

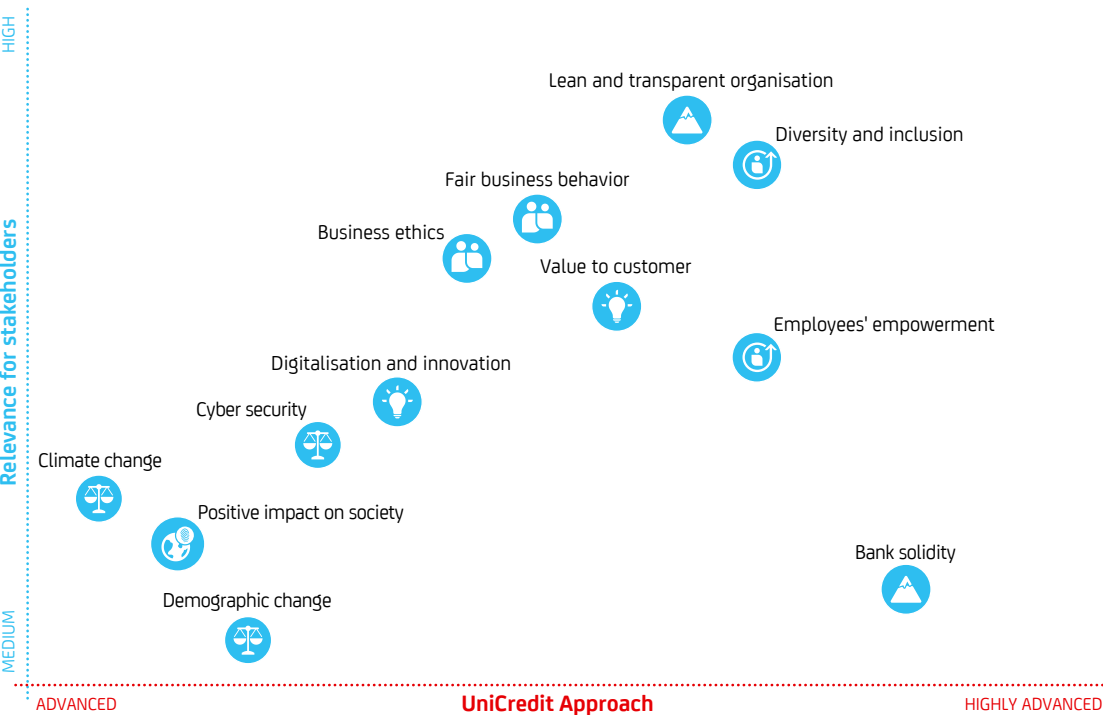
Stakeholder Engagement

Listening to stakeholders has always been fundamental to UniCredit's business: the Group regularly invests in mutual feedback activities that include all types of stakeholders, systematically collecting and evaluating observations, conducting research activities and responding to stakeholders' opinions and concerns.

We believe that understanding who your business impacts and who impacts your business is the key to long-term value creation. We also believe that knowing which issues are important to our stakeholders is crucial for managing risks and opportunities, and is therefore essential when it comes to making decisions and developing strategies.

Materiality matrix

UniCredit has periodically carried out materiality analyses since 2010 as result of listening to our stakeholders. This is a thorough approach that identifies critical economic, environmental and social aspects which could have a significant impact on the company's business performance and therefore on long-term value creation. The matrix below represents the upper-right quadrant of the overall matrix, and results from the ranking of a number of topics based on their relevance (medium or high) expressed by our stakeholders during an intense process of dialogue, as well as UniCredit approach to the same topics, measured in terms of managerial focus and investments (advanced or highly advanced)



Clusters

-  INNOVATION FOR CUSTOMER
-  LEAN AND SOLID BANK
-  PEOPLE DEVELOPMENT
-  ETHICS
-  EMERGING RISKS
-  POSITIVE IMPACT ON SOCIETY



For specific KPIs and Risks and Opportunities analysis of each material topic, please refer to following pages

UniCredit's materiality analysis made great progress in 2018. The bank's aim is to ensure it is robust and the focus is on the most relevant aspects for both our stakeholders and our business.

Material issues were reviewed and various ones rationalised, reducing them from 28 to 12 and thereby simplifying the matrix. No topics were removed, but instead grouped based on their area of common impact.

This matrix has been constructed using data collected from a variety of sources, providing a vast information base that can be audited and is objective, thus ensuring that the analysis is more consistent than in previous years.

During this process, current and emerging issues were assessed from the perspective of different stakeholders and based on our strategy. We used Datamaran's E-Revalue data analytics platform in addition to other sources we had relied on in previous years (sustainability rating agencies, research on global risks and opportunities, tools to listen to stakeholders and scenario analyses).

The Datamaran sources employed to complete and consolidate the opinion of our stakeholders include:

- Benchmarking analysis on reports published by our peers: sustainability reports, integrated reports and financial reports
- Regulatory analysis to identify the main laws and directives that impact the financial sector in all the regions in which our group operates (both mandatory and voluntary regulations)
- Assessment of the latest news related to topics relevant to the financial sector in the press and social media.

As a result, we were able to rank relevant issues for various stakeholders. This was done according to the level of importance of the items, considering the frequency with which the topic comes up and its percentage of use in the included sources.

The next step in this process involved evaluations of investments and managerial attention and focus

(initiatives, programmes in place, investments in the pipeline, etc.) via one-to-one interviews with internal reference functions for each material topic.

The results of these two phases are the elements shown in the matrix presented on page 24 and which were subject to an in-depth examination during several meetings of the Corporate Governance, Nomination and Sustainability Committee.¹

During these meetings, in addition to explaining the applied method in detail, the material items featured in the matrix were illustrated to the Committee members. Subsequently, we focussed on the risks and opportunities related to material aspects that may impact the Group and the entire financial industry as well as UniCredit's actions when faced with these new challenges.

This allowed us to provide a complete overview of Environmental Social and Governance (ESG) topics and our sustainability strategy to top management in an attempt to increasingly integrate this sustainability strategy into the Group's overall strategy.

This year, much attention was given to two topics in particular: the Business ethics and the Positive impact on society.

The former was also the central topic of a stand-alone project launched at the beginning of 2018 at the request of our Chief Executive Officer (CEO) in order for UniCredit to work on subjects relating to ethics. We started a process in 2018 to systematically review an approach to business ethics by focusing on the overall framework of values, behaviours and policies. This process will continue in the next few years as it is extremely clear to us that the broader picture is changing - and how quickly this happens. As a result, we are committed to keeping both management's and our focus very high in this area.

In 2017, to further our positive effect on society, we launched a project named *Social Impact*

1. Refer to the Governance chapter for more information on the Corporate Governance, Nomination and Sustainability Committee.

Banking, our commitment to building a fairer and more inclusive society. As its name implies, the aim is to identify, finance and promote people and enterprises that have a positive social impact. Helping to develop the communities where we operate is a cornerstone of our mission as a bank.²

We believe that an approach where sustainability is increasingly integrated in the group's

strategy lets us rapidly respond to the risks and opportunities arising from material issues.

Moreover, this makes it possible for us to actively contribute to achieving the Sustainable Development Goals (SDGs) thanks to a careful assessment of the bank's initiatives which have a positive impact on these goals, as shown in the following pages.

Dialogue tools with Stakeholders

	Channels:	Key facts
CUSTOMERS	<ul style="list-style-type: none"> Customer satisfaction assessment Brand reputation assessment Mystery shopping Instant feedback Focus group, workshops, seminars 	<p>More than 300,000 clients and prospects interviewed for our customer satisfaction surveys</p>
COLLEAGUES	<ul style="list-style-type: none"> People Survey of professional engagement Internal clients' perceptions of headquarters services Group Intranet Portal Departmental online communities 	<p>More than 80,000 colleagues answered to the People Survey^A</p>
INVESTORS/ SHAREHOLDERS	<ul style="list-style-type: none"> Qtrly webcasts and conference calls to present results One-on-one and group meetings, calls Shareholders' meeting 	<p>More than 500 meetings and 27 roadshow days with institutional, retail and socially responsible investors</p>
REGULATORS	<ul style="list-style-type: none"> One-on-one and group meetings, calls 	<p>Proactive engagement and contribution to the debate on the regulatory framework</p>
COMMUNITIES	<ul style="list-style-type: none"> Surveys Social Media 	<p>Around 27,000 clients requests managed via social media</p>

A. *People Survey* is a listening initiative carried out by UniCredit since 2003. Since *People Survey* is not carried out annually, data refers to the edition of 2017. Refer to the 2017 Integrated Report for more information.

2. Refer to the Social and Relationship Capital chapter on page 54 for more information on *Social Impact Banking* project.

Risks and Opportunities arising from material topics analysis and our contribution towards SDGs



Innovation for customers

Our key objective is to offer the best quality of service to our clients. In particular, we are assessing and participating in the digital revolution that is transforming the banking business. We are equipping our organisation to meet the challenges of the future, with a strong commitment to achieving sustainable results and engaging with our clients.

Contribution towards SDGs:



Risks

- Loss of market share and business focus if banking is not driven by client's needs
- Loss of market share and revenue due to non-competitive digital offering
- Unclear strategy on long term trends

Opportunities

- Starting from clients' needs develop a product offering and commercial strategy
- Responding to the digital challenge in an agile and customer centric manner, improving efficiency by leveraging technology
- Maintaining or increasing competitiveness by correctly responding to digital challenges

UniCredit's contribution towards SDGs - KPIs



Renewable energy projects portfolio^A at €7.8 billion

More than **30 new loans** in **Impact Financing** for **€32.6 million approved** in Italy



Package for Young to more than **30,000 customers** under 25 in **Croatia** offering basic banking services **free of charge**



Green and sustainable loans: leading role in **7 Sustainability-linked Revolving Credit Facilities** and participated in **11 transactions** for **€18.7 billion**

A. EAD, Exposure at Default.



Lean and solid banking

Thanks to our strategic plan *Transform 2019* we carried out several decisive actions giving the Group a strong capital position enabling us to focus on growing the business and developing additional client activity in the medium long term.

Contribution towards SDGs:



Risks

- ↘ Uncertain and volatile economic scenario affecting our long term planning
- ↘ Having strategy and business model not ready to respond to a constantly changing regulatory framework
- ↘ Complexity of processes and lack of agility might hinder our capability to react to continuously evolving framework

Opportunities

- ↗ Strong capital position allows for a more focused approach to deliver on targets
- ↗ Leaner processes can increase our flexibility and speed of response to external challenges
- ↗ Being a lean and solid bank increases stakeholders' confidence in our capability to deliver on our targets

UniCredit's contribution towards SDGs - KPIs



Application decommissioning surpassed the 2019 target by approximately **10%**, with over **1,200 applications removed since 2016**



Almost **50 partnerships** within the Group



FY18 fully loaded CET1 ratio 12.07%



People development

We support our colleagues throughout their professional lives by listening to their needs, valuing their skills, implementing training programs and development plans, and promoting diversity, inclusion and work-life balance. Every colleague needs to be motivated by and engaged in the success of the bank.

Contribution towards SDGs:



Risks

- ✘ Low attraction and retention for talented individuals would impact succession plans and pioneering in new business areas
- ✘ Risk of obsolescence especially in the new digital areas
- ✘ Decrease in people engagement due to lack of incentives in terms of inclusion and work-life balance

Opportunities

- ✔ Transform our workforce into innovative and tech-oriented, launch digital products and solutions
- ✔ Be an employer of choice thanks to investments in talented individuals and work-life balance solutions coupled with a widespread inclusion and diversity culture

UniCredit's contribution towards SDGs - KPIs

More than **33 training hours** per capita

Leadership programmes offered to **758 employees** from **16 different countries**



Women in senior leadership roles targeted at **20%** by 2022, **stands at 10% in 2018**

The **adoption of flexible working solutions** involved in Italy more than **4,100 employees** amounting to more than **61,000 days**



Ethics

For our Group the integrity and consistency of our values and behavior represents an important milestone along the road to sustainability. Our Code of Conduct outlines our approach to managing compliance risks and underscores the legal and ethical standards necessary to run our business successfully and to create long term value.

Contribution towards SDGs:



Risks

- Reputational risk and loss of market share
- Compliance and sanctions risk
- Being directly or indirectly impacted by human rights abuse

Opportunities

- Reinforce stakeholders' confidence through strong business ethics
- Maintain high reputation by avoiding noncompliance sanctions
- Increase awareness of the importance of human rights within our bank and our customer base

UniCredit's contribution towards SDGs - KPIs

18 Group senior managers from **ten different business divisions** selected for the **Ambassadors programme** on compliance principles and desired behaviour, embracing and clarifying adherence to the **Code of Conduct values**



Around **663,000 training hours** on risks and compliance topics

Human rights training for more than **69,000 colleagues**



Emerging risks

UniCredit analysed the activities which may expose our bank to newly developing or changing risks that are difficult to quantify and with a major impact on society and industry, but we also considered the opportunities resulting from such activities. Among those analysed, we identified Cyber security, Climate change and Demographic change as the main topics to be considered Emerging risks.

Contribution towards SDGs:



Risks

- ✘ Loss of competitiveness on financial markets if we are not addressing emerging risks
- ✘ Not considering shifts on demographics as a driver impacting strategies and business development
- ✘ Threat of cyber-attacks to our ICT systems
- ✘ Climate change impact managed only in terms of reputational risk and not as a driver for lending strategies

Opportunities

- ✔ Proactively managing emerging risks can be a competitive advantage
- ✔ Strong and safe ICT systems are a building block for stakeholders' trust
- ✔ We can play an important role in the transition to a low carbon economy, by having a clear and effective strategy

UniCredit's contribution towards SDGs - KPIs



As of 2018 **energy-efficiency loans** nearly **€2.4 billion** to **SMEs** and **€1.1 billion** to **individuals**

Overall reduction of 49% compared to our 2008 **Scope 1 and 2 emissions**



In 2018, we delivered over **45,000 hours of ICT security training** in Italy

Approximately €14 million dedicated to our **Paperless Branch programme** in Italy **in the first two years**



Positive impact on society

As one of Europe's largest banks, we are committed to building a fairer and more inclusive society. Our aim is to identify, finance and promote people and enterprises that have a positive social impact. We want to help people at risk of financial exclusion and organisations dedicated to tackling social problems.

Contribution towards SDGs:



Risks

- ✘ Risk of not being socially accepted if the positive social effects of our activity are not perceived
- ✘ Risk of losing our role of engine of the real economy growth
- ✘ Disconnection from stakeholders' needs when necessary
- ✘ Lack of investments in technology and mobility innovation to foster inclusion and accessibility may lead to client loss
- ✘ Distance from clients in terms of contents and products

Opportunities

- ✔ Being perceived as the bank of choice thanks to our inclusive approach
- ✔ Having a positive impact on society represents a boost for our reputation
- ✔ Take ownership of the importance of our role for the economic growth and wellbeing in our communities

UniCredit's contribution towards SDGs - KPIs

€33.4 million contributions to communities and €5.6 million as Business Innovation for Social Impact³

More than 1,600 new loans in Microcredit. €32 million disbursed in Italy. 62% of clients had never been financed before

UniCredit Foundation is going to donate 1 million of meals (€200,000) to the World Food Programme

25,300 students participating to *Sturt Up Your Life* initiative to attend financial education sessions

3. Refer to Social and relationship Capital chapter for more information.