

## JOINT RELEASE

### SECOND 2008 MEETING OF THE EUROPEAN WORKS COUNCIL

#### OVERVIEW

**On 16 October**, a meeting was held in Milan at the Headquarters of UniCredit between the European Works Council (EWC) and the Group's Top Management, represented by the CEO Alessandro Profumo, the Deputy CEO Roberto Nicastro, the CFO Ranieri de Marchis and the Group Head of HR Rino Piazzolla, among others.

At such a sensitive time, the meeting with the workers' representatives from 27 different Countries takes on greater significance than it has in the past, as it reinforces dialogue with management – something which is even more necessary now in the current macro-economic circumstances.

During the meeting, **Alessandro Profumo** explained the dynamics which have created the current situation, the actions taken by the Group to deal with the market difficulties, the operational details of the recent capital increase and some of the most pertinent transnational projects.

The EWC members were reassured as to the stability and strength of the Group which, in spite of the intensive speculation which had taken place in recent weeks, were founded on its international presence and business diversification, not to mention the professionalism of the Group's employees.

**Andrea Bonansea, Chairman of the EWC**, pointed out among other things how fundamental it is to support colleagues throughout the network, especially at this difficult time, and underlined the importance of clear, consistent instructions from management on customer relations management.

He also emphasized the need to strengthen relations between management and the workers' representatives in every Country in order to manage the fallout from the current crisis as well as possible.

In relation to this, the Chairman of the EWC repeated the request for the job cuts included in the 3YP to be implemented without resorting to collective redundancies, in other words by seeking to reach local-level agreements with employee representatives.

Finally, special attention needed to be paid, now more than ever, to the subject of fairness in cost reductions, which needed to involve every level of the corporate structure, including senior positions.

The CEO recognized the sensitive key role played by colleagues throughout the network and emphasized the actions that had been taken in the preceding days to boost communication with all our stakeholders and to relaunch the company's image, which had been distorted by recent speculation.

**Roberto Nicastro, Deputy CEO responsible for Retail and CEE Countries**, provided a general overview of the new economic situation that the Group was preparing to face, characterized by great uncertainty and instability. He underlined how, in spite of this, our situation was better than that of many of our competitors.

Every organisational process would be managed more flexibly and in the light of the new circumstances. In terms of cost control, investments would be reduced, and in some cases postponed or blocked, where necessary. Secondly, developing a new company culture in terms of cost of risk was unavoidable, and it was important to implement our customer satisfaction policy in the CEE Countries as well. Finally,

effective communication was more indispensable than ever in order to handle the climate of uncertainty and provide clearer answers to all our stakeholders.

“The strength of the UniCredit Group is its internationality,” Mr. Nicastro continued, “and the current circumstances should lead us to develop a stronger, more consolidated Group identity.”

In this respect, the EWC wanted to highlight how important the infra-group mobility instrument was for managing the redundancies provided for in the 3YP and with a view to more effective workload distribution. In addition, as regards sales policy, more attention needed to be paid to the quality of customer relations and the quality of the risks which were taken on, rather than volumes. In this context, it was essential for the managerial culture at every level to be in line with these objectives.

Mr Nicastro concluded by touching on the subject of the media attack suffered over the previous two weeks and how the Group's independence “is one of our most important values”.

### **Focus on the Current Financial Situation**

**Ranieri de Marchis, Chief Financial Officer**, described the new global economic circumstances and explained the capital increase operation in detail.

The worldwide banking context in which the Group now found itself had worsened, particularly in the preceding month, partly as a result of certain ‘explosive events’ culminating in the bankruptcy of Lehman Brothers. This had created trust problems on the universal economic stage and led to a serious deterioration in market indicators.

Regarding the recent capital increase operation, in answer to a request for clarification from the Chairman of the EWC, Mr. de Marchis said that “assets are our calling card in the market” and that “the decision, not easy but necessary” was taken in the face of a macro-economic situation which showed no signs of recovery, which was extremely volatile and which was not dictated by a genuine ‘capital emergency’. The CFO highlighted the need for more careful cost monitoring as the prospects for 2009 were a situation characterized by a much more complicated profit line to manage and an increasing cost of risk, which would create pressure on the company's profits in the process.

## **INFORMATION AND CONSULTATION SESSION – GROUP STRATEGIC PROJECTS**

### **The New Governance Model**

**Paolo Tripodi, Head of Group Organization and Global Sourcing**, presented a new corporate governance model which is supported by the entire Top Management and which will make our competitive advantages sustainable in the medium and long term.

The project arose from an in-depth analysis of the figures and the organization itself. It would facilitate an understanding of the complexities of the Group and an extension of selective division into departments, based on market conditions and the individual characteristics of our customers.

Mr. Tripodi said that this model was “evolutionary but also revolutionary” and that it had a central role in customer management where it provided added value, through the use of local top management in a key position.

The competence lines, particularly fully independent ones such as Legal & Compliance, Audit and CRO, would have a more dialectical relationship with the business lines and a reporting role in the checks and balances process, in view of the need to achieve flawless cost monitoring, especially in the current climate.

A central objective of the new program was to provide clear, precise references to all stakeholders and to align governance in the CEE Countries with the Group model.

### **The Executive Remuneration System**

**Rino Piazzolla, Head of Group Human Resources**, explained the Executive Compensation System, which is guided by market developments on an international level.

Its main objective is to attract and retain strategic resources and constantly refer to the benchmark set by our competitors in order to guarantee efficiency, fairness and transparency in executive pay.

The focus is on Senior Executive Compensation, emphasizing the fact that all decisions on this matter are approved by the Board of Directors with the support of an external advisor, and presented to the Annual Shareholder Meeting in line with the requirements of Banca d'Italia and CONSOB.

The importance of the long-term incentive plan and the proper use of stock options as the best instruments available to align management compensation with the shareholding value explain why the current crisis scenario has led to the decision to review the entire structure and annual plan for MBO incentives.

Rino Piazzolla concluded, at the express request of the EWC, by providing further details on the composition of executive compensation, showing how the greater part of it was linked to the achievement of short and long-term results, which in these circumstances would presumably not be recognized, or only partially recognized.

Mr. Piazzolla concluded by explaining that the *stock options* assigned during previous years now had no economic value.

### **Group Employee Share Ownership Plan (ESOP)**

**Paolo Cornetta, Head of Executive Development and Compensation**, provided an update on the Employee Share Ownership Plan (ESOP) approved by the Annual Shareholder Meeting in May, describing the changes that had been made to the original structure for the purpose of simplifying it and achieving greater efficiency and flexibility.

The Plan would be launched shortly and would involve five Countries in its first cycle (Italy, Germany, Austria, Bulgaria and Hungary), involving 106,000 Group employees.

Mr. Cornetta explained that "the objective is to include the other Countries, which are currently excluded due to legal, tax, operational and organizational obstacles, in the second cycle starting in 2009, subject to verifying feasibility and obtaining the approval of the next Annual Shareholder Meeting".

The European Works Council appreciated the company's decision to reconfirm the Employee Share Ownership Plan at a time of severe financial market crisis, but objected to the exclusion of a series of Countries and requested further information and verification on this subject.

The Central Management confirmed its willingness to provide precise, objective reasons, including on a local level, and to detail the possible solutions which could be adapted to the various situations in order to make participation in the 2009 plan possible.

Mr. Piazzolla added that "the aim of the ESOP is to give its beneficiaries a long-term investment plan; initiatives will not be taken to solicit employees' participation".

### **Global Banking Services**

**Paolo Cederle, Head of the Banking Service Department**, together with **Massimo Schiattarella, CEO and General Manager of Ugis**, and **Lissimahos Hatzidimoulas, CEO of HVBO**, explained the developments in the project for a more efficient common IT platform and Back Office organization.

The aim of the various IT projects was to bring about a convergence in operating models and to create a pan-European platform to serve more and more of our market customers and provide business support, based on best practices and standardization of the model. Mr. Cederle added that unifying the platforms was a major strategic measure which differentiated us from our competitors.

"The decision to standardize the Italian service model, which will be promoted as a single development and maintenance body, was made based on the excellent results achieved to date. At local level, we will see the creation of the new UGIS, highlighting our role as the single ICT supplier using a model which will be expanded to the entire Group – without losing its local focus." Mr. Cederle added that the model would enable new synergies to be achieved to make it possible to assess *insourcing* possibilities.

Regarding the Back Office, strategic decisions were focused on improving services and developing models; the merger of the current companies would make the Group into the second biggest service company in Europe. Career opportunities within the Group would increase and internationalization would have a positive effect on competences and processes, including locally.

In response to the question of female members of management and personnel incentives, Mr. Cederle said that equal opportunities would be emphasized and distinctive national characteristics would be preserved, focusing on cooperation.

## Poland

**Katarzyna Niezgodza, Head of Human Resources at Bank Pekao**, described the financial sector situation in Poland and how the constant economic growth of the previous three years had favoured its development.

The new circumstances required an investment in human capital in order to handle the personnel requirements of the new branches; however, in spite of the development of the market, the average salary remained below the European Union average.

This had led to a migration of qualified personnel to other Countries, related to the ongoing job increase in other sectors of the Polish market where average salaries were higher.

The globalization of processes and the coming of new technologies and types of work required constant development of employee competences and HR strategies in order to increase personnel motivation and the cultivation of talent.

Elements such as professional training, career opportunities and corporate values needed to be the instruments to facilitate employee retention. This should be in line with the current situation, characterized by a trend reversal due to the fact that training investments, career paths and shared corporate values were recognized as deciding factors in the choice of which company to work for.

It was also pointed out that, statistically speaking, most managerial positions were held by men, and that in the next few years an organizational focus would be dedicated to ironing out this discrepancy.

The Select Committee pointed out how important it was to retain colleagues by supporting salaries, welfare and corporate communication, underlining the key role of instruments for staff involvement and of career paths in resource management.

The Central Management said that one of the aims of the People Survey is to strengthen the Management/Employee relationship, gaining an understanding of employees' needs and developing a genuine corporate culture and identity.

Finally, a reminder was given of the imminent introduction of the new IT platform in Poland, a process which was to be completed by 2010.

In conclusion, the meeting was decidedly positive in terms of both the in-depth discussion of the various subjects and the shared, realistic approach to the current situation.

UniCredit Group  
HR Central Management

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European Works Council