trust and customer satisfaction”.

WHO ARE OUR CUSTOMERS?



3.3

MILLION PHYSICAL ENTITIES

- **over 50%** have been customers for more than 10 years
- **almost 29%** regularly use the online channel (+4% vs 2017)
- **approximately 10%** only use the online channel (+4% vs 2017)



470,000

BUSINESSES AND PROFESSIONALS

- **over 15%** operate in the manufacturing sector
- **almost 60%** regularly use the online channel
- **approximately 90%** have a turnover of up to € 2.5 million.

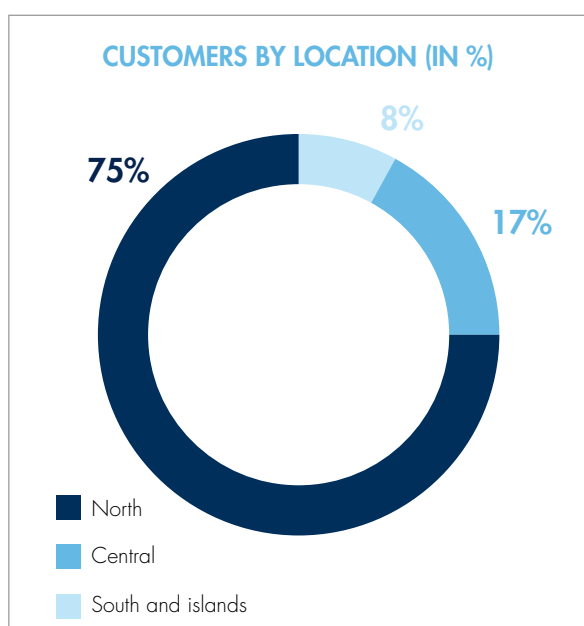


31,000

NON-PROFIT ORGANISATIONS

- **associations, social cooperatives and public or religious institutions**, (-4,2% compared to 2017¹), businesses that contribute to the generation of social value in Italy
- **over 50%** are associations
- **1 in 3** have banked with the Group for at least 10 years

Most of our clients are located in some of the most dynamic regions in Italy: 37% in Lombardy, 12% in Veneto, 10% in Piedmont and 9% in Emilia Romagna. As regards private individuals, 50% are women, 7% are foreign nationals and 6% are under 25. In terms of business clients, over 380,000² operate principally in manufacturing, a particularly dynamic sector in 2018 thanks to exports, trade (another particularly lively sector in terms of retail trade and logistics) and services.



¹ The 4.2% decrease on the previous year can be attributed to the elimination of duplications caused by shared clients of the BPM network and Banco BPM.

² Compared to 2017, a positive difference of 27% can be seen, which also takes into account the figures of small business operators included the "businesses" item in 2018.

COMMERCIAL MODEL

In 2018, the new commercial model came into effect which, thanks to the centralisation of support services and the reorganisation of areas, regional departments and specialist centres, has contributed to improving commercial efficacy and national coverage.

BRANCHES

Over **1,700 branches** available to all customers, divided into **45 areas** (these branches oversee the achievement of objectives, commercial development and customer relations initiatives, approve loans up to pre-established limits), subdivided into **8 regional departments** (these oversee, within their respective areas, the following fields: commercial, credit, HR and control).



SPECIALIST CENTRES



DIGITAL

All clients have access to the digital channels through online banking or mobile apps.

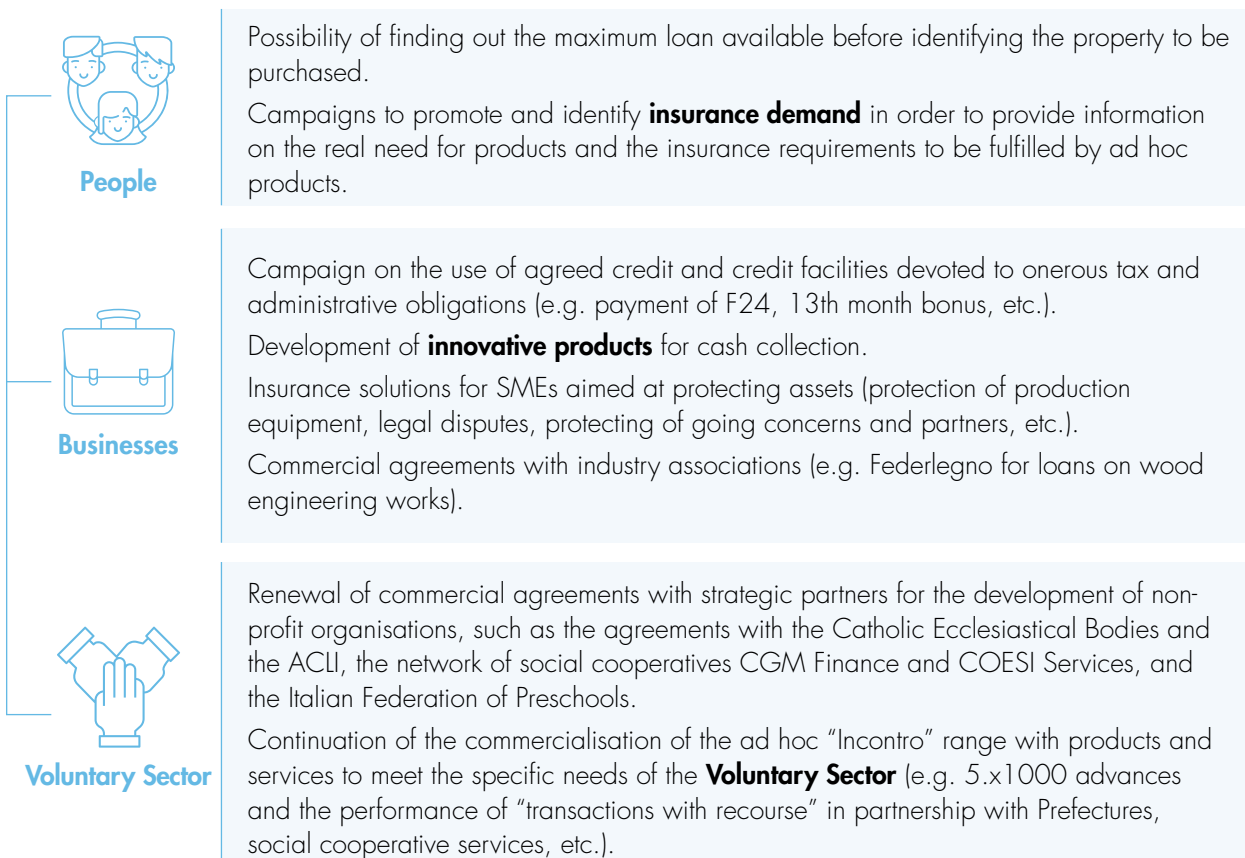
As regards the **network of branches**, the creation of **regional departments**, in turn subdivided into **areas**, has streamlined the decision-making process, improving response times and enabling commercial policies to be more responsive to local needs.

The creation of **specialist centres** has enabled the centralisation of skills and resources in order to focus on quality of service and economies of scope. The reorganisation of the multichannel commercial model was complemented by the rationalisation and reorganisation of the physical network of branches (with around 500 branches closed in 2018), necessary both due to branch duplications and to confront the social evolution characterised by the **increased use of digital channels**.

FINANCIAL AND NON-FINANCIAL SERVICES

The creation and development of the relationship is carried out through various methods spanning from the range of products and services to listening to customer feedback in order to improve the commercial activities and gain a better understanding of the interests and needs of the region.

PRINCIPLE COMMERCIAL INITIATIVES IN 2018



The range of products and services includes **specific solutions for customers with particular needs**, including:

- for children, the BRUCOCONTO savings account (up to 12 years) and the LET'S BANK current account (12 - 17 years);
- for customers on low incomes and without specific requirements, the BASIC ACCOUNT and, for new retired customers, the LIBRETTO ACCOUNT.

EQUITY CROWDFUNDING

The Group also operates in the field of equity crowdfunding, an online fundraising method that enables multiple investors to finance innovative start-ups and SMEs in exchange for shares.

Following anti-money laundering checks on the businesses and persons involved, the Bank

opens the necessary accounts to facilitate the crowdfunding and, when the target amount is reached, transfers the amount to the current account of the beneficiary or otherwise returns the funds raised to the investors.

In 2018 over 80% of fundraising ventures were successful.





Furthermore, in partnership with other specialist operators, the Group is studying solutions for **corporate welfare**, **energy efficiency services** and **proposals to promote and implement digital solutions**, particularly for artisan professionals and small businesses.

In the understanding that customer relations extend beyond the mere range of products or services and in line with the Group's corporate identity, initiatives have been launched to transform branches and offices into a point of reference, with the possibility to implement initiatives and arrange meetings to meet the needs of the local community.

NON-FINANCIAL SERVICES

Types of activity

Main stakeholders involved

	Young people	Adults	Local businesses
 ECONOMY, FINANCE AND THE WORLD OF WORK	<ul style="list-style-type: none"> Financial education in schools Career guidance for students 	<ul style="list-style-type: none"> Meetings and dialogue about financial and economic literacy Planning and control of family spending 	<ul style="list-style-type: none"> Events with important talks on highly specialist topics Meetings about relations with financial institutions Leasing of spaces for training activities, team building, events, etc.
 CULTURE	<ul style="list-style-type: none"> Book presentations, meetings with authors, sports personalities, singers and bloggers 		
 HEALTH AND WELL-BEING		<ul style="list-style-type: none"> Prevention, awareness and control of main diseases 	
 IT TRAINING		<ul style="list-style-type: none"> Use of the network and IT services 	

Customer **feedback**, delivered through customer satisfaction surveys and a careful complaints management system, represents an essential tool for monitoring and improving customer relations. In both fields, also considering the measures to integrate technology and overcome technological challenges, the results demonstrate both successes and challenges.

The customer satisfaction survey in 2018 involved 135,000 customers, individuals, businesses and professionals and used *TRIM*, a numerical index from 0 to 100 that considers the customer experience in branch and online, and highlights any critical situations. Since 2018, with a view to greater transparency, improvement and openness, the results of the surveys have been published on the company intranet.

The interviews conducted generally confirmed the levels of satisfaction recorded in the previous year. In particular, with regard to customer relations, the results for 2018 were in line with the high level of service shown by the in-branch experiences of potential customers (mystery shoppers), with results above the market average in nearly all of the aspects surveyed (entrance and welcome; image and décor; relationship and active dialogue; commercial advice).



* Average between the level of satisfaction of private individuals and of businesses

The number of **complaints received** fell by 6% at Group level compared to 2017, with improvements in the number of complaints accepted or partially accepted. Performance fell in terms of average times taken to handle complaints; these nonetheless respected the deadlines provided for by law.

The most significant topics included computer scams caused by malware and the length of time required to close current accounts.

Complaints do not include those received from customers in relation to the disclosure activities of the specialist company Intermarket Diamond Business S.p.A. for customers interested in purchasing diamonds, which took place before the merger that led to the establishment of Banco BPM.

These include 12,183 complaints in 2018 (of which 8,851 have been processed and 2,972 are being handled) and 764 in previous years (of which 415 had been processed at the end of 2017). In response to these complaints, the senior management of Banco BPM launched rigorous audits, in collaboration with the Authorities, making discontinuity decisions and allocating the relevant provisions. In this regard the Bank will continue to adopt all necessary measures with a view to supporting the customers involved⁴ and maintaining relations with the same.

COMPLAINTS - BANCO BPM GROUP³	2018	2017	Change (%)
Complaints received (in no.)	7,861	8,346	- 6
- of which relating to banking services	7,017	7,494	- 6
- of which relating to investment products	732	741	- 1
- of which relating to insurance products	112	111	+1
Complaints processed	7,882	8,438	- 7
- accepted	2,418	2,693	- 10
- partially accepted	1,870	1,984	- 6
- rejected	3,534	3,761	- 6
Processing times (average no. of days)			
- for banking services	19	17	+ 12
- for investment products	29	19	+ 53
- for insurance products	25	18	+ 39

³ The number of complaints processed is different from the number of complaints received as the former also includes complaints received in 2017 and processed in 2018.

⁴ As indicated in the paragraph "Significant Events During the Financial Year" of the Group's Report on Operations, as at 31 January 2019 the total number of these complaints was 13,300. For more information, refer to the section "Significant Events During the Financial Year" of the Group's Report on Operations.

SUSTAINABLE CREDIT MANAGEMENT

The Group supports people and businesses through the granting of loans. At the end of 2018, total loans amounted to € 101 billion⁵ and represented over 60% of the Group's assets.

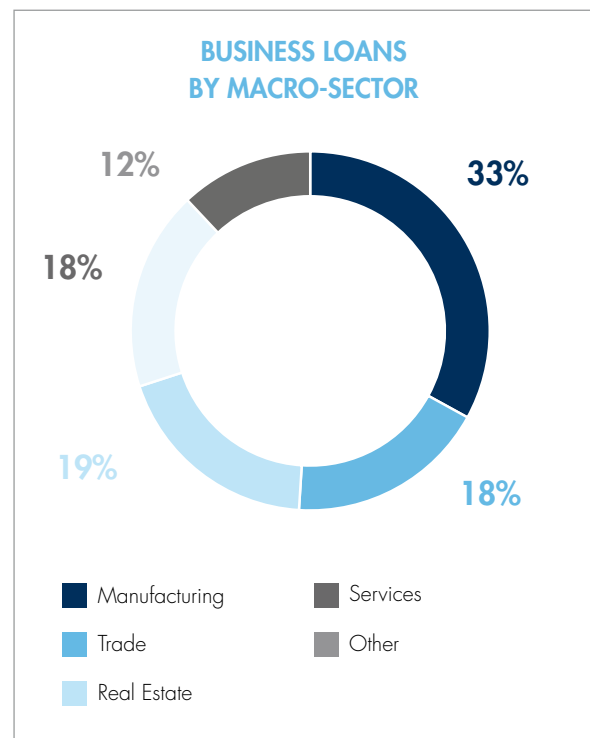
In particular, the stock of loans to businesses is almost € 58 billion, one third of which is concentrated in the manufacturing sector.

When granting loans to businesses their repayment capacity is evaluated, considering actual and prospective economic performance and the relevant sector, as well as non-financial information such as management, transparency, quality and innovation, image, reputation and supplier relations.

Furthermore, any possible issues that may negatively impact the Group's reputation are considered in the case of particularly significant transactions (so-called "significant transactions"). Financial transactions in the **defence industry** are approved directly by the Board of Directors, even in the cases of amounts ordinarily below this level of approval.

With regard to **private individuals**, in 2018 the stock of loans was almost € 27 billion (-1.3% compared to 2017), almost 90% of which regard residential mortgages which, beginning in 2018, customers have been able to apply for prior to selecting the property, finding out the amount that the Bank intends to lend on the basis of their income.

Since 2018 services to **non-profit organisations** have also been significant, with a specialist range of products and services, a dedicated corporate department and, above all, loans which at the end of the year amounted to over € 819 million (of which approximately 560 million related exclusively to voluntary and religious organisations).



⁵ Loan data refers to performing loans.

As well as ordinary loans, the Group also operates in the **subsidised loans** sector (through public subsidies or funds obtained at discounted rates), aimed at reducing risk and facilitating access to credit.

TYPE OF MEASURE	NUMBER OF TRANSACTIONS AT YEAR-END 2018	NUMBER OF TRANSACTIONS AT YEAR-END 2017	LOAN STOCK AT YEAR-END 2018	LOAN STOCK AT YEAR-END 2017
Loans subsidised by PUBLIC GUARANTEES	15,071	12,136	€ 2.9 billion	€ 2.4 billion
Loans subsidised by CONFIDI guarantees	15,853	23,527	€ 0.8 billion	€ 0.9 billion
Loans granted with the use of SPECIAL FUNDS	11,919	12,131	€ 2.1 billion	€ 2.2 billion
Loans subsidised by CONTRIBUTIONS TO INTEREST ACCOUNTS	4,947	4,722	€ 0.5 billion	€ 0.5 billion
TOTAL	47,790	52,516	€ 6.3 billion	€ 6 billion

As regards **private individuals and businesses, for borrowers who are undergoing periods of difficulty yet present otherwise positive economic prospects**, the Group assesses the implementation of forbearance measures that enable borrowers to benefit from a reduction/deferral of the commitments assumed (e.g. suspension of payments for a certain period, extension of the amortisation period and refinancing to enable the recovery and development of assets).

At year-end 2018, the total value of these measures was almost **€ 7 billion, with 84% referring to businesses**.

As regards non-performing loans, the Group undertakes to seek win-win solutions with its customers in difficulty, avoiding the instigation of legal proceedings for the enforcement of loan guarantees. At Group level, **the stock of non-performing loans fell from approximately € 25 billion at year-end 2017 to around € 12 billion at year-end 2018**, thanks to

the sale of loans without recourse (approximately € 11 billion) and management and recovery activities conducted through mediation activities.

Moreover, **partnerships with the Anti-usury Foundations** continued with the granting of guarantees for bank loans (generally no greater than € 30,000) typically designed to support the customer's cash availability needs (e.g. payment of utility bills, rent arrears, tax bills, etc.). At year-end 2018 eight agreements with Anti-usury Foundations were in place⁶, with 150 transactions completed for a total of 496 guaranteed transactions and € 6.9 million.

Banco BPM has also supported individuals and businesses affected by disastrous events, granting mortgages at **discounted rates** to SMEs affected by the collapse of "Ponte Morandi" in Genoa on 14 August 2018 and offering preferential rates on loans to the communities affected by the earthquake in central Italy in 2016.

⁶ Fondazione Adventum Onlus, Fondazione Beato G. Tovini, Associazione Baccarato Antiusura Onlus – ASBAC, Ambulatorio Antiusura Onlus, Adiconsum, Fondazione Salus Populi Romani, Fondazione San Giuseppe Moscati, Fondazione Wanda Vecchi Onlus.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
<p>CREDIT AND OVER-INDEBTEDNESS</p>	<p>Assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker.</p> <p>State-of-the-art credit risk assessment model and measurement metrics.</p> <p>Verification of the customer's capacity to repay the debt.</p> <p>Monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their commitments.</p>
<p>ERRORS PERFORMED BY COMMERCIAL PERSONNEL AND OPERATING RISKS</p>	<p>Rules of conduct set forth in the Code of Ethics and internal regulations relating to the conduct of personnel towards internal and external counterparties and in commercial operations.</p> <p>Definition, within the new network model, of new specific roles of regional departments and branches as an integral part of the control process to monitor operating risks.</p>
<p>POSSIBLE DETERIORATION/ ALTERATION OF CUSTOMER RELATIONS</p>	<p>Transparent disclosure and financial literacy initiatives to share essential information and knowledge; pursuit of win-win solutions able to bring value to the Bank and the customer.</p> <p>Branches closures take place according to economic criteria and the local scenario, but are accompanied by initiatives aimed at pursuing customer relations through the digital channel.</p>



SUPPORT FOR SAVINGS AND INFORMED DECISIONS

The protection and optimisation of savings and the promotion of financial literacy are activities with a profound social impact. In fact, Italy has one of the least financially literate cultures in Europe yet is characterised by high levels of wealth and a high propensity to save.

As stated in the Code of Ethics, “the products and services offered to customers must respond to their actual needs. The use of elusive practices or methods aimed at influencing their judgement or behaviour is not permitted. **Customers must be given clear and comprehensive** information on the products and services offered and the relative conditions applied, in order to facilitate understanding and promote sound decisions”.

To provide a high quality of service to all customers of the Group, a division has been created within Banca Aletti, which specialises in private banking, to support private branches and the network as a whole, in order to guarantee **the provision of advanced consultancy services for each different customer category based on their individual needs**.

In 2018 the activities carried out in view of the entry into force of MIFID II were supported by initiatives to create a service model ranging from the selection and

proposal of the best investment solutions to advanced consultancy and the promotion of financial literacy.

In particular, the adjustment of processes and procedures to MIFID II and the financial consultancy model based on the adequacy of the portfolio to the customer profile was extended to all distribution networks. At year-end 2018, **the percentage of customer portfolios with active advanced consultancy contracts appropriate to the risk profile at Group level was 88%, representing a significant improvement on the start of the year**.

The development of new financial products begins with the analysis of customer needs, the periodic review of the product range and the market scenario. Following commercialisation, the Group monitors the products on offer, verifying that they remain aligned with the interests, goals and characteristics of the customers to whom they are directed.

ADVANCED FINANCIAL CONSULTANCY

ACTIVITIES ASSOCIATED WITH MIFID II

- ✓ Notice on products and services of third parties offered by the Group.
- ✓ Transparency *ex ante* about costs and fees.
- ✓ Customer profiling based on risk tolerance, experience and knowledge and investment liquidity.
- ✓ Skills reinforcement for network financial advisors*.
- ✓ Incentives schemes for distributors based on service quality.
- ✓ Reinforcement of controls on financial transactions.



*This topic is discussed in more depth in the Personnel Development, Engagement and Welfare chapter.

OTHER ACTIVITIES



FINANCIAL CONSULTANCY MODEL BASED ON AN ANALYSIS OF THE ADEQUACY OF PORTFOLIOS.



SCREENING OF THE BEST FINANCIAL SOLUTIONS THROUGH AN INTERNAL SCORING MODEL.



INVESTMENT STRATEGIES APPROVED BY THE ASSET ALLOCATION COMMITTEE.



NEW INVESTMENT OPPORTUNITIES APPROVED BY THE NEW PRODUCTS AND MARKETS COMMITTEE.



CONTINUOUS MONITORING OF THE EFFECTIVENESS OF THE SELECTED PRODUCTS AND THE ADVICE PROVIDED.



DEVELOPMENT OF REGIONAL ADVISORY SERVICES TO SUPPORT THE COMMERCIAL NETWORK.



MEETINGS THE CUSTOMERS AND THE NETWORK REGARDING THE OPPORTUNITIES AND RISKS OF EMERGING MACRO-ECONOMIC SCENARIOS AND MARKETS.

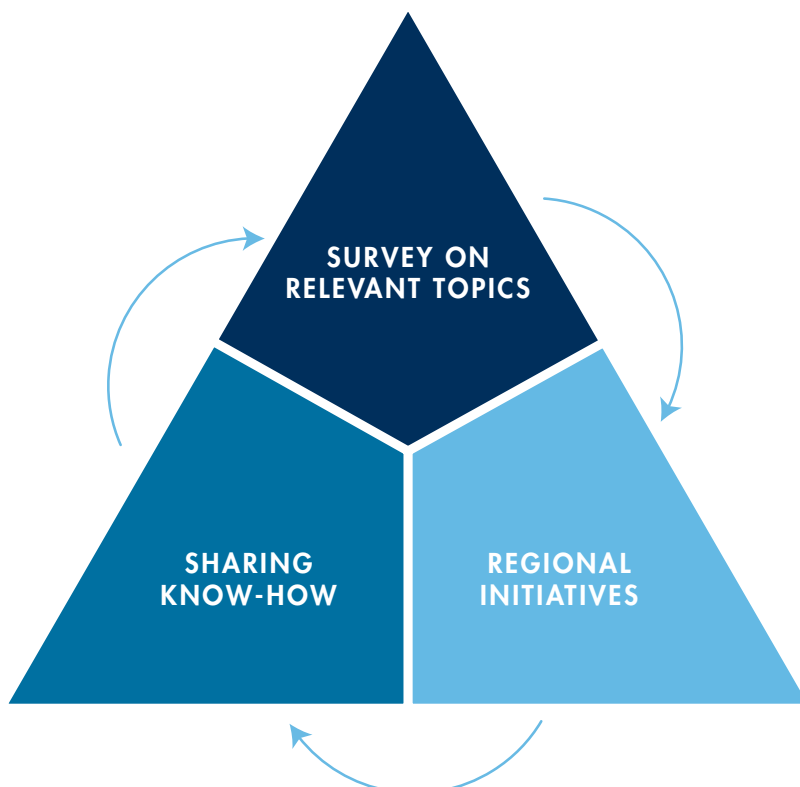


CONTINUOUS TRAINING ON ECONOMIC AND FINANCIAL MATTERS AND TO MAINTAIN COMPLIANCE WITH MIFID II BY ADVISORS.

With regard to investment opportunities offered to customers, particular attention has been given by both the Bank and the market to **financial products managed according to ESG** (environmental, social and governance) criteria that can direct savings towards activities that generate positive impacts for society as well as profit opportunities.


At year end 2018, equity managed with ESG products, which **amounted to over € 1.2 billion, had doubled compared to the previous year, thanks partly to the broader range of products on offer.** As well as the SRI funds of Etica Sgr and Eurizon Sgr, solutions were offered such as the insurance policies of Vera Financial, with the underlying SRI and the Luxembourgian SICAV GIS Cedola Risk Control products, with controlled volatility investments associated with the ECPI Global Megatrend index, the latter with the aim of encouraging customers to make socially responsible investments while managing and mitigating the risks.

In the course of the year, know-how, aimed at the continuous improvement of consultancy services, was pursued as a common factor among network staff and customers through events on economic and financial topics.



These initiatives were carried out directly by Banca Aletti specialists and complemented those delivered in branches and schools. Banco BPM chose to develop these initiatives following the results of the survey, conducted in 2017 in collaboration with IPSOS, on the financial and economic topics most relevant to customers.

In the course of 2018 a series of initiatives were carried out, including in-branch workshops open to customers and the community, and events in schools in collaboration with the Foundation for financial literacy and savings, the popular science company Taxi 1729 and the Genovese Belatramo Theatre Company.




2,000
PEOPLE INVOLVED

in the survey on the most significant economic and financial topics.



20
WORKSHOPS IN BRANCH
in 18 cities, involving 900 people.



10
EVENTS IN SCHOOLS
attended by over 2,500 students.



MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
SUSTAINABILITY OF THE CONSULTANCY MODEL	Rejection of the product model for a holistic service model for all customers
POOR FINANCIAL KNOWLEDGE	Financial literacy initiatives for employees and customers
MISSELLING OF FINANCIAL PRODUCTS	Evaluation of effective needs, objectives and risk appetite of customers before the proposal and sale of financial products



BUSINESS INTERNATIONALISATION AND DEVELOPMENT

The growth of Italian businesses is a highly relevant theme for the country and, at the same time, represents an important business opportunity for a banking group such as Banco BPM.

The Group has positioned itself as a reference partner for businesses, particularly mid-caps⁷, supporting their growth in Italy and abroad. Thanks to the close collaboration between Banca Akros and the Bank's Corporate Division, the Group is able to support businesses with a comprehensive and integrated service.



⁷Mid-caps traded on the stock exchange.

To **support businesses in the development of international activities**, Banco BPM has evolved its service model from a physical presence in leading cities around the world to a digital platform which, by connecting to leading banks in the respective countries, ensures a high level of service and opportunities to develop business relations at sustainable costs while constantly monitoring risks. This platform has enabled the extension of the range of services offered to businesses, combining access to international markets with traditional lending solutions.

At Group level, at year-end 2018 **total business loans amounted to approximately €58⁸ billion**, a slight increase compared to 2017 (+1.4%) and higher than the 57% represented by customer loans and the 36% represented by Group assets.

The lending strategies of the Group aim to identify the **sectors with the most attractive development prospects** and, at the same time, low levels of risk. The sectors identified in 2018 were manufacturing (export-led), retail trade and logistics (led by the positive trend of e-commerce), as well as agriculture, supported by all branches of “Made in Italy” products. The Real Estate sector was again evaluated as critical, both due to the prospects of the system and its significant presence in the Bank’s credit portfolios.

As regards medium to large businesses (with turnovers over € 75 million), in 2018 new loans for approximately € 10 billion were granted (+30% on 2017), of which 60% referred to transactions regarding extraordinary finance projects.

These included loans for **infrastructure works** carried out through project financing of € 440 million, and loans dedicated to **international business development** amounting to around € 800 million.

This type of loan referred to:

- short term transactions (up to 15 months) such as the purchase of raw/semi-processed materials and other costs necessary for exported goods and/or services;
- medium to long term transactions such as the purchase of capital goods, feasibility studies for the opening of branches abroad, takeovers of foreign companies, the expansion of production factories and other development activities through the financing of property, plant and equipment (e.g. purchase, requalification and renewal of equipment and plants) and intangible assets (e.g. promotional activities, research and development, specialist consultancy services, trademarks and patents, etc.) of business customers.

The development of Italian exports supported by the Group has been particularly dynamic in less developed regions and countries such as India and North Africa, with an annual growth of over 50%.

Particular attention has been given to **the training offered to staff who engage with businesses** and involved all organisational levels, focusing on the development of management and customer relations skills as well as optimising technical expertise.

Another contribution to the growth of business clients was presented by the opportunity to participate in the **business community**, with business opportunities in Italy and abroad and **management and financial training programmes** aimed at stimulating innovation and business growth.

⁸ Considering performing loans granted to non-financial companies.

DESCRIPTION	TARGETS	PARTIES ENGAGED BY BANCO BPM	BENEFITS FOR THE BUSINESS
<p>YOULOUNGE</p> <p>BANCO BPM'S INTERNATIONAL BUSINESS COMMUNITY FOR BUSINESS CUSTOMERS</p>	<p>Promote the products and services of business clients; develop business opportunities in the field of imports and exports; establish commercial partnerships with leading global banks.</p>	<p>The Banco BPM community has 251 business customers, of which 225 are Retail clients and 26 are Corporate clients.</p>	<p>As a member of the "Trade Club Alliance", a network of 13 International Banks, the business is able to identify the purchase and sale requirements of all members of the community belonging to the individual participating Banks.</p>
<p>YOUWORLD</p> <p>BANCO BPM'S ONLINE PORTAL FOR INTERNATIONAL TRADE</p>	<p>Provide business customers with information on international trade, organised by country and type of product or service.</p>	<p>A total of 1,248 businesses use the portal, composed of 1,172 retail clients and 76 corporate clients.</p>	<p>Provide constantly updated information on foreign countries in relation to imports/exports, the political and governmental framework, customs and tax regulations, and contractual obligations, as well as guidelines for trading in the chosen country and contact details of local financial institutions, potential suppliers or foreign buyers.</p>
<p>YOUTRADE FINANCE</p> <p>THE BANCO BPM ELECTRONIC GOODS TRADING PLATFORM</p>	<p>Simplify and optimise the relationship between the Bank and business customers operating on international markets.</p>	<p>420 contracts signed with business customers.</p>	<p>Manage the exchange of digital documents between the Bank and the customer, through guided and constantly monitored procedures able to ensure maximum security (e.g. use of digital signatures), reducing delays and monitoring the progress of the customer's actions.</p>
<p>LEAN THINKING</p> <p>PARTNERSHIP WITH THE "ICRIOS" OBSERVATORY OF BOCCONI UNIVERSITY ON "LEAN THINKING"</p>	<p>Stimulate innovation in business organisation and management through the promotion of the "lean" management approach.</p>	<p>Sample of business customers who have adopted the "lean" approach in various sectors of activity.</p>	<p>The adoption of the "lean" approach promotes the rationalisation of resources and company processes through experimentation and the progressive streamlining of business dynamics, not only in terms of production, with the relative improvement of certain financial processes.</p>
<p>ELITE</p> <p>A TWO-YEAR TRAINING PROGRAMME (2017-2019) FOR BUSINESSES IN PARTNERSHIP WITH BORSA ITALIANA AND IN COLLABORATION WITH BANCA AKROS.</p>	<p>Support business customers by providing the financial skills necessary to realise their growth and development projects.</p>	<p>47 business customers with important development prospects and projects, including listing on the stock exchange.</p>	<p>Offer businesses access to an international network; provide financial skills on the availability of various funding sources through a dedicated training programme; promote partnerships through the creation of useful contracts between companies and investors.</p>

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
<p>FAILURE TO DEVELOP THE ENTREPRENEURIAL NETWORK IMPACTS NEGATIVELY ON THE NATIONAL ECONOMY AND THE BANKING SYSTEM.</p>	<p>Origination activities directed towards current or prospective customers, basic analysis of non-listed businesses to identify any business opportunities.</p> <p>Integrated offer of specific solutions for each business need thanks to major national and international partnerships.</p>
<p>POSSIBLE FAILURE OF SUPPORTED OPERATIONS, WITH CONSEQUENT HARM FOR THE GROUP AND ITS CUSTOMERS.</p>	<p>Constant and transparent dialogue with business customers, offer of services and financial instruments in line with customer requirements and accurate risk analysis.</p>
<p>RISKS ASSOCIATED WITH OPERATIONS IN FOREIGN COUNTRIES</p>	<p>Support of transactions with leading banks in the respective countries able to monitor risks and opportunities at local level.</p>



DIGITAL INNOVATION, DATA PROTECTION AND PRIVACY

Digital transformation is a challenge that tests the ability of banks to work effectively and competitively in the coming years.

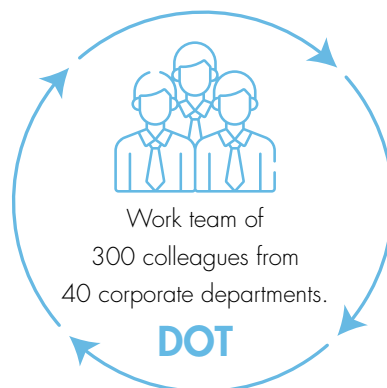
In 2017 Banco BPM launched the “**Digital Omnichannel Transformation**” (**DOT**) project, liaising with stakeholders from the planning phase through to the launch and testing phase. **Feedback, a high level of internal and external engagement and the promotion of a digital culture** have supported the launch of various services in 2018, which have also been subject to tests, satisfaction surveys and training activities.

SHARING

Sharing of ideas and projects to develop digital agility through workshops and expert testimonials

TESTS IN THE LAUNCH PHASE

Testing and launch of services, training and promotion of the digital culture, user feedback and continuous dialogue



SURVEYS AND FEEDBACK

Customer surveys, brochures and employees specialising in digital solutions, advanced services, multichannel model and non-financial services

SELECTION

Selection of services and features to be launched, project management and launch of work groups

MAIN SERVICES 2018

ISSUED



- Fully digital advance invoices
- YouLounge digital community to promote business internationalisation
- Technological and training activities at Contact Centres to construct new ad hoc multichannel solutions (data driven) at Group level
- Pairing of Nexi credit cards and smartphone payments
- Improvement and expansion of the Virtual Assistant service integrated in the Internet Banking portal
- Webank App with voice-activated interface for information and features in beta mode
- Residential mortgage calculator

LAUNCHED



- Integration of YouInvoice electronic invoicing system and internet banking
- Integration of internet banking with leading management software

TRAINING



OVER

8,000

Employees involved



OVER

82,000

Hours of training to develop digital skills

FOCUS ON:

- Digital transformation and multichannel functionality for banks
- Range of Banco BPM digital services
- Customer journey and customer experience
- New digital skill and dynamic culture

Data and information can reveal a great deal about our lives and it is essential to safeguard it: **the right to privacy**, recognised as a human right, concerns personal information and dignity, and has to contend with increasing pervasive and invasive technology and devices.

The development of digital technology within the Group has been supported by a careful control of **IT security and data protection**, in line with the new General Data Protection Regulation (GDPR). Internal initiatives in this context have aimed to combine and align the right to security and privacy with the introduction of innovative solutions.

In 2018, employee training and awareness-raising initiatives played an important role in this regard, as did the **technological protection measures, procedures and cyber intelligence** tools implemented to protect customer security (fraud prevention), ensure the integrity of IT systems (protection against cybercrime and hackers), protect data and information against theft or unlawful use, ensure the effective operation of customer services, particularly in terms of mobile technologies, and strengthen the Group's resilience with particular focus on the organisational departments of Group Companies that manage critical assets.

During the year, no cyber security breaches such to cause significant harm to the Group's IT systems were identified; however, cases of IT fraud were detected, often associated with the installation and activation of malware on customers' computer systems, generating potential losses which were nonetheless covered by the economic intervention of the Group.

As regards privacy complaints, one report and one complaint were submitted, in reference to which the Data Protection Authority has not yet announced its verdict, and one appeal that was ruled in favour of the Bank.

AGREEMENT BETWEEN BANCO BPM AND POSTAL POLICE TO PREVENT AND COMBAT CYBERCRIME

Following the agreement signed with the **State Police**, activities regarding the sharing of procedures for interventions and the exchange of information in order to prevent cyber attacks are continuing effectively. This enables the Police to access information useful to its inquiries in a timely manner and offers the Bank access to a centralised database.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
FAILURE TO SEIZE OPPORTUNITIES OFFERED BY DIGITALISATION	<p>Launch of a project aimed at developing the relationship with customers, seizing digitalisation opportunities to promote the ease and effectiveness of the commercial relationship.</p> <p>When streamlining the number of branches, digital technology enables customer relations to be maintained in an optimum manner.</p>
ABSENCE OF DIGITAL SKILLS WITHIN THE GROUP	Promoting the digital culture at all levels, developing skills, tools and work methods to facilitate the journey of transformation and the engagement of human capital.
PROTECTION OF IT SECURITY, DATA AND PRIVACY.	Investments and measures to protect digital identities and personal data, prevent fraud and cybercrime, particularly on apps and mobile devices, and guarantee operational continuity in all circumstances.
OPERATIONAL RISK	The digitalisation of documents and procedures helps to reduce human error and potential losses of information.

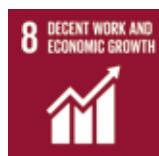
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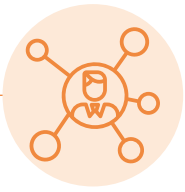


PEOPLE

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GROUP REORGANISATION AND INDUSTRIAL RELATIONS..... 56





PERSONNEL DEVELOPMENT, ENGAGEMENT AND WELFARE

The optimisation of human capital and the involvement of staff in corporate reorganisation decisions characterise the approach taken by the Group to safeguard the level and quality of employment and work.

As stated in the Code of Ethics, *"the respect of the identity and dignity of every employee is essential to the development of a working environment based on mutual trust and loyalty. A positive working climate is promoted, prizing individuality and interpersonal relations and promoting a strong sense of belonging and team spirit."*

Investment in training, the creation and diffusion of a shared identity and the initiatives dedicated to employee welfare are essential to enhancing human capital and creating and consolidating long-lasting relationships.

PEOPLE

TRAINING AND ENHANCEMENT

Continuous investments in training to confront future challenges and optimise human capital.

ENGAGEMENT AND CORPORATE CULTURE

Diffusion and reinforcement of the corporate culture to bring about change.

WELFARE

Attention towards its employees continues to represent one of the Group's key characteristics.

WHO ARE OUR EMPLOYEES

At year-end 2018 the Group employed over 22,000 employees, almost all of which on permanent contracts and with working relationships lasting for over 20 years on average. Almost two in three employees work in the commercial network and focus exclusively on the business sector.

Women represent approximately half of the company workforce and young people under 30 account for 3% at Group level. Of all employees, 15.4% have part-time contracts (+4.5% compared to 2017).

GROUP EMPLOYEES	2018	2017
TOTAL EMPLOYEES (NO.)	22,247	23,263
PARTNERSHIPS AND INTERNSHIPS	8	9
Employees by contract type (no.)		
Permanent	22,126	23,126
Temporary	2	5
Apprenticeship	119	132
Permanent contracts (%)		
Women	44.7	44.4
Men	55.3	55.6
Apprenticeships (%)		
Women	50.4	50.0
Men	49.6	50.0
Temporary contracts (%)		
Women	0	20.0
Men	100	80.0
Part-time employees (no.)		
Women	3,242	3,108
Men	182	167
Full-time employees (no.)		
Women	6,705	7,144
Men	12,118	12,707

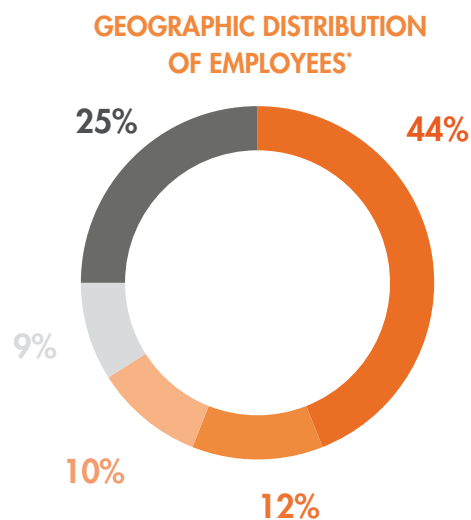
COMPOSITION BY AGE AND PROFESSIONAL LEVEL (%)	Professional areas and other employees	Managers	Executives
< 30 years	4.6	/	/
30-50 years	61.0	39.7	18.8
> 50 years	34.4	60.3	81.2
TOTAL	100	100	100

COMPOSITION BY PROFESSIONAL LEVEL AND GENDER (%)	Professional areas and other employees	Managers	Executives
Women	54.4	30.5	9.2
Men	45.6	69.5	90.8
TOTAL	100.0	100.0	100.0

The workforce composition by age, gender and professional level is substantially unchanged compared to 2017. Around 4 in 10 employees are educated to degree level or above, with a higher rate among women (39%) than men (37%).

■ Lombardy	■ Emilia Romagna
■ Veneto	■ The rest of Italy and abroad
■ Piedmont	

* The graphic refers to total employees subdivided by the main regions in which the Group operates. All employees are employed on permanent contracts or apprenticeships apart from two employees in Veneto who are employed on temporary contracts.



As regards contract categories, there is a higher female presence in the professional categories.

COMPOSITION BY GENDER AND PROFESSIONAL LEVEL (%)	Women	Men
Executives	0.3	2.3
Managers	25.9	47.7
Professional areas and other employees	73.8	50.0
Total	100	100

In line with the Business Plan, in 2018 over 1,000 people left the Group, 85% due to the Solidarity Fund and voluntary departures.

At the same time, the rationalisation of the branch network, which involved 1,700 people, enabled most vacant positions to be covered while the demand for specialist figures was covered through the hiring of new resources.

BANCO BPM GROUP	HIRES 2018	DEPARTURES 2018	HIRES 2017	DEPARTURES 2017
TOTAL (NO.)	50	1,066	161	1,506
Breakdown by gender (%)				
Women	22.0	37.3	49.7	62.7
Men	78.0	62.7	50.3	37.3
TOTAL	100	100	100	100
Divided by age (%)				
Under 30 years	32.0	1.9	81.4	1.9
30 to 50 years	50.0	9.5	13.7	9.5
over 50 years	18.0	88.6	4.9	88.6
TOTAL	100	100	100	100
Breakdown by location (in %)				
Northern Italy	90.0	82.5	76.4	83.5
Central Italy	6.0	13.2	14.9	10.9
Southern Italy and islands	2.0	3.9	87.7	5.6
Abroad	2.0	0.4	/	/
TOTAL	100	100	100	100

In 2018 the recruitment rate was 0.2% (0.3% for men and 0.1% for women), while the departure rate was 4.8% (5.6% for men and 3.6% for women).

TRAINING AND ENHANCEMENT

Employee training¹ is a vital investment to effectively support the reorganisation of the Group and the business, and represents a prerequisite for the growth and optimisation of human capital.

TRAINING 2018 - FOCUS AND TOPICS



SHARED CORPORATE AND MANAGERIAL VISION

- Leadership approach in teams and between departments
- Useful skills to reinforce the new corporate identity and execution ability
- Culture of inclusion in concrete management decisions



CHANGES TO WORK, NEW ROLES AND DIGITAL CULTURE

- Sharing of integration logic between different service networks and developing role-specific skills
- Distinctive skills to support change
- Digital culture and capacity for innovation



ADVANCED FINANCIAL CONSULTANCY, ASSESSMENT OF CREDITWORTHINESS AND RISK AND CONTROL SKILLS

- Integrate businesses and the ability to manage risks and controls across various networks
- Certify resources operating in financial consultancy sector in line with Directive MIFID II
- Assess company creditworthiness to improve the quality of loans and risk monitoring



CAPITALISATION OF INTELLECTUAL EQUITY

- Promote employability, focusing on programmes aimed at attracting and retaining young candidates
- Enhance the knowledge base by sharing experiences and promoting intergenerational exchange

In 2018 each Group employee received an average of 45 hours of training, with a total of 1,000,000 hours provided (of which approximately half were delivered in lecture halls).

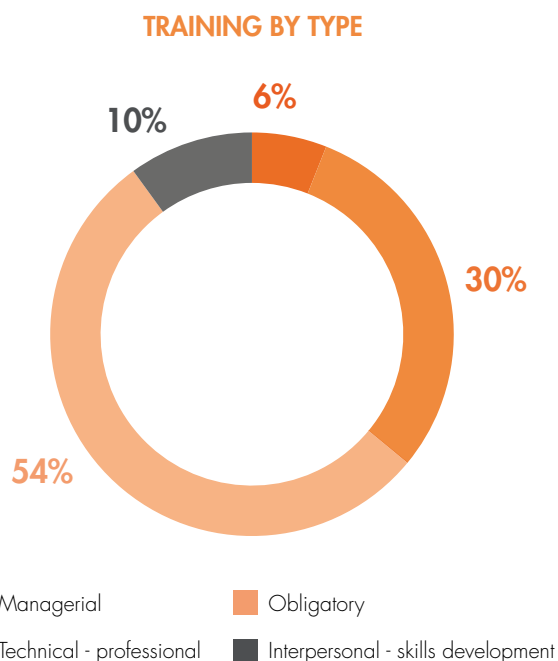
In 2018 men received more training than women, contrary to the situation in 2017 (approximately 38 hours for men and 41 hours for women).

AVERAGE HOURS OF TRAINING BY GENDER AND PROFESSIONAL LEVEL 2018	Men	Women	GROUP
Executives	25	21	25
Managers	51	48	50
Professional areas and other employees	42	43	43
TOTAL	46	44	45

¹Data on training does not include the companies Arena Broker S.r.l., Sagim S.r.l., Società Agricola, and Terme Ioniche S.r.l.

As the average number of hours of training for the different professional level remained substantially unchanged (43 in 2018 and 42 in 2017), in 2018 particular attention was given to training people with certain roles and responsibilities (through courses devoted to shared action and managerial vision, MIFID II, the culture of loyalty and inclusion), contributing to the increase in the number of hours of training for Managers (50 hours in 2018 compared with 35 in 2017) and Executives (25 hours in 2018 compared with 15 in 2017).

Obligatory training, which in 2018 included MIFID II training, represented over half of all training provided (compared to 38% in 2017). Furthermore, in the course of the year the Group dedicated over 105,000 hours to interpersonal skills (an increase of 60,000 on 2017).



The training activities unite the achievement of company objectives and the personal professional development of employees, who are regularly assessed in terms of quality, working practices and results.

In 2018 **over 21,500 people were assessed** at Group level, equating to around **97% of the total workforce²** (95% in 2017).

The appraisal represents an important opportunity for dialogue between the employee under assessment and their manager, and is the first step towards gaining access to the incentives scheme.

The National Collective Labour Agreement and the second level bargaining adopted within the Group provide the possibility for department managers to set terms and conditions and to disburse variable pay to collaborators who have distinguished themselves in the achievement of company objectives. On average at Group level, the variable component affects approximately 4% of total pay³.

In relation to remuneration by gender, there is no significant gender pay gap between men and women operating in professional and executive roles; however, in the management sector, the significant gap revealed in 2017 persists.

RATIO BETWEEN REMUNERATION FOR MEN/WOMEN (EXCLUDING PART-TIME)	2018	2017
Executives	0.74	0.77
Managers	0.93	0.92
Professional areas and other employees	1	1

² Percentage of employees assessed during the year: Executives: 96%; Managers 99%; Professional Areas/Other Employees 96%; Women 95%; Men 98%.

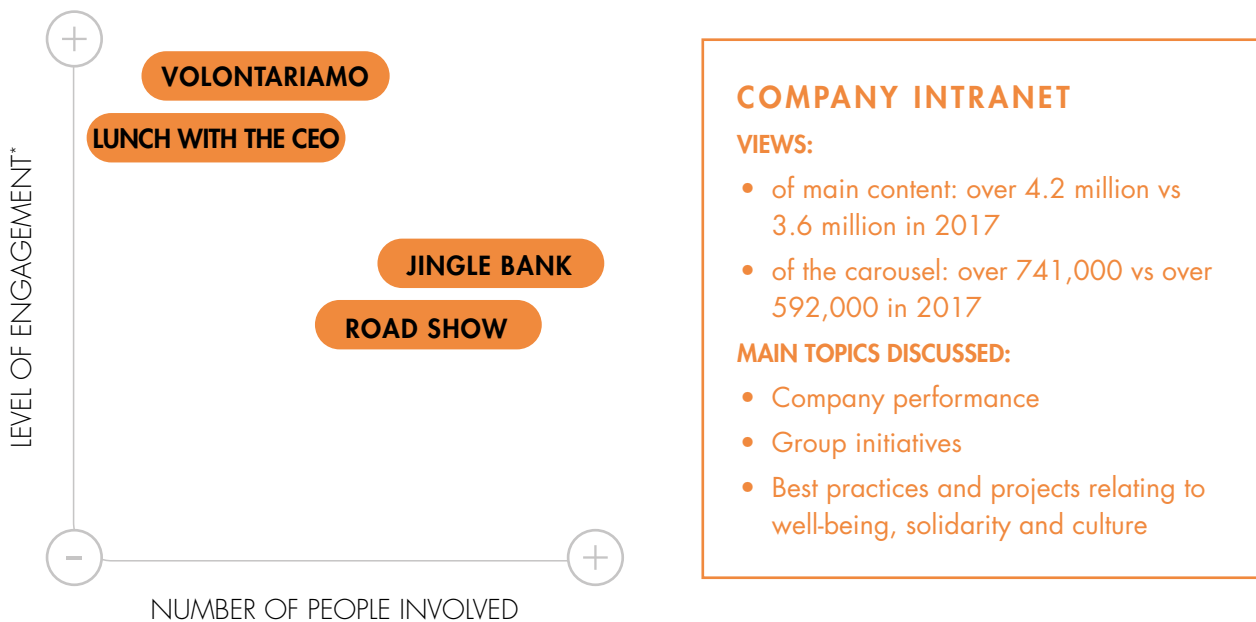
³ Considering the ratio between average remuneration and average salary.

ENGAGEMENT AND CORPORATE CULTURE

In 2018 engagement and staff enhancement continued to be key areas of focus to build and share the new corporate culture and to increase the effectiveness of the Group's reorganisation.

In this regard, Banco BPM engaged 300 employees with different professional skills as **Brand Ambassadors**, in order to generate new ideas, promote initiatives linked to identity among other colleagues and regions, and to support activities carried out in branch.

The intranet and internal events continue to prove useful tools to promote awareness about the initiatives, objectives and strategies adopted by the Group and contribute to the development of the company's identity and culture.



*The level of engagement also considers intensity of engagement (in terms of average time devoted to the initiative)

In 2018, the following events were particularly significant:

- the **"Road Show"**, a tour that involved around 3,500 employees in the main cities in which Banco BPM operates, aimed at presenting the Group's new position, the results of the Financial Statements, the Group's commercial objectives, the Business Plan and regional projects;
- the **engagement events**, including team-building events, organised at management level;
- the **"Lunch with Castagna"**, an informal lunch with small groups of colleagues and the CEO (60 employees in total) to promote dialogue and direct feedback;
- **creative and collaborative events** such as "Jingle Bank" (a Christmas event aimed at employees' children) and "Volontariamo" (volunteer days carried out during working hours).

The Intranet also enables the Group to promote good practices for everyday life (e.g. healthy eating), and initiatives and topics relating to solidarity (e.g. volunteering, blood donation) and culture (e.g. exhibitions, shows, conferences and events hosted by sponsors), etc.

WELFARE

The quality of the relationship between a company and its employees depends on the ability to offer services and benefits able to generate value for employees and their families. The Group offers employees access to a structured welfare system that considers the following areas:

HEALTH



Supplementary Health Insurance for current employees, workers who have been made redundant and retired workers, as well as their dependent family members.

W@W Project to promote health and well-being through training and awareness-raising initiatives focused on healthy lifestyles.

Psychological support to employees, offered on request (100 cases in 2018 for difficulties relating to personal and/or working life) or in response to traumatic events (50 post-robbery sessions in 2018 ⁴) as well as to persons with disabilities (80 cases during the year).

Company gym at the Milan office open to employees.

FUTURE PEACE OF MIND



Optional pension fund with a contribution paid by the Group.

Personal and professional liability insurance and critical illness policies.

REWARDS AND BENEFITS



Company bonus to non-executive employees linked to positive performance, delivered through a figurative monetary amount that can be used to purchase goods and services in certain fields (education, mobility, free time, support, etc.).

Banking and insurance services at favourable conditions

FAMILY AND FREE TIME



Work-life balance initiatives such as part-time work (adopted by 3,400 employees in 2018), smart working (used by 250 employees in 2018 for two days a week), partially paid leave of absence and parental support programmes.

Company crèche in Milan and Lodi.

CRAL (company recreation groups) that offer members and their relatives access to goods and services at favourable rate as well as cultural, theatrical, artistic, sporting and tourism activities.

Social **integration activities** in the region.

Summer schools for children between 6 and 16.

Protection of **employee health and safety** through the monitoring, management and prevention of work-related risks. In 2018 check-ups were provided to over 2,000 at-risk employees working at screen terminals and during night-time hours; these controls were accompanied by training activities that involved over 6,300 employees over almost 36,000 hours of training.

⁴ In 2018 there were 18 episodes of theft, down on the 23 recorded in 2017.

As regards **injuries**, in 2018 improvements were seen both in terms of number of cases (265, over two thirds of which occurred during transit, compared to 295 in 2017) and injury rates (7.59 in 2018 compared with 8.02 in 2017), and the impact on working activities (the severity index, with a value of 0.09 in 2018, was lower than the 0.22 recorded in 2017), with notably fewer incidents involving women and the relative number of working days lost. During the year there was one fatality during transit involving a man from Lombardy. With regard to the geographic distribution of injuries, there were no significant changes to the data recorded in 2017.

INJURIES	MEN	WOMEN	TOTAL
of which at work (no.) ⁵	41	45	86
of which in transit (no.)	89	90	179
of which in Northern Italy (%)	76.9	76.3	76.6
of which in Central Italy (%)	16.9	14.8	15.8
of which in Southern Italy and islands (%)	5.4	8.9	7.2
of which abroad (%)	0.8	/	0.4

⁵ The data on occupational health and safety does not include the companies Arena Broker S.r.l., Banca Aletti & C. (Suisse) S.A., Sagim S.r.l. Società Agricola, Tecmarket Servizi S.p.A. and Terme Ioniche S.r.l.

OCCUPATIONAL SAFETY	MEN	WOMEN	TOTAL
Injury rate (frequency rate) ⁶	6.44	9.14	7.59
Severity rate ⁷	0.06	0.13	0.09

⁶ number of injuries/workable hours x 1,000,000

⁷ days lost due to injury/total workable hours x 1,000

In the course of the year, **professional illnesses** were recognised among four Group employees: three cases referred to physical conditions and one to psychological conditions caused by the activities performed.

The absenteeism rate due to illness was slightly worse in 2018 (3.7% vs 3.3% in 2017).

WORKING DAYS LOST	MEN	WOMEN	TOTAL
due to injuries at work	1,215	1,864	3,079
due to injuries in transit	2,658	2,343	5,001
due to occupational illnesses	19	109	128

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
UNSUITABLE PROFESSIONAL PROFILES AND LOSS OF KEY RESOURCES	Correct selection, training and optimisation of employees, competitive pay and welfare package, employee engagement initiatives.
HEALTH AND SAFETY (PHYSICAL AND PSYCHOLOGICAL)	Organisational measures, psychological support, controls and ad hoc regulations. Technological investments to optimise the level of physical safety in branches. Medical check-ups for at-risk employees. Training initiatives aimed at raising awareness about diet, exercise and personal responsibility in relation to specific risks.



GROUP REORGANISATION AND INDUSTRIAL RELATIONS

The integration and reorganisation of the Group's activities aimed to simplify the corporate structure and reduce costs and redundancies.

This project has been carried out while safeguarding employment rates, providing a sustainable employee management model through constant dialogue with trade unions.

REORGANISATION OF GROUP ACTIVITIES

2017

- Integration of IT systems.
- Reorganisation of the asset management system.
- Launch of new commercial model.
- Project to ensure alignment of Group companies with the organisational model outlined by the Parent Company.

2018

- Complete implementation of the new commercial model.
- Incorporation of BPM and start of incorporation of SGS and BP Property Management.
- Network rationalisation and regional reorganisation of BPM branches.
- Transfer of the Custodian Bank business unit.
- Repositioning of core activities of Banca Aletti and Banca Akros.

REORGANISATION

CHANGE MANAGEMENT AND EMPLOYABILITY

2017

- Training to support change of roles and skills and to develop key skills.
- Management of workers made redundant through the Solidarity Fund.
- Launch of flexible working hours and financial rewards (Corporate Bonus).

2018

- Assess to the Fondo Paritetico Interprofessionale to fund training activities.
- Resolution on company bonus, welfare benefits and initiatives for employees and relatives.
- Stipulation of commercial policies and organisation of work to respect customers and workers.
- Creation of consolidated guidelines at Group level for Workers' Safety Representatives.

In 2018 the **new commercial model** came into effect, involving over 10,000 colleagues, around 30% of which had taken on new professional roles⁹, accompanied by the closure - due to redundancies and financial inefficiencies, of over 500 branches.

The **private and investment banking** activities were also restructured in order to create specialist centres of excellence at Banca Aletti and Banca Akros respectively. Thanks to significant investments in training activities, this offered certain colleagues the possibility to embark on alternative career paths and to develop new expertise and professional skills.

Organisational changes impact employees in their working and personal lives and, therefore, were accompanied by **constant dialogue** with trade unions, with a view to seeking solutions aimed at reconciling the needs of the company with the professional and personal goals of its employees.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
CONFLICTS BETWEEN SOCIAL PARTNERS	Continuous dialogue and negotiation with Trade Unions
INADEQUATE ORGANISATIONAL MODEL	Review of commercial model, streamlining of corporate structure and better utilisation of employees
OBSTACLES TO ORGANISATIONAL CHANGE	The organisational measures were accompanied by dialogue with Trade Unions and support and training initiatives for affected employees.

⁹ For more information refer to the Personnel Development, Engagement and Welfare chapter.

05



COMMUNITY AND ENVIRONMENT

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CONTRIBUTION TO THE COMMUNITY

For Banco BPM, supporting the social fabric of the regions in which it operates is a key commitment that is pursued through various types of initiative such as financial support, the sharing of resources and direct association.

This commitment is also stated in the Articles of Association; Article 5.2 provides for the possibility of devolving a share - no greater than 2.5% of net profit - to aid, charitable causes and initiatives in the public interest in the regions where the Group is most present, allocating to each of these, directly or through national foundations, a certain share.

**NON-PROFIT
ORGANISATIONS,
SCHOOLS AND
UNIVERSITIES, PUBLIC
AND RELIGIOUS
INSTITUTIONS**

FINANCIAL SUPPORT

by Group companies to social initiatives.

SHARING

of resources, skills and artistic assets.

ASSOCIATION

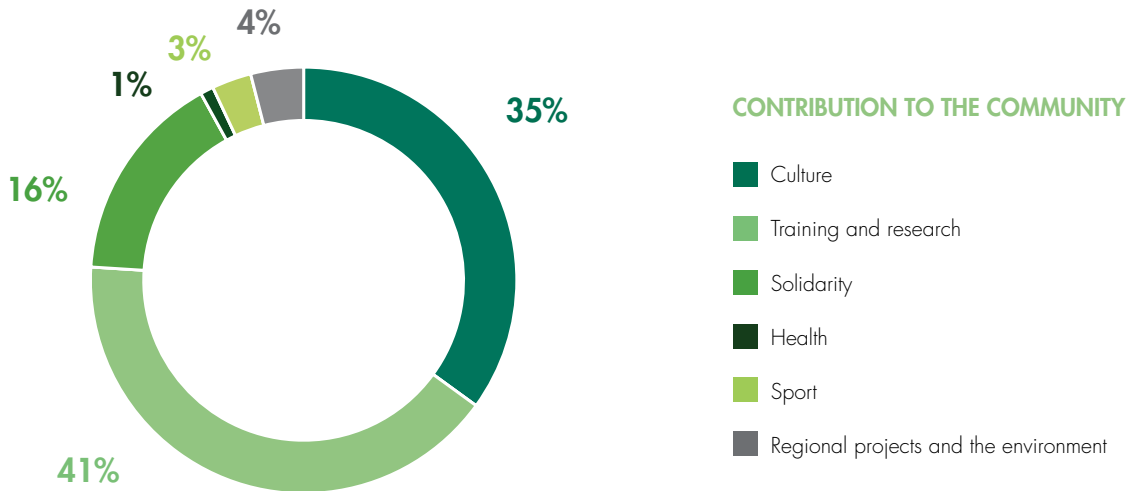
to non-profit organisations.

FINANCIAL SUPPORT

In 2018 the Group allocated approximately € 2.8 million to the community through donations and sponsorships to support social initiatives, of which approximately € 700,000 was allocated to Foundations¹.

The target sectors were chosen considering the Group's core values, the merit of the proposed initiatives and the social needs that would be supported by the contribution and, in the last year in particular, focused on culture, training and research, solidarity, health, sport, regional projects and the environment.

¹ This capital describes the community initiatives promoted by the Banco BPM Group. Activities carried out by Foundations, which do not fall within the scope of the Consolidated Non-Financial Statement, are described in a separate page at the end of the chapter.



To avoid possible risks relating to reputation, corruption and conflicts of interest, as well as to monitor the efficacy of the supported projects, the **Charitable Donations Committee** and the **Sponsorships Committee** were established and are responsible for assessing and approving the proposed practices.



In 2018 the Group once again reaffirmed its commitment to **cultural development** and supported some 134 initiatives.

These ranged from the long-standing partnership with **the theatre industry** (Estate Teatrale Veronese and Fondazione Atlantide Teatro Stabile di Verona for training activities, Globe Theatre di Villa Borghese in Roma, the winter season at Teatro Ponchielli di Cremona, Teatro Creberg di Bergamo, Teatro Stabile di Genova, Spazio No’hma Teresa Pomodoro in Milano) to events to promote *literature, painting, philosophy and cinema* such as “La Milaneseana”, the “Hemingway Days” in Genoa, the “Festival della Bellezza” in Verona, the Festival della Letteratura in Mantua and the “Gita al faro” literature festival in Ventotene, the “Strane Coppie” events in Naples, Rome and Milan, and the charity film marathon “Fuoricinema” in Milan.

Furthermore, the Group continued its support for the *leading philharmonic orchestras* such as La Verdi in Milan, the Fondazione Arena in Verona for its Philharmonic Theatre season and the “Gioacchino Rossini” Choral Association in Modena.

Special attention was given to initiatives to *promote traditions*, including those of religious origins, such as Verona Minor Hierusalem, co-founded by Banco BPM and one of the most important artistic and historic pilgrimage routes, the Festival Biblico della Curia Vescovili in Vicenza, and the “Tocati Verona - Festival internazionale dei giochi di strada” street game festival.



As regards **training and research initiatives**, critically important topics for young people and Italy as a whole and which accounted for over

40% of all donations and sponsorships offered by the Group, in 2018 various projects were supported which **offer careers advice and training to young Italians and foreign nationals** who are excluded from training and employment programmes, with the aim of providing training in sectors with the greatest employment opportunities. These included the “Botteghe di quartiere” project organised by Amici di Edoardo association in Milan and a partnership with the Municipality of Milan that in 2018 enabled almost 60 young people to receive specialist training as mechanics, bakers, pastry chefs, baristas and jobs in the fishing industry. In order to provide guidance to students the Group supported the “Itinera” initiative in Verona, while in Bergamo the *Cartolandia* initiative was chosen, aimed at preparing children and young people for adult life through play, the development of manual skills and advice from teachers and educators.

There was no shortage of support for *schools and universities*, with donations to the *Catholic University of Milan* for research carried out by the Observatory into Italy's public accounts and the allocation of **over 90 scholarships** to well-deserving students, partly in collaboration with the *Fondazione Famiglia Legnanese*, the *Fondazione per l'Educazione Finanziaria e al Risparmio*, the *Fondazione Intercultura Onlus* in Siena and the *Brain Research Foundation* in Verona.

Reaffirming its interest in providing training to young people, in 2018 the Group launched "**Schools project**", working in partnership with 12 Italian municipalities to help to provide adequate school equipment in public institutions, with particular focus on the areas of Emilia Romagna and Tuscany in the wake of the recent earthquakes.

Finally, the Group's profound commitment to research was confirmed by its support for the Italian Cancer Research Association (Associazione Italiana Ricerca sul Cancro - AIRC).



A total of 118 **solidarity initiatives** were carried out, including support provided to *Banco Alimentare Lombardia*; *Associazione Tudisco* in relation to La Casa di Andrea (Rome), which provides accommodation to relatives of paediatric patients hospitalised away from home; *Casa Don Colmegna* (Milan), which accommodates young people with mental illnesses; *Amici per la Vita Onlus* (Modena), which carries out voluntary work at home for the seriously ill; *Associazione Abio Italia Onlus*, an association with over 5,000 volunteers operating in paediatric departments across Italy; *Associazione Aism*, dedicated to people affected by Multiple Sclerosis; the *Centro Ausiliario* for young offenders in Milan; and the *Bed & Breakfast Protetto* project, which helps young Italians and foreign nationals to complete their academic studies and look for work with the support of a multidisciplinary team.



In the **health sector** the Group's initiatives focused mainly on the purchase of medical equipment and providing support to healthcare providers, including in sectors not covered by the public health service. Of particular note were the contributions to buy equipment for the *Buzzi* and *Santa Maria Nuova* hospitals in Milan and Reggio Emilia respectively, for *Associazione A.L.I.Ce. Verona Onlus* that offers rehabilitation for patients who have suffered strokes, and *Croce Azzurra Molisana* to enable to purchase of a defibrillator.



With **regard to sport**, the Group supported associations which organise major social responsibility projects aimed at promoting sport and its values among young people and the importance of physical activity for people with disabilities.



Regional and environmental projects were pursued in particular through the collaboration with **F.A.I.** - **the Italian Environment Agency** devoted to protecting and enhancing Italy's historic, artistic and scenic heritage, and the **Community Projects**, aimed at responding to appeals by specific organisations and providing a tangible contribution in a range of contexts, such as the installation of equipment for people with disabilities on the beaches of Santa Margherita Ligure, the provision of new benches at Molazzana primary school (Lucca), and the resurfacing of the youth sports field in the Municipality of Piogai in the Apuan Alps.

SHARING OF RESOURCES, SKILLS AND ARTISTIC ASSETS

The financial support provided through donations and sponsorships is flanked by the sharing of expertise, knowledge, buildings and cultural resources with worthy organisations and initiatives.

In this context, in 2018 the Group's commitment to **young people** in particular was consolidated through initiatives aimed at promoting the acquisition of knowledge and skills. In particular:

- support for training projects devoted to **JECatt** – Junior Enterprise of the Catholic University – as well as organisational support and the organisation of the annual Junior Enterprise event which in 2018 focused on change management and actively involved Group managers;
- **financial training for disadvantaged young people** in partnership with the Municipality of Milan and aimed at providing the tools and skills necessary to find employment in a short space of time;
- participation in the **Career Day** at the Universities of Verona, Florence, Novara and Cosenza and launch of **internships and work experience programmes**;
- teaching and business experiences for undergraduates looking to enter the world of work;
- **"Progetto Talenti"** in collaboration with the Catholic University of Milan to create personalised training programmes within businesses for deserving students.

In view of the Group's awareness of the importance of promoting **financial and economic literacy** among young people, **events were organised in schools** in partnership with Feduf, involving over 2,500 young people and collaborating with the popular science company Taxi1729 and the Genovese Beltramo Theatre Company.

An ad hoc programme was designed and implemented directly by Banco BPM employees at the Galdus school, an institution that for over 20 years has worked in the outskirts of Milan to train and provide careers' advice to order to educate young people about finance and money management.

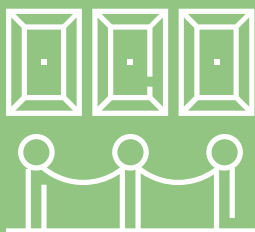
The Group's commitment to promote **financial and economic literacy** was extended to 18 cities through **20 workshops held in branch and open to the entire community**, with the participation of almost 1,000 people.

This focus on the community was also shared with Group employees through:

VOLONTARIAMO

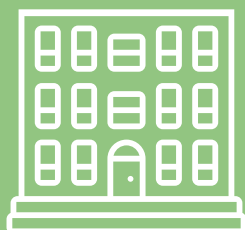
- "Volontariamo", a corporate volunteering initiative that involved around 300 employees during working hours;
- blood donation in branch with Avis, resulting in the collection of over 100 bags of blood at the Milan and Rome branches;
- food donations in collaboration with Banco Alimentare, with the collection of almost 6,000 kg of food.

The Group also boasts a rich collection of works of art and significant property assets, which are shared with communities as part of exhibitions, events and conferences hosted or occasionally organised by the Group at company offices:



ARTISTIC ASSETS

- 19,500 works of art in the Group's art collection, with an estimated value of € 61.7 million
- 34 works of art loaned free of charge to 20 exhibitions
- 22 restored paintings



REAL ESTATE ASSETS

- 9 events with over 1,000 attendees at the splendid Palazzo Altieri in Rome
- Over 6,000 participants in the "Invito a Palazzo" initiative at the Milan, Verona, Bergamo, Novara and Rome offices
- Almost 15,000 visitors to exhibitions, visits and initiatives organised at the BPL Arte Foundation in Lodi, Palazzo Bellini in Novara, Palazzo Scarpa in Verona, Palazzo Creberg in Bergamo and Palazzo Carandini in Modena
- Around 3,500 visitors to Palazzo Doria De Ferrari during the Rolli Days in Genoa



CONFERENCES

- 269 conferences organised by third parties at Group offices, over 86% were free to attend
- 56 conferences co-designed and co-organised by the Group

ASSOCIATION WITH NON-PROFIT ORGANISATIONS

The Banco BPM Group is **associated with various organisations** that work towards the creation of shared value. In particular, in 2018, over € 1 million was devoted to memberships to voluntary and non-industry associations. Some of these operate in the financial sector (e.g. AIR - Associazione Italiana Investor Relations and Assochange - Associazione Italiana Change Management), culture, the dissemination of ideas and the promotion of corporate social responsibility.

These include: **FEDUF** Fondazione per l'Educazione Finanziaria e al Risparmio which, founded on the initiative of the Italian Banking Association, promotes financial literacy in the broadest sense of the term.

VALORE D, a business cooperative that promotes diversity, talent and female leadership with activities developed through action plans focused on corporate welfare, inclusion of diversity policies, inclusive and fair leadership and governance models, and training programmes to overcome gender stereotypes.

Fondazione Artistica **POLDI PEZZOLI** Onlus, the non-profit organisation that has managed the museum and masterpieces of the Poldi Pezzoli collection since 1881. Its charter provides for the study, research, conservation and restoration of works of art, the enrichment of the collection through new acquisitions and donations, public education and information, and the promotion and optimisation of the institution, including through exhibitions of classic and modern art.

ASPEN INSTITUTE Italia, an independent and international association founded in the United States in 1950 to promote dialogue, understanding and human values in a complex and constantly evolving geopolitical context. Since its foundation in 1984 the Italian branch has been characterised by a strong transatlantic influence which is resonates today.

Fondazione **CUOA**, a management school that offers training and development programmes focused on the culture of entrepreneurship and management, as well as acting as an incubator for ideas and professional contacts, where people and businesses can find and pursue mutual development opportunities.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
REPUTATION AND UNRELIABLE COUNTERPARTIES	<p>Monitoring of the validity of the initiative and the members of the management bodies of the applicant institutions.</p> <p>Exclusion of certain types of applicants and initiatives operating in contentious contexts.</p>
CONFLICTS OF INTEREST AND CORRUPTION	<p>Monitoring of related parties through specific centralised procedures.</p> <p>Prohibition of cash payments and natural persons as beneficiaries.</p> <p>Regulation in force to implement the provisions of the Anti-money laundering and Anti-corruption Regulations.</p>

STATUTORY FOUNDATIONS, REGIONS AND ACTIVITIES

FONDAZIONE BANCA POPOLARE DI LODI

Lodi, Cremona⁽¹⁾, Pavia, Mantua, Liguria di Levante, Piacenza and Parma regions

FONDAZIONE BANCA POPOLARE DI NOVARA

for the Piedmont, Valle d'Aosta and Liguria di Ponente regions

FONDAZIONE CREDITO BERGAMASCO

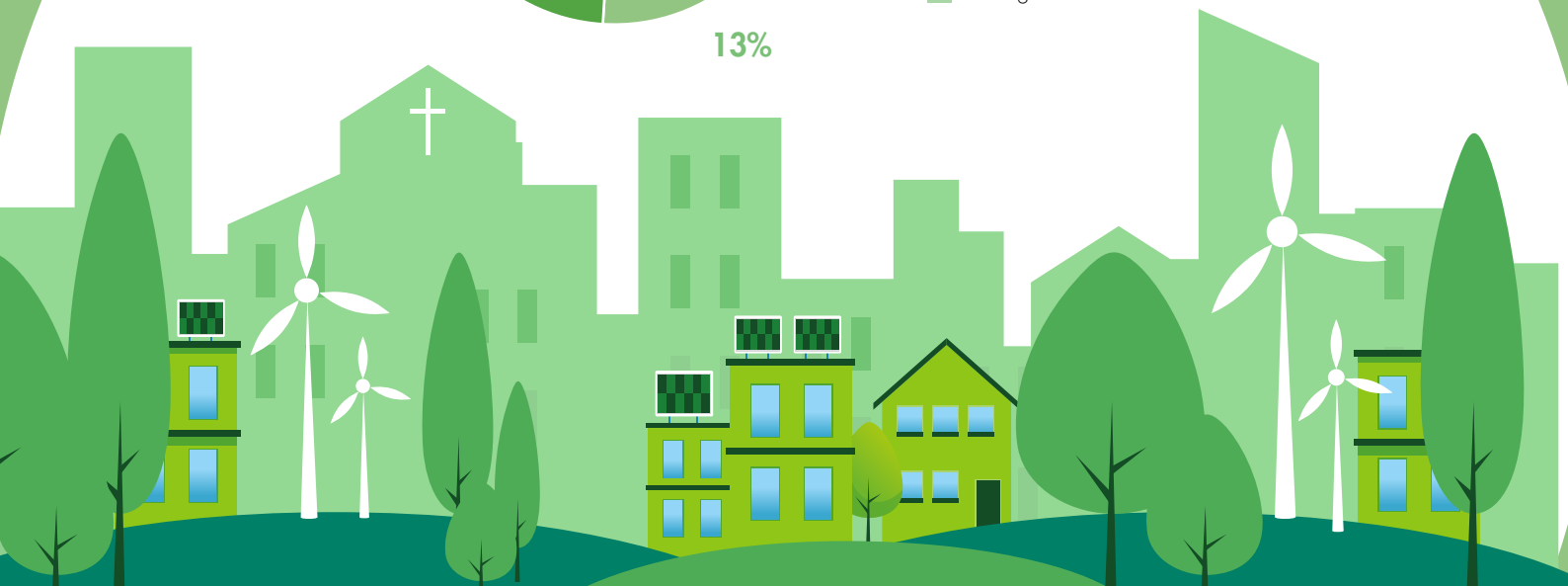
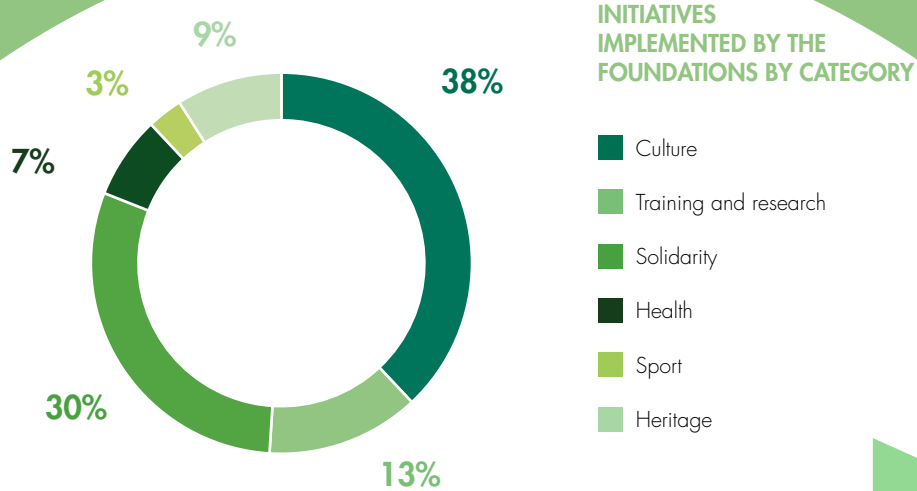
for the Bergamo, Brescia, Como and Lecco regions

FONDAZIONE DI CULTO S. GEMINIANO E S. PROSPERO

for the Modena, Reggio Emilia and Carpi regions

In 2018, the Foundations supported numerous initiatives, focusing in particular on culture and solidarity.

¹According to its Charter, Fondazione BPL devolves one eighth of its share to Fondazione BP Cremona and Associazione Popolare Crema for the region





ENVIRONMENTAL MITIGATION

The Banco BPM Group aims to help safeguard the environment by reducing the impact of its activities, including through an internal process aimed at standardising procurement processes and procedures, and supporting customers in the selection of green solutions.

In particular, the Group focuses on:

ENVIRONMENTAL MITIGATION*

ENERGY MANAGEMENT AND CONSUMPTION

CORPORATE MOBILITY

FOCUS ON CONSUMABLES,
WASTE DISPOSAL AND RECYCLING

COMMERCIAL INITIATIVES TO PROTECT THE ENVIRONMENT

PREVENTION OF ENVIRONMENTAL CRIMES

ENERGY MANAGEMENT AND CONSUMPTION

As part of its approach founded on the **principles of environmental sustainability**, the Group applies an **Energy Management** aimed the continuous monitoring of consumption, conduct benchmarking analyses and the implementation of improvements in around 1,700 branches and 60 offices and sites.

Again, in 2018 electricity consumed within the Group was almost entirely generated from certified renewable sources, **avoiding the emission of around 43,212 tonnes of CO₂ equivalents**.

In particular, Banco BPM consolidated its relationship with electricity providers able to certify the quality of their energy portfolio with the **Renewable Energy Guarantees Origin (GO)**.

* The environmental data (electricity consumption and greenhouse gas emissions) does not include the companies Arena Broker S.r.l., Banca Aletti & C. (Suisse) S.A., Sagim S.r.l. Società Agricola and Terme Ioniche S.r.l.

The consumption of electricity from non-renewable sources refers to investment properties, whose supply in 2018 could not be regulated in a centralised manner. The significant increase (33%) refers to a residual share which will eventually be eliminated, whose value is in any case of little impact overall.

TOTAL ENERGY CONSUMPTION IN GJ	2018	2017	Change 2018/2017
Electricity from renewable sources	490,824	534,512	-9%
Energy from solar panels	526	536	-2%
District heating systems	19,269	14,725	24%
Total energy from renewable sources	510,619	549,772	-8%
Natural gas for heating	186,974	192,764	-3%
Fuel oil for heating	3,245	8,448	-160%
Diesel (mixed + business use) + petrol for company cars	38,520	44,077	-14%
Electricity from non-renewable sources	1,375	927	33%
Energy for office heating from non-renewable sources	90,618	100,775	-11%
Total energy from non-renewable sources	320,732	346,991	-8%
Total energy consumed	831,352	896,763	-8%

Overall the reduction in energy consumption compared to the previous year (approximately 8%) was principally the result of the extensive corporate rationalisation and branch closure operation following the merger and the energy efficiency measures implemented.

The significant decrease in the item "Fuel oil for heating" (-160%) was mainly due to the decommissioning, where possible, of old diesel boilers, while the reduction in diesel and petrol consumption was predominantly attributable to the optimisation of the company fleet as described below.

The **efficiency plan for 2018** envisaged the implementation of plant redevelopment works including:

- the replacement of 25 traditional boilers with more modern condenser boilers;
- the installation of 63 high-efficiency air conditioning/heating units;
- approval by the Italian Energy Service Operator (GSE) of ten fifteen-year Conto Termico incentives, equating to an overall financial saving over the period of € 113,000;
- 500 white certificates issued in previous years and delivered in 2018;
- remote management of air conditioning systems in 90 branches with a reduction in energy use and on-site maintenance;

- contracts assigned for the performance of the next 17 energy diagnostic analyses, pursuant to Italian Legislative Decree no. 102/14, in line with the ABI Enea guidelines.
- preparation of calls for tenders to replace the lighting systems in 150 branches (Central/South area) in 2019 through the use of indirect LED lights, reducing consumption by 70%.

Furthermore, the EDIFICIOA3-Fase2 project at the Bezzi office in Milan was awarded the **LEED PLATINUM** certification for buildings built or redeveloped according to ecologically sustainable criteria, aimed at saving energy and water and reducing CO₂ emissions.



DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) FROM NON-RENEWABLE SOURCES (T CO ₂ EQ.)	2018	2017	Change 2018/2017
Natural gas emissions from heating systems	10,851	11,089	-2%
Diesel (mixed + business use) + petrol emissions	2,864	3,278	-14%
Fuel oil emissions from heating systems	241	626	-160%
Total emissions (Scope 1)	13,956	14,993	-7%

With regard to indirect emissions, acquired electricity is calculated using the “**Location-based**” method, which considers the quantitative total of acquired electricity from renewable and non-renewable resources, and the “**Market-based**” method, which considers the quantity of electricity certified by Guarantees of Origin with an emissions factor of zero.

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) FROM NON-RENEWABLE SOURCES (T CO ₂ EQ.)	2018	2017	Change 2018/2017
Emissions from acquired electricity - Location-based ¹	43,212	N/A ³	
Emissions from acquired electricity - Market-based ²	123	N/A ³	
Emissions from office heating systems	5,259	5,849	-11%
Total emissions (Scope 2) Location-based	48,471	N/A ³	
Total emissions (Scope 2) Market-based	5,382	N/A ³	

¹ Location-based calculation method: this method considers the total quantity of purchased electricity generated by renewable and non-renewable sources (this figure could not be compared with data from the previous year as the method was introduced for the Non-Financial Statement 2018).

² Market-based calculation method: this method considers the quantity of electricity covered by “Guarantees of Origin” which has an emissions factor of zero.

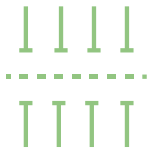
³ This method was introduced in 2018 and as such the data cannot be compared with the previous year.

CORPORATE MOBILITY

The **management of the company fleet** is based on precise selection criteria and principles of use aimed at promoting environmentally friendly practices through:



a system that processes employee requests by encouraging **car pooling** (20,000 passengers in 2018);



the **replacement of the company fleet** (approximately 50% of the fleet is due to be renewed, replacing around 400 Euro 4 and 5 vehicles with Euro 6 vehicles);



the **development of a mobile app** aimed at streamlining the vehicle reservation and car pooling system and accelerating the resolution of problems and the management of emergencies.

in addition, the, **video-conference system was improved** with a greater number of rooms and workstations equipped, facilitating the management of meetings and reducing transit times. In particular, in the course of the year, over 27,000 connections were activated, involving 210,000 colleagues.

Thanks to advanced IT systems, the Group is currently optimising the **remote training** facilities with a view to intensifying these activities in the future.

FOCUS ON CONSUMABLES, WASTE DISPOSAL AND RECYCLING

The Group's commitment towards environmental mitigation is also pursued through its focus on the use of predominantly recycled materials. In particular, over the past year the Group's **mitigation measures** included:



the majority of A3 and A4 paper used is **certified by the FSC** (Forest Stewardship Council) and **PEFC** (Programme for the Endorsement of Forest Certification), which guarantee that the paper has been sourced from responsibly managed forests;



all A4 sheets used internally use **recycled paper**;



migration from the distribution of paper copies of internal reports to **electronic versions**;



use of **electronic versions of headed paper** to reduce oversupply;



use of **ink and toner refills**.

As regards **waste**, at the end of the year the process to source a single supplier at Group level for provide waste collection and disposal services was finalised, aimed at **optimising and streamlining improvement and monitoring measures**.

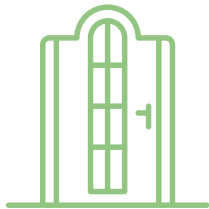
Nonetheless, in 2018 all local regulations on the subject of waste, including special and hazardous waste, were observed.

Furthermore, **initiatives were launched to promote the circular economy**, such as:

- the recovery, through **automatic, environmentally friendly compactors** at the staff canteens in Milan, of 8,390 kg of plastic to be used to produce other goods;
- continuation of the **Youecobox** initiative, enabling the collection of 157,000 security devices and credit cards no longer used by customers and beginning the recycling process. Electronic obsolescence is one of the most complex problems to be managed and, in response to this, the programme is expected to be rolled out to all branches of the Group.

COMMERCIAL INITIATIVES TO PROTECT THE ENVIRONMENT

In 2018 several specific initiatives were launched, including:



MUTUO BIOEDILIZIA - GREEN BUILDING MORTGAGE

the first of its kind in Italy, developed in collaboration with FederlegnoArredo, aimed at providing mortgages for non-residential buildings constructed according to "green building" criteria in line with the Sistema Affidabilità Legno Edilizia quality protocol.



ENERGY EFFICIENCY LOAN FOR BUILDINGS IN THE MUNICIPALITY OF MILAN

issued at favourable rates for apartment buildings that carry out renovations and redevelopment works to improve energy efficiency, subject to the approval of the Municipality of Milan.



PARTICIPATION IN THE EUROPEAN ENERGY EFFICIENT MORTGAGES ACTION PLAN

to create a mortgage standardised at European level, with the aim of encouraging energy efficiency measures, redevelop buildings and promote the purchase of highly efficiency assets through favourable financial conditions.

The attention afforded to environmental topics when assessing credit risk is also of note. The environmental information of borrowing businesses is collected through the qualitative section of the credit rating questionnaire. In particular, the business' approach to the assessment of specific environmental/ecological/regulatory risk factors is monitored to determine the relevance of the impact on the business itself and any actions implemented to prevent and/or mitigate any risks associated with its activities (e.g. appointment of an environmental officer, occupational health and safety training, etc.).

The questionnaires are consulted when considering the application and are available to the decision-maker. These are completed on an annual basis regardless of whether any new credit lines are granted.

PREVENTION OF CRIMES COMMITTED IN VIOLATION OF ENVIRONMENTAL PROTECTION LEGISLATION

At year-end 2018 the Group owned approximately 6,000 investment properties (garages, land, apartments, buildings, warehouses, etc.), principally acquired through debt recovery and defaulted leasing contracts.

The following properties are subject to the following management activities:

- identification of the responsibilities and activities of each party involved;
- mitigation of management risks through constant monitoring;
- administrative management;
- guarantee of direct sale or sale by specialised agencies.

Responsibilities and activities are assigned and implemented in line with the laws and regulations in force, adopting, for all companies responsible for the management of such properties, the 231 Model which, in the case of the acquisition or recent establishment of said companies, is customised within a few months.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
USE OF NON-RENEWABLE NATURAL RESOURCES, ENERGY INEFFICIENCY AND FAILURE TO RECYCLE	Supply from renewable sources Energy efficiency initiatives and monitoring of energy consumption Use of recycled materials Separated waste collection and recovery
ENVIRONMENTAL SECURITY OF INVESTMENT PROPERTIES	Monitoring of real estate conditions and maintenance measures
MISSED COMMERCIAL OPPORTUNITIES PRESENTED BY THE GREEN ECONOMY	Launch and design of products and services for the green economy

06



INTEGRITY

BUSINESS INTEGRITY AND CONTRIBUTION TO LAWFULNESS IN ITALY	76
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BUSINESS INTEGRITY AND CONTRIBUTION TO LAWFULNESS IN ITALY

All corporate activities within the Group are characterised by sound and correct principles of conduct that apply to all relations with stakeholders and to the community and the environment.

Furthermore, as part of the **financial system the Bank plays an important role in the prevention of corruption and the fight against money laundering**, both of which are major problems that limit the development and growth of society.

The Bank has taken a clear stance on these issues, as expressed in the **Organisational, Management and Control Model** pursuant to Italian Legislative Decree no. 231/01 which refines the general principles that must be adopted to reduce the risk of unlawful behaviour. The **Code of Ethics** is an integral part of this model and defines the principles upon which the Group bases its activities.

This enables the Group to help the national system to function correctly and promotes the development of a corporate model based on compliance with regulations and the respect for human rights.

KEY PRINCIPLES OF THE CODE OF ETHICS



Correctness and honesty: respect for laws, internal regulations and the principles of professional ethics



Impartiality: prohibition, in both internal and external relations, to adopt any form of discrimination based on nationality, gender, age, physical or mental disability, sexual orientation, political opinions, membership of trade unions, philosophical opinions or religious beliefs



Professionalism, optimisation and protection of resources: demand and promotion of the utmost professionalism among directors, trade unions, employees and collaborators; recruitment according to objective criteria and equal opportunities; prevention and penalisation of discriminatory behaviour; physical and mental health and safety of persons operating within the Group



Transparency and completeness: timely, truthful and comprehensible financial and non-financial disclosure



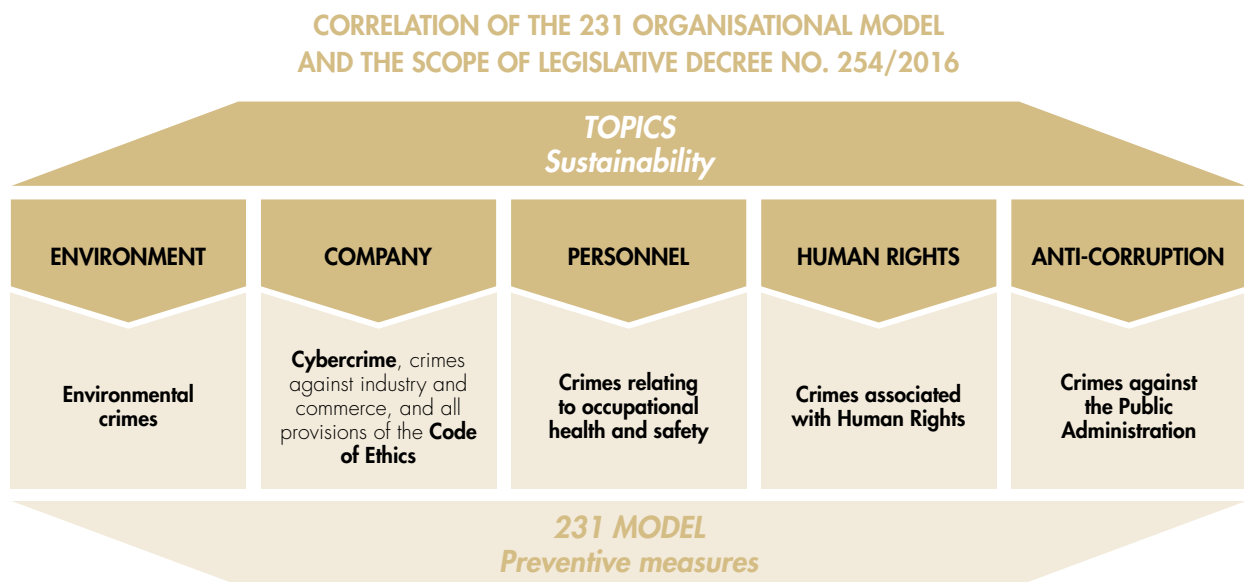
Environmental protection: focus on the environmental impact of its activities

MAIN REGULATIONS¹

- Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 and the Code of Ethics
- Regulation and Procedure to govern Related Party transactions
- Regulation, Procedures and Policies to manage at-risk activities and conflicts of interest in relation to Connected Persons
- Anti-corruption Regulation
- Anti-money Laundering Regulation
- Market Abuse Regulation

¹ For more information, the relevant company documents are available for download at: <http://www.bancobpm.it/corporate-governance/documenti-societari/>

As many of the regulations set forth in the Organisational, Management and Control Model pursuant to Italian Legislative Decree no. 231/01 refer to the contexts provided for by Italian Legislative Decree no. 254/2016 and refer to Sustainability (see table below), **the Group's activities are based on an approach that aims to safeguard relations with stakeholders and the community.**



The respect for **human rights** forms part of correct business conduct. The **Code of Ethics states that the Group is committed to respecting human rights, job protection, and the fight against corruption, organised crime and terrorism.** Any behaviour by employees in the performance of their professional roles defined as a criminal act in breach of regulations shall be considered as a violation of the Code of Ethics.

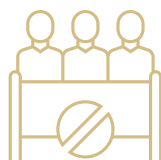
All companies of the Banco BPM Group are obliged to adopt the regulations, including the organisational measures adopted at Group level, adapting them to the specific nature of the activity performed.

The Model also includes regulations not required by said legislation, which have been adopted voluntarily by the Group, as they refer to certain particularly sensitive aspects relevant to the activities carried out, such as regulations governing anti-corruption, anti-money laundering, the fight against the financing of terrorism and conflicts of interest.

Every individual person is responsible for adopting correct conduct, while the task of supervising this process is assigned, with increasing levels of responsibility, to the managers of the individual departments, the audit departments and the strategic supervision and control bodies. **This system plays an important role as it promotes a culture characterised by correctness, the awareness of risks, lawfulness and company values.**

In view of the increasing need to migrate from a control system implemented merely as a formal obligation to a system where **correct management is an integral part of "good business"**, various training programmes have been launched for all staff levels, aimed at raising awareness about the importance of the internal control systems as a key driver in the achievement of performance and corporate compliance objectives necessary to safeguard costs, capital absorption and bank reputation.

Furthermore, for the new roles of Regional Division Audit Manager and Branch Audit Representative, an additional ad hoc training programme has been developed to build on the specific skills needs to monitor and guarantee the control system.



ANTI-CORRUPTION

Approximately 97,000 hours of training delivered, involving approximately 16,700 employees

Zero dismissals relating to cases of corruption

The control of the efficacy and observance of the Organisational, Management and Control Model of each Group Company which has adopted the 231/01 model is the responsibility of the relative Supervisory Body. All reports relative to the commission of crimes and/or events and/or behaviour in breach of the adopted organisational model must be submitted to said body.

Another channel available to report any non-compliant conduct is the **Whistleblowing System** which enables any employee to report acts or events that may constitute a breach of the regulations governing banking activities, guaranteeing the anonymity and protection of the persons involved.



ANTI MONEY LAUNDERING

Approximately 67,000 hours of training delivered, involving over 7,500 employees

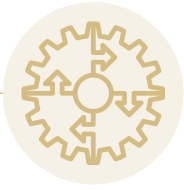
Automatic controls when entering/modifying data in the register prior to commencing continuous relationships, and continuous checks

WHISTLEBLOWING SYSTEMS

Supervisory Body 231/01: in 2018 a total of four reports were submitted, only one of which fell under the jurisdiction of the Supervisory Body and for which further information was requested.

Internal Whistleblowing System: in 2018 one report was submitted; subsequent inquiries did not find any irregular conduct.

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
NON-COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS	<ul style="list-style-type: none"> Organisational measures to monitor external legislation and update/adapt internal regulations Organisational measures to monitor the correct application of legislation Personnel training and information
NON-COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS	<ul style="list-style-type: none"> Organisational measures to update the regulations and monitoring of the correct application of regulations Personnel training and information



SUPPLIER RELATIONS

Suppliers are selected from a pool of companies and professionals exhibiting the prerequisites of integrity, professionalism, competence and reputation. In no way does the Group enter into or maintain procurement agreements with parties involved in unlawful activities or that directly or indirectly exploit people, prevent human development or infringe human rights.

To ensure the uniformity of policies, criteria and procurement methods among Group Companies, a **Supplier Register** has been drawn up, useful not only as a database but as a management, evaluation and monitoring tool.



New suppliers can contact the Banco BPM Group through the Group website, individual applications or by notifying the departments seeking new suppliers or the individual buyers.

As well as submitting general, organisational and financial data, candidates must declare to have acknowledged the Organisational, Management and Control Model and the Code of Ethics and undertake to conduct themselves in line with the principles and rules contained in said documents. In this regard, to mitigate possible risks connected with the supply chain various checks are carried out before adding a new supplier to the Register and throughout the commercial relationship.

On the Supplier Register, information regarding quality and environmental certifications held by suppliers is monitored, enabling the Group to make decisions on the parties with whom it intends to collaborate on the basis of their social and environmental approach.

In 2018 the total number of suppliers at Group level was 1,689, almost all of which (99%) were located in Italy. Total turnover was approximately € 690 million, slightly less than the € 693 million in the previous year.



(Data in %)	TOTAL TURNOVER BY CATEGORY	
	2018	2017
SERVICES	36%	37%
REAL ESTATE	19%	18%
TECHNOLOGY	45%	45%
TOTAL	100%	100%

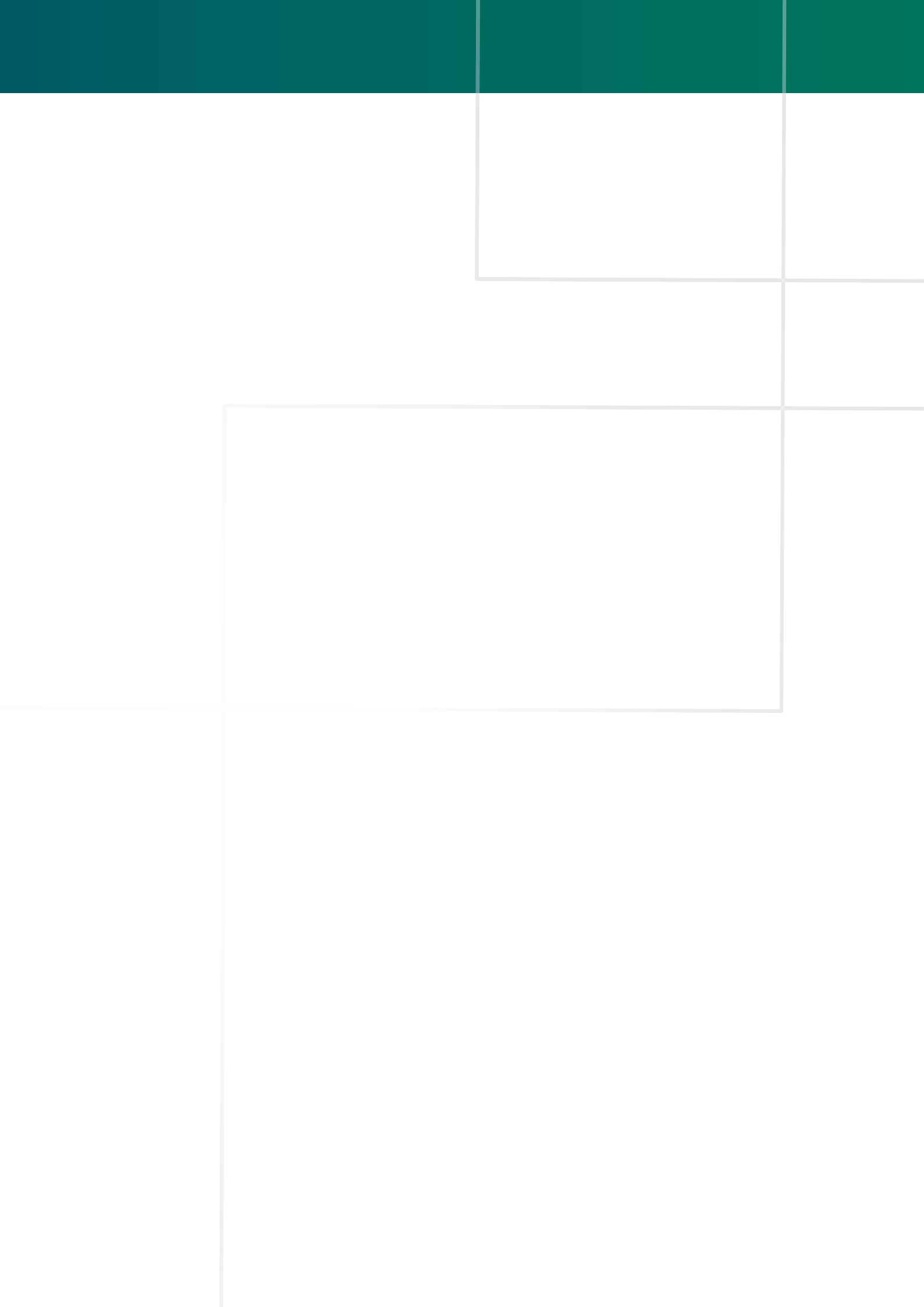
(Data in %)	TOTAL SUPPLIERS BY CATEGORY	
	2018	2017
SERVICES	44%	38%
REAL ESTATE	30%	35%
TECHNOLOGY	26%	27%
TOTAL	100%	100%

MAIN RISKS	MANAGEMENT METHODS/POLICIES ADOPTED
COMPLIANCE	<ul style="list-style-type: none"> Monitoring of contracts Systematic anti-money laundering controls Checks regarding legislative obligations in terms of occupational health and safety
EMPLOYMENT LAW	<ul style="list-style-type: none"> Monitoring of excessive financial dependence
UNRELIABLE COUNTERPARTY	<ul style="list-style-type: none"> Monitoring of the prerequisites of integrity, professionalism, expertise and reputation Checks of quality and environmental certifications Monitoring of the level of professional development Monitoring of economic and financial stability Acquisition of consolidated document on pension contributions



METHOD AND FRAMEWORK

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READING GUIDE AND NOTE ON METHODOLOGY

READING GUIDE

The Consolidated Non-Financial Statement of the Banco BPM Group (the "Statement"), produced in line with Articles 3 and 4 of Italian Legislative Decree no. 254/2016 and according to the GRI Sustainability Reporting Standards, contains information on environmental and social topics, personnel, respect for human rights and the fight against corruption. It is used to provide a better understanding of the activities carried out by the Group, its performances, its results and the impact generated by these factors.

The Group continues its journey in the belief that it is essential to adopt policies and strategies to manage the various non-financial contexts identified as priorities for the Group, as well as sharing its results with stakeholders. The Statement has been produced by focusing on the non-financial information deemed relevant in the light of the materiality analysis and which reflects the social, environmental and economic impacts that may influence the decisions of stakeholders.

The Statement is divided into three main sections. The first section describes the Group's identity, its organisation, its approach to risk management and the main results and recognitions achieved in 2018. This section also provides the reference context and describes the process adopted to determine the significant themes for the Group. The second section, which constitutes the bulk of the Document, is divided into chapters on the various areas of social and environmental impact such as customers and the region, employees, the community, the environment and integrity. In particular, for each non-financial topic the policies adopted, the main risks and the relative organisational and management methods applied are described. Finally, the third section focuses on methodology and the principle criteria used to produce the Statement.

The coordination and management for the preparation of this Statement was supervised by the Communications Department, in collaboration with other company departments.

NOTE ON METHODOLOGY

Reporting standards

The Consolidated Non-Financial Statement of the Banco BPM Group (the "Group"), produced in line with Articles 3 and 4 of Italian Legislative Decree no. 254/2016 (the "Decree"), contains information on environmental and social topics, staff, respect for human rights and the fight against corruption. It is used to provide a better understanding of the activities carried out by the Group, its performance, its results and the impact generated by these factors. This Statement is published on an annual basis (the Consolidated Non-Financial Statement 2017 was published in March 2018) and is produced pursuant to the Decree and the "Sustainability Reporting Standards" defined in 2016 by the Global Reporting Initiative (GRI), hereinafter the "GRI Standards", and the "Financial Services Sector Supplements". The level of compliance with the GRI Standards declared by the Banco BPM Group is in line with the "In accordance - core" option. To enable the reader to better reconcile the information provided in this document, the GRI Content Index is provided on pages 88-90.

This Statement reflects the principle of materiality, as provided by the GRI Standards: the topics covered in the Statement are those that, subsequent to the materiality analysis described on pages 22-23 of this document, were considered relevant and such to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

Reporting boundary

The qualitative and quantitative data and information contained in this Statement refer to the Group's performance in the year ending 31 December 2018. This Statement includes the data of Banco BPM S.p.A. and all fully consolidated companies, except for SPVs, companies in liquidation as at 31/12 and the company First Servicing Spa, which was newly established in 2018.

These exclusions are not relevant for the purposes of understanding the Group's activities, its performance, its results and the impact generated by these aspects. Statutory Foundations are also excluded from the reporting boundary.

The reporting boundary is consistent with the content described above, with the exception of certain data, where specific limitations are specifically described within the text and refer to situations in line with the Reporting Standards.

The economic and financial data described in the Statement derives from the Annual Financial Report of the Banco BPM Group at 31 December 2018.

With reference to the preparation of the information used to determine economic value generated and distributed, the Italian Banking Association (ABI) guidelines were considered, proposing the reclassification of the income statement according to Italian banking legislation. This table provides additional information to the data required by the Decree.

With reference to greenhouse gas emissions data, the following emissions factors are considered, as suggested by the ABI Guidelines:

- Italian Greenhouse Gas Inventory 1990 - 2016 - National Inventory Report 2018 Annex 6 National Emission Factors - Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Common Reporting Format – National Inventory Report 2018 – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Italian Greenhouse Gas Inventory 1990 – 2016 – National Inventory Report 2018 Annex 2: Energy Consumption for Power Generation – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- Italian Greenhouse Gas Inventory 1990 – 2015 – National Inventory Report 2016 Annex 6 National Emission Factors – Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA);
- “Climate Change 2013: The Physical Science Basis”. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Reporting process

In 2018 the Banco BPM Group adopted a structured procedure for the preparation of the Statement which, defined by internal regulations, identified the departments involved and the principles, roles and responsibilities for the reporting of the non-financial data contained in this Document. As such, the preparation of the Statement was based on a structured reporting process that envisaged:

- the definition of the deadlines and the content to be included in the Statement;
- the collection and control of information and the preparation and approval of the Statement, through the involvement of all company departments/divisions responsible for the relevant contexts and the relative non-financial information and data provided. Their input was requested during the collection, analysis and consolidation of data, with the responsibility of checking and approving the data contained in the Statement in line with their own jurisdiction. In particular, the data and information included in this Statement are collected through data collection forms designed to fulfil the requirements of Italian Legislative Decree no. 254/2016 and the GRI Standards. The data included in this Statement refers to measurable values. The use of estimates, where necessary, is duly indicated in the Document;
- the approval of the Statement by the Board of Directors;
- verification of compliance carried out by the independent auditors of Banco BPM Group, PricewaterhouseCoopers SpA; report attached;
- the publication of the Statement on the Group's website with a view to its transparent disclosure to all stakeholders.

Reporting principles

The process to define the content of the Statement is based on the principles provided for by the GRI Standards: materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance.

RECONCILIATION TABLE

MATERIAL TOPIC	DEFINITION AND RELEVANCE (2018)	GRI Standard Disclosure	INTERNAL IMPACTS	EXTERNAL IMPACTS
Business integrity and contribution to lawfulness in Italy	This refers to the set of rules, tools and initiatives that regulate sound corporate management, as well as the management model adopted to prevent and combat corruption and the offences identified in Italian Legislative Decree no. 254	GRI 205: Anti-corruption 2016	Banco BPM Group	All stakeholders
Personnel development, engagement and welfare	Development, engagement and optimisation of employees through training activities, professional opportunities, actions and initiatives aimed at increasing the professional, individual and personal well-being of employees.	GRI 401: Employment 2016 GRI 403: Occupational Health and Safety 2016 GRI 404: Training and Education 2016	Banco BPM Group	Personnel
Contribution to the community	Support for the social fabric through social sponsorships, charitable donations, provision of corporate assets, volunteer activities and other initiatives aimed at promoting community development.	GRI 201: Economic Performance 2016 GRI 203: Indirect Economic Impacts 2016	Banco BPM Group	Community
Environmental mitigation	With regard to direct impacts, all actions aimed at reducing the consumption of resources used in company activities as well as the main toxic emissions are considered. For indirect impacts, loans to fund initiatives and projects to promote energy efficiency and the evaluation of environmental risk in the credit process are considered.	GRI 302: Energy 2016 GRI 305: Emissions 2016 GRI 301: Materials 2016	Banco BPM Group	Community
Supplier relations	Selection of Suppliers from a pool of companies and professionals exhibiting the prerequisites of integrity, professionalism, competence and reputation.	GRI 204: Procurement practices 2016	Banco BPM Group	Suppliers
Relations with customers and the region	Support for the local economy, quality of service, feedback and transparency are key requirements for a fulfilling and long-lasting relationship.	Product portfolio (GRI G4) GRI 413: Local Communities 2016	Banco BPM Group	Customers
Business internationalisation and development	Business development is a priority for Italy and represents an important business opportunity for the Group, which is aiming to become a reference partner for Italian mid-caps by supporting growth in Italy and abroad.	On this subject (which is not directly associated with an aspect of the GRI Standard guidelines), Banco BPM has described its management approach and the relative indicators adopted.	Banco BPM Group	Customers
Support for savings and informed decisions	This refers to the ability to protect and optimise the savings of customers and businesses through an advanced consultancy model and the implementation of financial literacy initiatives	Marketing and labelling (GRI G4)	Banco BPM Group	Customers
Digital innovation, data protection and privacy	Innovation is considered an important driver of sustainability in relation to the ability of businesses to adapt to new requirements and social or cultural changes and to adopt new technologies to improve service efficiency and effectiveness while protecting the customer data used by the Group.	GRI 418: Customer Privacy 2016	Banco BPM Group	Customers
Group reorganisation and industrial relations	Initiatives aimed at the reorganisation of the Group are necessary to recover efficiencies, improve the decision-making process and create a more sustainable business model able to adapt promptly to technological developments and change. This process must necessarily be accompanied by continuous dialogue with trade unions.	GRI 402: Labor/Management Relations 2016	Banco BPM Group	Personnel

GRI CONTENT INDEX

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102-3	Location of headquarters	Inside back cover	
102-4	Location of operations	13	
102-5	Ownership and legal form	11-12	
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102-14	Statement from senior decision-maker	3	
102-15	Key impacts, risks, and opportunities	14, 34, 38, 42, 44, 55, 57, 65, 73, 79, 81	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	8, 76-77	
102-17	Mechanisms for advice and concerns about ethics	79	
GOVERNANCE			
102-18	Governance structure	11-12	
102-22	Composition of the highest governance body and its committees	12	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	8, 15, 30, 53	
102-41	Collective bargaining agreements	All employees are covered by collective bargaining agreements depending on the reference company.	
102-42	Identifying and selecting stakeholders	30-31, 53	
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102-44	Key topics and concerns raised	30-31, 53	
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102-46	Defining report content and topic Boundaries	22-23	
102-47	List of material topics	23	
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GENERAL STANDARDS	DESCRIPTION OF DISCLOSURE	"PAGE NUMBER" (OR DIRECT REFERENCE)"	OMISSIONS
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102-51	Date of most recent report	84-86	
102-52	Reporting cycle	84-86	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	84-86	
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GRI 201: Economic Performance 2016			
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201-1	Direct economic value generated and distributed	15	
GRI 203: Indirect Economic Impacts 2016			
103-1; 103-2; 103-3	The management approach and its components	60-66, reclassification table	
203-1	Infrastructure investments and services supported	61, 66	
GRI 204: Procurement practices 2016			
103-1; 103-2; 103-3	The management approach and its components	80-81, reclassification table	
204-1	Proportion of spending on local suppliers	81	
GRI 205: Anti-corruption 2016			
103-1; 103-2; 103-3	The management approach and its components	76-78, reclassification table	
205-2	Communication and training about anti-corruption policies and procedures	79	Data about anti-corruption policies and procedures is not available.
205-3	Confirmed incidents of corruption and actions taken	79	
GRI 300: Environmental standards			
GRI 301: Materials 2016			
103-1; 103-2; 103-3	The management approach and its components		
301-1	Materials used by weight or volume		In 2018 data on materials used was not available due to IT maintenance and reorganisation.
GRI 302: Energy 2016			
103-1; 103-2; 103-3	The management approach and its components	67-68, reclassification table	
302-1	Energy consumption within the organization	68	
GRI 305: Emissions 2016			
103-1; 103-2; 103-3	The management approach and its components	67-68, reclassification table	
305-1	Direct (Scope 1) GHG emissions	69	
305-2	Indirect (Scope 2) GHG emissions	69	
GRI 400: Social standards			
GRI 401: Employment 2016			
103-1; 103-2; 103-3	The management approach and its components	48.50, reclassification table	
401-1	New hires and employee turnover	50	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	54	
GRI 403: Occupational Health and Safety 2016			
103-1; 103-2; 103-3	The management approach and its components	48, 55, reclassification table	

GENERAL STANDARDS	DESCRIPTION OF DISCLOSURE	"PAGE NUMBER" (OR DIRECT REFERENCE)"	OMISSIONS
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	55	Data for external partners was not available has not been included.
GRI 404: Training and Education 2016			
103-1; 103-2; 103-3	The management approach and its components	48, 51-52, reclassification table	
404-1	Average hours of training per year per employee	51-52	
404-3	Percentage of employees receiving regular performance and career development reviews	52	
GRI 405: Diversity and Equal Opportunity 2016			
103-1; 103-2; 103-3	The management approach and its components	48	
405-1	Diversity of governance bodies and employees	12, 49	
405-2	Ratio of basic salary and remuneration of women to men	52	
GRI 418: Customer Privacy 2016			
103-1; 103-2; 103-3	The management approach and its components	43-45, reclassification table	
418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	45	
Topics not covered by GRI Aspects			
Business internationalisation and development			
103-1; 103-2; 103-3	The management approach and its components	39-42, reclassification table	
Indicator of specific Sector Supplement - G4 - PRODUCT PORTFOLIO			
103-1; 103-2; 103-3	The management approach and its components	26-30, reclassification table	
G4-FS6	Customer portfolio	27, 32	
G4-FS7	Products and services to designed to deliver specific social goals	29-30, 32-33	
Indicator of specific Sector Supplement - G4 - LOCAL COMMUNITIES			
103-1; 103-2; 103-3	The management approach and its components	26, 29-30, reclassification table	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	29	
Indicator of specific Sector Supplement - G4 - MARKETING AND LABELLING			
103-1; 103-2; 103-3	The management approach and its components	35-37, reclassification table	
G4-FS16	Initiatives to enhance financial literacy by type of beneficiary	30, 37	

INDEPENDENT AUDITORS' REPORT



BANCO BPM SPA

**INDEPENDENT AUDITOR'S REPORT ON THE
CONSOLIDATED NON FINANCIAL STATEMENT
PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF
LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5
OF CONSOB REGULATION NO. 20267 OF JANUARY 2018**

YEAR ENDED 31 DECEMBER 2018



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Banco BPM SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Banco BPM SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 12 March 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016, hereafter the "GRI Standards", identified as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Banco BPM SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Banco BPM SpA, Banca Akros SpA, Banca Popolare di Milano SpA (merged into Banco BPM SpA during the year), BP Property Management Soc. Consortile a r.l., Bipielle Real Estate SpA, which were selected on the basis of their activities and their contribution to the performance indicators at a consolidated level, we carried out meetings and interviews during which we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Banco BPM Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Milan, 15 March 2019

PricewaterhouseCoopers SpA

Signed by

Pierfrancesco Anglani
(Partner)

Paolo Bersani
(Authorised Signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.

Banco BPM S.p.A.
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