Compliance Culture Maturity Assessment

8th Annual European Compliance & Ethics Institute

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Amsterdam, 16th March 2020

Executive Summary

• How to assess the maturity level of compliance culture through a qualitative and quantitative approach

• How to structure an effective cascading process toward all UC Group legal entities to ensure spread of clear messages on compliance culture

• Lessons learned and main outcomes to enhance future results
Main steps in the structured set-up of Compliance maturity assessment

- In December 2016 a dedicated project has been launched in order to define a methodology aimed at measuring the compliance culture maturity level within the Group
- A Pilot has been rolled-out on 5 Legal Entities (including 2 CEE LEs) in order to check the feasibility and to fine-tune the methodology
- Pilot phase was followed with a plan following twofold approach
  - For **Pilot Legal Entities**: action plan defined, included in yearly Compliance plan and status regularly monitored
  - Extending the scope with **Legal Entities 2nd wave** (8 LEs)
- Review the maturity assessment model and evaluate the set up of new thresholds for the next cycle
- Collect and analyze the trend of overall conduct indicators

Compliance culture maturity assessment Overview (1/2)

<table>
<thead>
<tr>
<th>Market Benchmark</th>
<th>Compliance Culture Maturity Model built according to Compliance Culture Framework</th>
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<tbody>
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<td><strong>Benchmark on main competitors and market best practices</strong></td>
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<tr>
<td>5 Banks</td>
<td>1 Consulting Company</td>
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Regulation guidelines

- Financial Stability Board: “Guidance on Supervisory Interaction with Financial Institutions on Risk Culture”
- Associazione Italiana Internal Auditors: "Risk Culture"
Compliance culture maturity assessment
Overview (2/2)

Maturity Model
Compliance Culture Framework building blocks analyzed on 2 dimensions: design (qualitative) and effectiveness (quantitative).

Culture Maturity Level
Compliance Culture Maturity Level for each building block.

Action Plan
Set of Remediation Actions to be implemented within the year for each building block.

Monitoring Conduct Indicators
Conduct Indicators, strictly related to the business, to monitor the Action Plan effectiveness.

Pilot Legal Entities Results

- 5 Pilot countries

As of December 2016

Note: some results of KPIs analysis are constrained by the lack of data (results based on a conservative approach in case of missing data).

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Pilot Legal Entities Breakdown

Following the results of the pilot, a number of initiatives were defined to improve maturity of compliance culture

- Top Management Endorsement
  - Tone from the Top Plan
  - Compliance Insights
  - Events (e.g. CIB workshop, Business ethic labs, EMC members 1 / 2 lines)

- Governance
  - Adoption of Group Compliance Culture Policy
  - Adoption of Group Code of Conduct

- Learning and development
  - Promote compliance learning offer and foster the completion
  - Develop learning programs dedicated to managers (Eg. Business ethics labs)

- Communication
  - Code of Conduct campaign
  - Whistleblowing campaign
  - Set of initiatives to raise compliance awareness on specific topics (infographics, videos, alerts)

- Performance management
  - Consideration of Compliance behavior in appraisal and promotion process
Biography & Contacts

**Milica Karunc** is a Certified Compliance & Ethics Professional (CCEP-I) working in UniCredit SpA, a leading bank in Italy, she was engaged in Compliance coverage oversight process on the Group level. She graduated in Economics (University of Belgrade, Serbia), started the banking career in 1997 and in 2001 joined UniCredit Group.

In the Bank in Serbia Milica gained significant experience in business development (products and processes in Retail banking) and during her international experience she joined Compliance team in UC Holding company. Currently she is responsible for Banking Operations in UCB Serbia.

As a member of Compliance Culture, Academy and Communication team in UniCredit SpA she has contributed in strengthening of Compliance culture and ethics through the Group, promoted and endorsed Compliance Academy and stimulated the knowledge through effective and dedicated initiatives.

**Lara Bonora** is a Certified Compliance & Ethics Professional (CCEP-I) and she is currently Head of Group Compliance Indirect Model, Oversight & Policies in UniCredit SpA, a leading bank in Italy. She joined the banking sector in 2012 after 7 year experience in consulting for Deloitte and KPMG.

Her main focus is on banking compliance, in her previous role as Head of Group Compliance Culture, Academy and Communication she contributed in designing and implementing the compliance culture program in UniCredit and launching the Code of Conduct communication campaign throughout the Group.

Lara graduated in Economics (Bocconi University, Milan), she achieved a Master in Corporate Investment Banking (SDA Bocconi School of Management, Milan) and a certification on Leading Business Transformation Program (IMD Business School).