

Strengthen a culture of compliance as an indispensable feature of the Group

At UniCredit, compliance is an inseparable aspect of the Group's business activities. Our commitment to compliance is founded on our internal approach to proper conduct, is consistent with our Group's core values and fundamentals and meets the expectations of our customers, regulators and society as a whole.

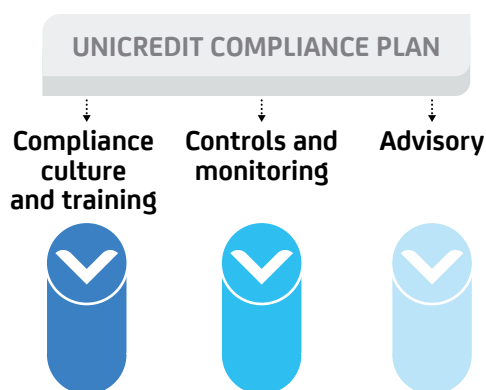
Reinforcing compliance

Compliance is a prerequisite to the legitimacy of our business and the sustainability of our Group. Adherence to laws and regulations neither prevents nor inhibits growth but is necessary to run a sustainable business.

Regulations are part of our operational environment and we must comply with them while remaining focused on our customers' needs in all our business areas and in all the countries where we are present. By constantly adhering to all applicable laws, rules and regulations, UniCredit helps prevent misconduct and the risk of sanctions, as well as reputational risk.

In accordance with our *Transform 2019* strategic plan, the UniCredit Compliance function focuses on enhancing compliance risk management and the effectiveness of actions to mitigate non-compliance risks. This happens by strengthening and rolling out common compliance standards and addressing regulatory challenges and new emerging risks affecting the Group.

UniCredit's 2018 Compliance Plan, approved by the Board of Directors, is based on three strategic pillars:



The plan lays out the guidelines, strategic priorities, and main initiatives to be implemented in 2018 which aim to strengthen these pillars at Group level.

✓ Compliance culture and training

UniCredit is committed to building and enforcing a common culture of compliance across all levels of our organisation and all geographic areas. To do this, we have reinforced our *Tone from the Top* programme with a strong commitment from all senior managers in spreading the importance of business ethics and risk culture, underlining expectations on the required conduct of employees. In addition, several communication campaigns continued to highlight the importance of our Code of Conduct principles and other topics such as whistleblowing and anti-corruption.

In 2018, we also launched the *Compliance for the Group* programme at Group level, aiming at increasing proximity between compliance and business through the regular discussion of compliance topics¹ at senior management level. This was done through classroom workshops (more than 28,000 attendees in 2018 across the Group), continuous communication, an education campaign for all Group employees and a dedicated compliance culture *Ambassadors Programme*. In this regard, 18 Group senior managers were selected from ten different business divisions to spread compliance principles and desired behaviour by acting as role models in embracing and clarifying adherence to the Code of Conduct values.

Throughout the year, we facilitated a greater understanding of a broad range of compliance topics by introducing ten new mandatory courses including GDPR, PRIIPs (Packaged Retail and Insurance-based Investment Products) and anti-corruption.²

In addition, an updated and specific financial sanction classroom training session was provided to colleagues working in Trade Finance, Know Your Customer and Payment Operations consistent with the Group's high focus on this topic. In line with our mission to develop our people, we also offered three different Compliance Academies, available to all employees, in three languages.

1. Personal account dealing and insider information, MiFID II, anti money laundering, conflicts of interest, financial sanctions, anti-bribery and corruption, General Data Protection Regulation (GDPR), financial benchmark, Packaged Retail and Insurance-based Investment Products (PRIIPs), whistleblowing and antitrust.
2. Refer to the Supplement - Risk Management and Compliance section for more information.

As we are fully committed to foster compliance behaviour in each employee, at UniCredit the mandatory compliance training is a requirement to access variable compensation: employees will be eligible to receive bonuses only if they successfully complete a certain number of mandatory compliance training sessions.

- In 2018, UniCredit employees received roughly
- 663,000 hours of compliance and risk training.

✓ Controls and monitoring

The Compliance function also aims at ensuring effectiveness of the risk assessment and control processes.

Risk assessment and controls were conducted in consideration of new regulations coming into force (e.g., GDPR, PRIIPS, Financial Benchmark, MiFID II, etc.) and the areas identified as highest-risk (e.g., Anti Money Laundering, Financial Sanctions, Market Abuse). Every year risk assessments are reported on a quarterly basis to the relevant Group bodies such as the Board of Statutory Auditors, the Internal Controls & Risk Committee and the Group Risk & Internal Control Committee. They include key issues, trends, developments and the status of mitigation actions.

Moreover, supervision of top and emerging risks is constantly ensured through a joint analysis conducted by the control functions (Risk, Compliance and Internal Audit) which is performed annually and shared with top management and Committees.

✓ Advisory

Staying abreast of regulatory changes and promptly identifying UniCredit's obligations is essential for the Group, which is why we monitor forthcoming regulations before triggering the necessary implementation at various Group levels. Over the year, we focused on the Revised Payment Service Directive (PSD2), Financial Benchmark and the Insurance Distribution Directive (IDD) in particular through Group projects, by adopting or updating policies and processes, and by executing internal controls.

With specific reference to the GDPR, a Data Protection Officer was appointed for the Group and for each legal entity in order to ensure compliance with its requirements. A data protection impact assessment method was put in place and a data breach notification process implemented.

In UniCredit we also pay utmost attention to the evolving framework of the financial sanctions and embargo arena. In this regard, the Compliance, Business, Legal and Risk Functions guarantee maximum focus on related corporate transactions, by promptly responding to our customers and preventing penalties.

MATERIAL TOPICS



FOCUS

Anti-corruption and whistleblowing

UniCredit has zero tolerance towards acts of bribery and corruption and prohibits them in any way, shape or form, whether direct and indirect. UniCredit's approach in this regard is set out in our Group's Policy on Anti-Bribery and Anti-Corruption, which was updated in 2018 and adopted in all legal entities. In 2019 operational rules will be issued on anti-bribery and anti-corruption and a new update of the Group's Policy on Whistleblowing (WB) will also be published. In 2018, we continued to focus on the WB campaign in all legal entities and related training.

- In 2018, UniCredit employees received almost more
- than 63,000 hours of anti-corruption training.

A Whistleblowing Managerial Forum was also set up in 2018 to further strengthen the whistleblowing process by discussing trend analysis and managerial indicators stemming from WB received in the period by all relevant Group legal entities. Three meetings were held in this regard during the year.³

Italian Legislative Decree no. 231/2001

UniCredit SpA, aware of the importance of correctly applying the principles established by Italian Legislative Decree no. 231/2001, provides the Italian companies belonging to and directly controlled by the Group with principles, guidelines and the most suitable procedures to be adopted for their established organisational and management model. This model was updated in July 2018 due to new provisions on Whistleblowing introduced by Italian Law no. 179/2017.

3. Refer to the Supplement - Risk Management and Compliance section for more information.