

A detailed historical painting of a busy street scene, likely from the late 19th or early 20th century. The scene is filled with people in period clothing, a horse-drawn carriage, and tall buildings. The style is characteristic of Impressionism or Realism. The street is wet, reflecting the light. In the foreground, two women in dark, ornate dresses and hats are walking. To the right, a horse-drawn carriage is moving. The background shows a dense urban environment with many windows and balconies.

INTESA  SANPAOLO

# 2017 Consolidated Non-financial Statement

in accordance with Legislative Decree No. 254 of 2016

This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.

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# Boards, Management, Auditors

## BOARD OF DIRECTORS

Chairman Gian Maria GROS-PIETRO

Deputy Chairperson Paolo Andrea COLOMBO

Managing Director  
and Chief Executive Officer Carlo MESSINA (a)

Board members Gianfranco CARBONATO  
Franco CERUTI  
Francesca CORNELLI  
Giovanni COSTA  
Edoardo GAFFEO \*  
Giorgina GALLO  
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Rossella LOCATELLI  
Marco MANGIAGALLI \*\*  
Maria MAZZARELLA  
Milena Teresa MOTTA \*  
Bruno PICCA  
Alberto Maria PISANI \*  
Livia POMODORO  
Daniele ZAMBONI  
Maria Cristina ZOPPO \*

## MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

Fabrizio DABBENE

## INDEPENDENT AUDITORS

KPMG S.p.A.

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(a) General Manager

\* Member of the Management Control Committee

\*\* Chairman of the Management Control Committee

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## Letter to stakeholders

The 2017 results confirm that Intesa Sanpaolo is a solid Bank, with growing profitability, and reflect the strengths of our business model, which combines the generation of income and high efficiency with financial solidity and a low risk profile. The implementation of the 2014-2017 Business Plan has made it possible to create value for all stakeholders, starting with our shareholders, with a dividend proposal of 3.4 billion euro (10 billion euro over the duration of the Plan), by focusing on innovation, the development of new products and services and on a commitment to excellence on behalf of our staff, while raising awareness that sustainable growth can facilitate long-term development through a reduction of risks, both social (rising inequality and more people in vulnerable situations) and environmental (with a particular focus on climate change).

In the broader context of medium and long-term scenarios and trends, Intesa Sanpaolo has therefore renewed its commitment to the three dimensions of sustainability (social, environmental and governance), in line with its leading role in Corporate Social Responsibility.

Concerning social aspects, Intesa Sanpaolo has confirmed its position as a real economy Bank, by disbursing approximately 63 billion euro in new long- to medium-term loans during 2017 and approximately 200 billion euro during the 2014-2017 period. Specific attention was paid to financial inclusion, vulnerable groups of customers, households and businesses affected by the financial crisis or earthquakes and environmental disasters in Italy, with the disbursement of around 4.5 billion euro in loans with a high social impact in 2017 (over 13 billion euro over the four-year period).

Relations with our customers are based on dialogue, transparency, excellent quality of service and the offer of intelligent technology, through a multi-channel platform and digitalisation and paperless policies. Intesa Sanpaolo is also committed to offering sustainable investment products and, through Eurizon, adheres to the Principles for Responsible Investment and manages SRI (Sustainable and Responsible Investments) funds worth around 4 billion euro, with three SRI funds launched over the last year, compared with 400 million euro at the end of 2013 (the start of the Plan).

There has also been considerable focus on supporting local communities with a whole range of social and cultural initiatives and activities and an overall cash contribution of approximately 50 million euro in 2017 (over 200 million euro during the 2014-2017 period), of which over 28 million euro were earmarked for art and culture. In particular, the Intesa Sanpaolo Charity Fund disbursed approximately 9.5 million euro in 2017 to support over 900 projects carried out by non-profit organisations, with particular focus on the vulnerable segments of society. Specific initiatives were devoted to children, such as the Intesa Sanpaolo Educational Programme for children in long-term hospital care, which offers crèche services in the oncology wards of certain first-rate paediatric hospitals. Intesa Sanpaolo has also always been committed to spreading knowledge on economic and financial issues, particularly among young people, as the promoter of various national and international initiatives in the field of financial education.

As regards the environment, Intesa Sanpaolo has continued its activities to contain CO<sub>2</sub> emissions, which fell by around 30% over the time horizon of the Plan and to support the renewable energy and energy efficiency sector, providing financing of around 1.3 billion euro in 2017 (over 5 billion euro during 2014-2017). It was the first Italian bank to issue a green bond, in June 2017, worth an overall amount of 500 million euro. The focus on environmental sustainability is also demonstrated by the development of the Circular Economy project thanks to the partnership with the Ellen MacArthur Foundation.

These results were possible thanks to the people who work for Intesa Sanpaolo; helping them to develop and strengthening their sense of belonging represent the key leverage to achieve the Group's strategic objectives. Specific attention has been paid to protecting employment through the reassignment of excess production capacity of 4,500 people over the 2014-2017 period. In addition, employee share ownership schemes have made it possible to share the value created over time and an integrated welfare system has been established for employees and their families, with an offer of services aimed at improving their work-life balance, ranging from crèches to flexible working time, with over 8,000 employees involved at the end of 2017. Another stimulus is represented by continuous training focused on strategic company projects, with 800,000 training days provided in 2017 and 4.6 million over the 2014-2017 period.

Intesa Sanpaolo's social and environmental commitment, marked by participation in a series of international initiatives – including the Global Compact and the Sustainable Development Goals of the United Nations, the United Nations Environment Programme Finance Initiative (UNEP-FI) and the Equator Principles – has been enriched with another step in 2017, with the adoption of the Human Rights Principles.

This Corporate Social Responsibility commitment was recognised through the inclusion in a number of sustainability indices, including the Dow Jones Sustainability Index and CDP's Climate A List 2017. Lastly, Intesa Sanpaolo is the only Italian company to feature on the Corporate Knights ranking of the world's 100 most sustainable companies.

These results give us confidence concerning both the future and the expectations of our stakeholders, with whom we maintain open and attentive dialogue, and encourage us to reinforce our commitment to each and every one of them. In the new 2018-2021 Business Plan, sound and sustainable creation and distribution of value remains a priority, together with a high level of capitalisation and reduction in the risk profile, by concentrating on innovation and people as enabling factors. The Plan confirms the role of Intesa Sanpaolo as a real economy Bank and seeks to generate sustainable profitability to create value for all stakeholders, starting with our customers, to whom we wish to offer an ever more personalised, innovative and complete service, with over 300 billion euro contributed to the economy over the four-year period. The Group is also seeking to reinforce its leadership role in Corporate Social Responsibility and become a point of reference for society in terms of social and cultural responsibility, while increasing the internal commitment to inclusion. Therefore initiatives are planned to support social inclusion and the Third sector, projects in favour of the poorest and most needy in society, further CO<sub>2</sub> emission reduction targets, activities for the circular economy and for the enhancement of our artistic and cultural heritage. And there's no scarcity of initiatives for the people who work for the Group, by safeguarding employment, developing skills through targeted initiatives and a major effort in terms of training, promoting diversity and inclusion and welfare initiatives, starting with the work-life balance.

This document, which represents our first Consolidated Non-Financial Statement, is the result of long and well-established tradition and experience in sustainability reporting, which has been one of the Group's hallmarks since it was first established and all the way along a continuous improvement. The Statement informs the stakeholders of the results achieved, but look also, and it seems to us with foresight, to the future.

Carlo Messina



Gian Maria Gros-Pietro



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## KEY

page xx      Link to the pages  
2017 Consolidated Non-Financial Statement

[i]      Links to websites

 Keyboard short cut

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# Methodology

The 2017 Consolidated Non-Financial Statement – hereinafter also Statement – was drafted in accordance with art. 4 of Italian Legislative Decree 254/2016, the “Core” option of the GRI Standards defined in 2016 by the GRI (Global Reporting Initiative) and the “Financial Services Sector Supplements”. The identification and choice of content were consistent with the Sustainability Report drafting guidelines for the banking sector – “The Report to Stakeholders: A Guide for Banks” – published by ABI in collaboration with EconomEtica (Multi-University Centre for Economic Ethics and Corporate Social Responsibility). The recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017 for the voluntary dissemination of relevant communications on risks connected with climate change were also considered.

## MATERIALITY AND REPORTING PRINCIPLES

As required by Legislative Decree 254/2016, content was identified and chosen for this Statement in such a way as to clearly communicate the activities of the Group, its progress, its results and the impact of its activities, also in consideration of the GRI Standard principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The materiality analysis (see page 28), conducted in compliance with the GRI Standards, made it possible to assess the topics based on their relevance in terms of their potential impact on the Bank’s activities, on the community and on stakeholders. Moreover, the GRI principles were applied to define the quality of information criteria (balance/neutrality, comparability, accuracy, timeliness, clarity and reliability) and the reporting boundary. Further details on the information provided in the Consolidated Non-Financial Statement are published in the Sustainability section of the website [i].

Links to this additional information are included within the Statement, in the descriptions and in the GRI Content Index. The 2017 Consolidated Non-Financial Statement was subject to a limited audit by KPMG S.p.A.. The report describing the steps involved and related conclusions can be found on page 183.

## THE REPORTING PROCESS

All company departments contribute to the drafting of the 2017 Consolidated Non-Financial Statement and dialogue activities with stakeholders through the CSR Delegates who, appointed by the various heads of Group departments and companies, work in close contact with the CSR Sub-Department. Data collection is centralised, on the same reporting platform responsible for control of the economic, capital and commercial performance of the Business Units.

## MEASUREMENT SYSTEMS

The indicators illustrated in the 2017 Consolidated Non-Financial Statement were identified according to indications of the standard used as a reference (GRI Standards), obligations deriving from Intesa Sanpaolo’s adoption of international sustainability protocols, and commitment to ensuring that the process of achieving improvement objectives is measurable. Almost all the data was collected accurately, except for certain estimates which are duly specified. To ensure accuracy in the collection and uniformity in the interpretation of the indicators required, the data measurement systems are supported by a technical manual which, for the quantitative indicators, formalises their relevance, the calculation methods and the data source.

The data presented refer to the 2017 financial year and, where possible, are compared to the previous two years. Restatements concerning data published in previous years, unless specified to the contrary, were not carried out.

## THE REPORTING PERIOD AND BOUNDARY

The Statement, which replaces the previous Sustainability Report, fully integrating its content as per Legislative Decree 254/2016, is published on an annual basis. The 2016 Sustainability Report was published in April 2017.

The reporting boundary of the Intesa Sanpaolo 2017 Consolidated Non-Financial Statement covers 90.61% of the scope of consolidation of the 2017 Consolidated Financial Statements as regards number of employees (net of employees with non-standard contracts) and therefore makes it possible to understand the activities of the Group, its progress, results and impacts.

In particular, the Statement reporting boundary does not include the non-financial data of the Aggregate Set of the former Banca Popolare di Vicenza and Veneto Banca, acquired during the year. This is due to the difficulty of acquiring all of the necessary information to guarantee consistent representation. This possibility is established by both the Consob regulation and the Assonime Publication.

Also excluded are the non-financial data of the companies of the Risanamento Group, for which the Parent Company Intesa Sanpaolo does not carry out management and coordination activities.

This edition of the Consolidated Non-Financial Statement is also available on the website [i].

The Consolidated Non-Financial Statement was drafted in accordance with current regulations, in particular with reference to the areas established by Legislative Decree 254/2016 in the social and environmental fields that are applicable to the Group.





Identity  
and profile

## Group Presentation\*

Intesa Sanpaolo is one of the leading banking groups of the Eurozone, with a market capitalisation of 46.4 billion euro<sup>1</sup> and is the market leader in Italy in all operating sectors (retail, corporate and wealth management).

In Italy, Intesa Sanpaolo supplies its services to some 12.3 million customers via a network of approx. 4,700 branches distributed throughout the country, boasting a market share of at least 12% in most regions.

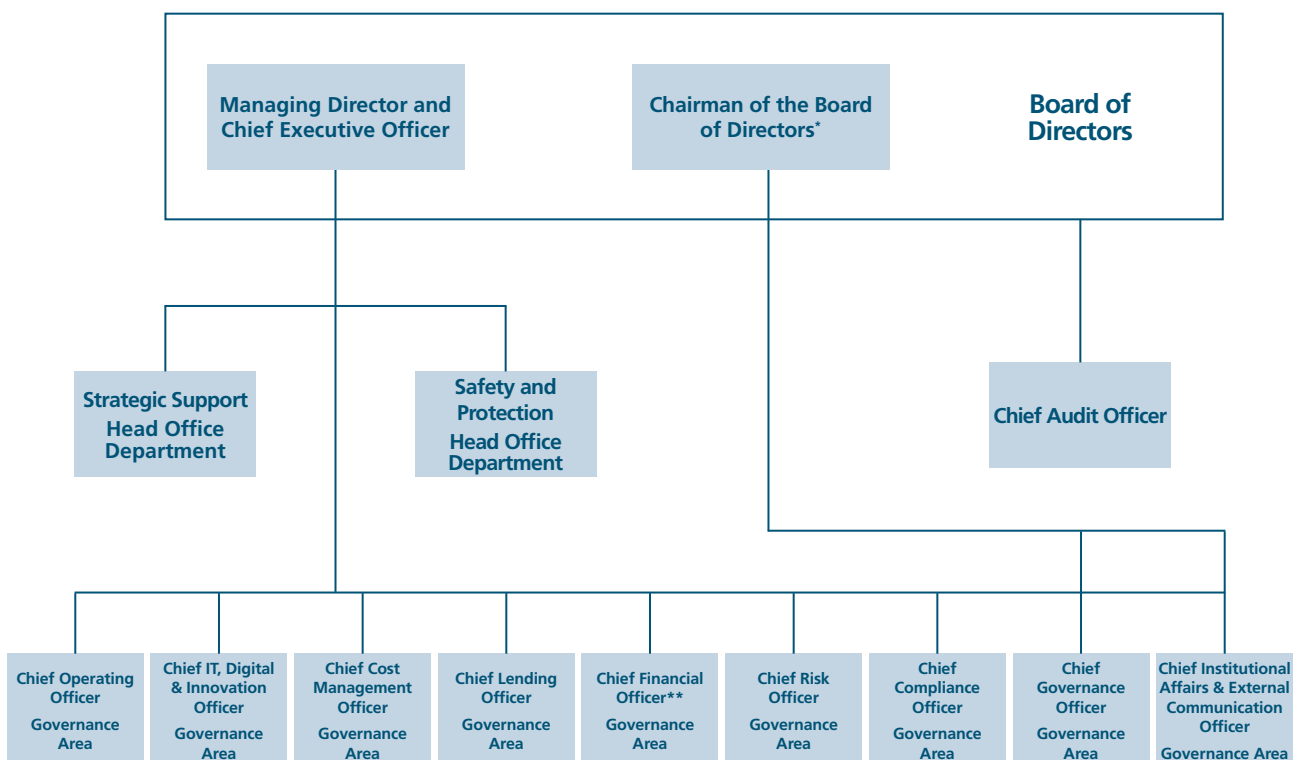
Intesa Sanpaolo has a selective presence in central-eastern Europe and in the Middle East and North Africa, with over 1,100 branches and approximately 7.6 million customers of subsidiary banks operating in commercial banking in 12 countries.

It also has an international network specialised in providing support to corporate customers in 25 countries, particularly the Middle East and North Africa and in countries where Italian businesses are especially active, such as the United States, Brazil, Russia, China and India.

\* Group presentation data include components relating to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregate Set").  
1 As at 31 December 2017.

The Group is organised into Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO and seven Business Units dedicated to the different types of customers.

At the end of 2017, Governance Areas and Head Office Departments were reorganised to be able to meet technological and competitive challenges more effectively, taking into account the best practices in corporate governance emerging around the world. The Head Office Departments report to the Chief Officers, who report directly to the Managing Director and CEO.



\* Reporting to the Chairman of the Board of Directors: Chairman's Technical Secretariat.

\*\* Reporting to the Chief Financial Officer: Manager Responsible for preparing the Company's financial reports.

A detailed presentation of Intesa Sanpaolo's organisational structure is available on the Group's website [\[i\]](#).

The seven Business Units are:

<b>Banca dei Territori</b>	Focused on the market and on the central role of the territory, with a view to strengthening relationships with individuals, small and medium enterprises and non-profit entities. It includes the Italian subsidiary banks and industrial loans, leasing and factoring (carried out through Mediocredito Italiano) and instant banking activities (via Banca 5).
<b>Corporate e Investment Banking</b>	A global partner to support the balanced and sustainable development of enterprises and financial institutions, from a medium/long-term perspective and on a national and international basis. It includes capital market operations and investment banking (conducted through Banca IMI), and is present in 25 countries, supporting the cross-border activities of its customers through a specialised network of branches, representation offices and subsidiaries that carry out corporate banking activities. The Division operates in the Public Finance sector as a global partner for government agencies.
<b>International Subsidiary Banks</b>	Including the subsidiaries that operate in the commercial banking sector in the following countries: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), Russian Federation (Banca Intesa)*, Czech Republic (the Prague branch of VUB Banka), Romania (Intesa Sanpaolo Bank Romania), Serbia (Banca Intesa Beograd), Slovakia (VÚB Banka), Slovenia (Intesa Sanpaolo Bank) and Hungary (CIB Bank). The subsidiaries Veneto Banka Albania and Veneto Banka Croazia are temporarily allocated to the Corporate Centre for accounting purposes.
<b>Asset Management</b>	Providing asset management solutions targeted at the Group's customers, non-Group distribution networks and institutional customers. The Division includes Eurizon and has 253 billion euro of assets under management.
<b>Private Banking</b>	Serving Private customers and High Net Worth Individuals with targeted products and services. The Division includes Fideuram – Intesa Sanpaolo Private Banking, with 5,950 private bankers.
<b>Insurance</b>	Development and promotion of insurance and pension products targeted at the Group's customers. The Division includes Intesa Sanpaolo Vita, Fideuram Vita and Intesa Sanpaolo Assicura, with direct customer deposits and technical reserves of 152 billion euro.
<b>Capital Light Bank</b>	Focused on extracting value from non-core activities and the management of non-performing loans and repossessed assets, as well as the sale of non-strategic investments and the proactive management of other non-core activities (including Pravex-Bank in Ukraine).

\* From February 2018, management of the Russian subsidiary Banca Intesa is under the Corporate and Investment Banking Division.

## International presence

### ITALY

4,694 Branches

### OTHER EUROPEAN COUNTRIES

968 Branches 2 Representative Offices

### AMERICA

2 Branches 1 Representative Offices

### ASIA

7 Branches 6 Representative Offices

### AFRICA

172 Branches 1 Representative Offices

### OCEANIA

1 Representative Offices



Figures as at 31/12/2017.

## Competitive positioning

### Ranking in Italy

1st	Loans		18.0%
1st	Deposits <sup>1</sup>		18.3%
1st	Collected premiums for life policies		19.4%
1st	Asset management <sup>2</sup>		20.4%
1st	Pension Funds		21.9%
1st	Factoring		28.5%

Figures as at 31 December 2017, including components relating to the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca ("Aggregated Set").

<sup>1</sup> Include bonds

<sup>2</sup> Mutual funds

# Business Model



# Company value and solidity

## THE 2014-2017 BUSINESS PLAN

With the 2014-2017 Business Plan, the Intesa Sanpaolo Group set itself the objective of pursuing a new growth phase based on an innovative strategy which, by focusing on people and adopting a clear and effective business model, was aimed at raising profitability in a sustainable manner, while optimising capital and liquidity.

The strategy over the period of the Plan was based on certain priorities in the genetic make-up of Intesa Sanpaolo, and aimed at consolidating its reputation as a real-economy bank, supporting households and businesses, and, by leveraging a sound balance sheet and leadership, meet a robust credit demand and responsibly manage the financial wealth of customers. Intesa Sanpaolo continued to be a Bank with sustainable profitability, in which operating results, productivity, risk profile, liquidity and soundness/leverage are carefully balanced.

The Plan envisaged measures in the following areas:

- **New Growth Bank**, to develop revenues through innovative growth engines, capable of identifying new market opportunities;
- **Core Growth Bank**, to capture the untapped revenue potential of existing business, in terms of revenue development, reduction in operating costs, and credit and risk governance;
- **Capital-Light Bank**, to optimise the use of capital and liquidity, de-leveraging the Bank's "non-core" assets;
- **People and Investments**, as key enablers to maximise the contribution of each of the three "Banks" to the Group's result.

The 2014-2017 period was characterised by a challenging macro-economic context. More specifically, market rates fell to an all-time low (average annual 1-month Euribor of -0.17 in 2017) and the recovery of GDP was slower than expected.

The scenario was also influenced by the recent trends in the sector, with significant impacts on both the operating plan and the regulatory framework.

In this context, the Group successfully implemented its 2014-2017 Business Plan, distributing 10 billion euro in accumulated cash dividends, while at the same time strengthening its net worth, supporting the real economy and creating value for all stakeholders with around 250 billion euro. In fact, the 10 billion euro of dividends for shareholders added to around 200 billion euro of new mid- to long-term credit for the real economy, around 21 billion euro on spending for personal services, around 11 billion euro to suppliers for purchases and investments, and around 10 billion euro of direct and indirect taxes in the public sector. These results were achieved by leveraging on an excellent machine that is focused on results, effectively driven by people and supported by a cutting-edge digital platform.

The numerous initiatives introduced to the operating plan, with regard both to product innovation and the improvement of customer services and the development of the Intesa Sanpaolo people, generated significant shared value for all stakeholders (see 2017 Annual Report - Consolidated Financial Statements, page 46 [i]). More specifically, these were the objectives for stakeholders and the progress made over the period of the Business Plan:

Stakeholder	Benefits	2017 results [bn euro]	Cumulative value 2014-2017 [bn euro]	Plan Objectives 2017 Cumulative value [bn euro]
Shareholders	Dividends	3.4	10	10
Households and businesses	New medium/long-term credit granted to the real economy	~63	~200	~170
Employees	Personnel expenses*	5.4	~21	~21
Suppliers	Procurement and investments	2.6	~11	~10
Public sector	Direct and indirect taxes*	2.4	~10	~10

\* Excluding the contribution of certain assets and liabilities of the two former Venetian Banks.

## ECONOMIC AND FINANCIAL PERFORMANCE AND DISTRIBUTION OF VALUE ADDED

The Group intends to use the opportunities offered by the improvement in the economy to strengthen the central role of sustainability and social and environmental responsibility within its overall strategy. Considerable attention – in addition to profitability targets – is given to actions aimed at further strengthening capital adequacy and improving the risk and liquidity profiles. As a solid Bank with growing profitability, Intesa Sanpaolo is able to make a positive contribution to the interests of its shareholders and all its stakeholders. Through the 2014-2017 Business Plan, Intesa Sanpaolo achieved significant results that demonstrate its ability to meet the commitments made with the markets, to protect the jobs of its employees and to support its customers, even those experiencing potential problems, by activating internal processes and structures to avoid the deterioration of credit fundamentals.

All company departments are involved in implementing business soundness and profitability protection policies. As part of its strategic supervisory duties, the Board of Directors identifies and approves the business model, strategic guidelines and risk appetite, and the strategic, industrial and financial plans of the Company and the Group and any amendments thereto. The corporate policies take into consideration the analysis and economic debate of Italy's main structural problems and of issues relating to the international economy important to the Group. The aim is to continue being a reference Bank for the country's real economy, with the reciprocal benefit of long-term growth.

The corporate governance model, described on page 33 ensures the protection of the Group's soundness and profitability.

### ECONOMIC AND FINANCIAL PERFORMANCE<sup>1</sup>

With the economy in continuous, albeit moderate expansion, the Intesa Sanpaolo Group closed its income statement for 2017 with net income of 7.3 billion euro, showing major growth on the previous year. The higher income figure included the government contribution of 3.5 billion euro for the acquisition of the Aggregated Set of Banca Popolare di Vicenza and Veneto Banca. Net of that contribution, net income amounted to 3.8 billion euro, a significant improvement (+22.6%), despite the considerable charges borne for the stability of the banking industry. Impacting net income positively was also the recognition of the gain from the disposal of Allfunds (802 million euro).

Breaking down the figure on a like-for-like basis – i.e., excluding the contribution of the acquired Aggregate Set of Banca Popolare di Vicenza and Veneto Banca – operating income amounted to 17.2 billion euro, up by 1.2% on 2016. The figure was the outcome of lower net interest income (-2.5%), higher net fee and commission income (+5.5%), lower income from the insurance business (-6.2%) and higher income from trading activities (approx. +13%).

Operating costs remained essentially stable (+0.4%), as growth in personnel expenses (+1.2%) was offset by the fall in administrative expenses (-2.4%).

As a result of the above dynamics, the operating margin amounted to 8.4 billion euro, up by 2% on the previous year. Adjustments to loans fell for the year (-12.3%), as did net provisions and net impairment losses on other assets.

As concerns balance-sheet aggregates, including the assets and liabilities of the former Venetian Banks, in 2017 loans to customers rose by 411 billion euro (+3.1% on 2016 on a like-for-like basis). Direct deposits from banking business amounted to 423 billion euro (-1.6% on a like-for-like basis) and direct deposits from insurance business rose to 152 billion euro (+5.8% on a like-for-like basis). Indirect deposits rose to 518 billion euro (+7.3% on 2016 on a like-for-like basis), driven by the positive performance of asset management, mutual funds and insurance products. Assets under administration also recorded growth (+7.2%) attributable to third-party securities and products in customer portfolios and dealings with institutional customers.

The macroeconomic environment and the marked volatility of financial markets call for constant control of the factors enabling the Group to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base and prudent asset valuations.

Group liquidity remains high: as at 31 December 2017, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) – the two regulatory indicators adopted also as internal liquidity risk measurement metrics reached a level well above fully phased-in requirements. At the end of year, the eligible liquidity reserves for Central Banks – including the components relating to the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca – came to 171 billion euro (150 billion euro at the end of December 2016), of which 98 billion euro, net of haircut, was unencumbered (96 billion euro at the end of December 2016). The Loan to Deposit Ratio at the end of 2017, calculated as the ratio of loans to customers to direct deposits from banking business, stood at 97%.

In terms of funding, the widespread branch network remains a stable, reliable source: 74% of direct deposits from banking business come from retail operations (315 billion euro). Moreover, over the year, 2 billion euro in

<sup>1</sup> Commentary refers, unless otherwise specified, to the reclassified data published in the 2017 Annual Report – Consolidated Financial Statements of the Intesa Sanpaolo Group. Changes in annual percentages are based on 2016 figures, restated, where necessary, to take into account changes in the scope of consolidation. Data referring to the acquired Aggregated Set of Banca Popolare di Vicenza and Veneto Banca have not been restated. Amounts are in millions of euro. For additional details or information, see the 2017 Annual Report - Consolidated Financial Statements of the Intesa Sanpaolo Group.



Additional Tier 1 instruments, 2.5 billion euro in senior unsecured Eurobonds, 1 billion euro in covered bonds, 2.5 billion euro in senior unsecured bonds and 500 million euro in green bonds were placed.

As regards the programme of Targeted Longer-Term Refinancing Operations (TLTRO) II, at the end of the year the Group's participation amounted to 57 billion euro, equal to the maximum borrowing allowance (46 billion euro at the end of December 2016), net of components relating to the Aggregate Set of Banca Popolare di Vicenza e Veneto Banca (7 billion euro).

The Intesa Sanpaolo Group's leverage was 6.4% as at 31 December 2017.

The capital base also remains high. At the end of the year, the Total Capital Ratio stood at 17.9%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 15.2%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity Tier 1 ratio) was 13.3%.

### Key indicators [millions of euro]

Economic indicators	2017	2016*	2015**
Loans to customers	410,746	364,713	350,010
Direct deposits from banking business	423,474	393,798	372,183
Direct deposits from insurance business and technical reserves	152,403	144,098	132,948
Consolidated shareholder's equity	56,205	48,911	47,776
Consolidated net income	7,316	3,111	2,739
Dividends	3,419	2,999	2,361
Stock Exchange mid-cap	44,820	37,152	51,903
Total assets	796,861	725,100	676,496
Economic value generated	21,003	15,373	15,649
Economic value distributed	-16,082	-14,104	-14,087

\* Published data from the 2016 Annual Report - Consolidated Financial Statements.

\*\* Published data from the 2015 Annual Report - Consolidated Financial Statements.

## CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

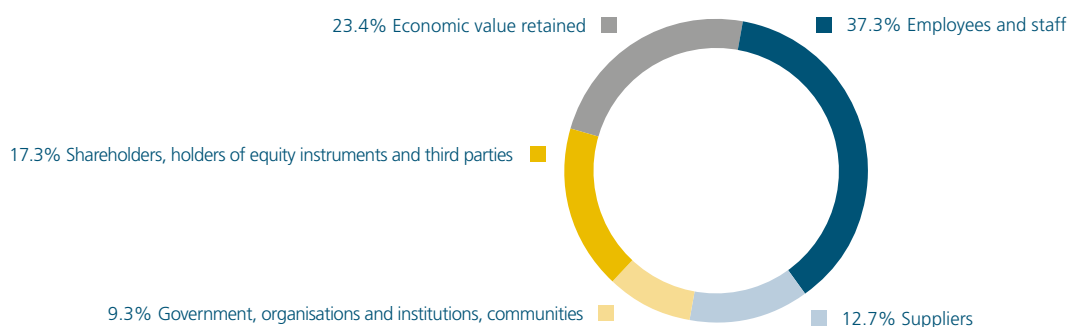
The economic value generated is calculated in accordance with the Italian Banking Association (Associazione Bancaria Italiana - ABI) instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular n° 262. The economic value generated, which in 2017 was 21 billion euro (including government contributions to offset the impact of the acquisition of the assets of the former Venetian Banks on capital ratios), came from net income from financial operations and the insurance business – which therefore takes into account the impairment losses on loans and financial assets available for sale – plus the realised gains and losses on investments in associates and companies subject to joint control, investments and discontinued operations, and other operating income. The amount of the economic value generated expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

- employees and other staff benefited from over 37% of the economic value generated, for a total of 7.8 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;
- suppliers received approximately 13% of the economic value generated, for a total of 2.7 billion euro in payments for goods and services;
- the Government, Organisations and Institutions recorded a total flow of funds of 1.9 billion euro, around 9% of the economic value generated, over 917 million euro of which referring to indirect taxes and duties, over 727 million euro to taxes on income from continuing operations, and 290 million to levies and other charges concerning the banking industry, consisting of ordinary and extraordinary contributions to resolution and guarantee funds. There were also numerous social and cultural initiatives and other actions taken to support the charity funds and issue disbursements by way of social and cultural contributions;
- approximately 17% of the economic value generated was allocated to Shareholders and minority interests, largely in terms of the proposed dividend, for a total of 3.6 billion euro.

The remaining 4.9 billion euro was retained by the corporate system. The considerable size of that figure was due to the 3.5 billion euro government contribution to offset the impact of the acquisition of certain assets and liabilities, and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca, which was allocated to the extraordinary reserve. The remaining 1.4 billion euro prevalently refers to deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges. Self-financing is considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

## BREAKDOWN OF 2017 ECONOMIC VALUE

ECONOMIC VALUE	millions of euro	
ECONOMIC VALUE GENERATED	21,003	100.0%
ECONOMIC VALUE DISTRIBUTED	-16,082	76.6%
Employees	-7,825	37.3%
Suppliers	-2,667	12.7%
Government, organisations and institutions, communities	-1,947	9.3%
Shareholders, holders of equity instruments and third parties	-3,643	17.3%
<b>ECONOMIC VALUE RETAINED</b>	<b>4,921</b>	<b>23.4%</b>



## Vision and values

*We work to provide quality banking and financial services to our customers and activate ways to promote development in all the areas in which we operate.*

*Conscious of the value of our activities in Italy and abroad, we promote a style of growth that focuses on sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area.*

*We compete on the market with a sense of fair play and are ready to cooperate with other economic entities, both private and public, whenever necessary to reinforce the overall capacity for growth of the economies of the countries in which we operate.*

*We take responsibility for prudent savings management, we commit to extending access to credit and financial instruments to everyone, and we support sustainable development of the entrepreneurial system, aware that our decisions have a significant direct and indirect impact on the natural environment and on the community. We want to contribute to the well-being (not only material) of both by supporting and implementing cultural initiatives and projects for the common good.*

(from the Code of Ethics [i])

The Intesa Sanpaolo Group growth strategy aims at creating solid and sustainable value from an economic and financial, social and environmental point of view, built on the trust of all its stakeholders and based on the values outlined in the Code of Ethics.

### **Integrity**

The Group pursues its goals with honesty, fairness and with a sense of responsibility in full compliance with the rules, professional ethics and spirit of signed agreements.

### **Quality**

The Group's aim is to continually improve. It is far-sighted and anticipates challenges, cultivating widespread creativity with the objective of achieving innovation and worth.

### **Transparency**

Transparency forms the basis for all our activities, communications and contracts in order to enable stakeholders to make independent, fully informed decisions.

### **Respect for specific qualities**

The Group's intention is to combine its international and national dimension with its local roots, becoming a bank that "thinks big", without losing sight of individuals.

### **Equality**

We are committed to eliminating discrimination from our conduct, and to respecting differences of gender, age, race, religion, political beliefs, trade union membership, sexual orientation and identity, language or disability.

### **Value of individuals**

The value of each and every individual guides the entire modus operandi of the Group, which adopts listening and dialogue as tools for continually improving relations with all stakeholders.

### **Responsibility in the use of resources**

We strive to use all resources with the utmost care, encouraging conduct focused on optimisation and the prevention of waste and ostentation and prioritising choices geared towards long-term sustainability.

The Group is committed to complying with sustainable development principles and has adopted important international initiatives that promote dialogue between companies, international organisations and civil society and pursue respect for the environment and human rights.

# Commitment to domestic and international initiatives and United Nations Sustainable Development Goals



## Equator Principles [i]

Guidelines for social and environmental risk assessment and management in projects, based on criteria recommended by the International Finance Corporation, a World Bank organisation.

WE SUPPORT



## Global Compact [i]

A UN initiative that aims to promote corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labor rights, environmental protection and the fight against corruption.



## UNEP Finance Initiative [i]

The UN Environmental Programme that promotes dialogue among financial institutions on economic performance, environmental protection and sustainable development.



## CDP [i]

An independent non-profit organisation that holds and manages the most extensive database worldwide of information on climate change in the corporate sector. Members of the CDP pledge to make public their greenhouse gas emissions and their strategies for managing the problem of climate change. The Intesa Sanpaolo Group subscribes to the CDP as a signatory through Eurizon Capital SGR and the Intesa Sanpaolo Group Pension Fund.

Signatory of:



## PRI - Principles for Responsible Investment [i]

Principles for sustainable investments stemming from the partnership between UNEP-FI and the Global Compact. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Eurizon Capital SGR and the Intesa Sanpaolo Group Pension Fund.



## Global Reporting Initiative [i]

Organisation for the development of globally-recognised sustainability guidelines. Intesa Sanpaolo is a Gold Community member and supports the GRI's mission of helping decision-makers around the world take action for a more sustainable world and economy through the organisation's GRI Sustainability Reporting Standards and its multi-stakeholder network.



## Forum per la Finanza Sostenibile [i]

A multi-stakeholder association that pursues the objective of spreading the culture of sustainable development throughout the financial community; it is the Italian representative of EuroSIF (European Forum for Sustainable and Responsible Investments).



## LBG [i]

An internationally recognised reporting standard on investments in the community by businesses.

For a full list of the initiatives supported by Intesa Sanpaolo, see the Group website [i]

Intesa Sanpaolo participates in the Global Compact initiative and is an active member of the community of businesses that support the UN's Sustainable Development Goals.

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)



The Sustainable Development Goals were set by the United Nations 2030 Agenda and adopted by all 193 member states of the UN, including Italy, at the end of 2015. The 17 Global Goals and their 169 targets build on the Millennium Development Goals launched in 2005.

The Goals aim to:

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and quality education for all and promote lifelong learning
5. Achieve gender equality and empower all women and girls
6. Ensure access to water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote inclusive and sustainable economic growth, employment and decent work for all
9. Build resilient infrastructure, promote sustainable industrialization and foster innovation
10. Reduce inequality
11. Make cities inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources
15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
16. Promote just, peaceful and inclusive societies
17. Revitalize the global partnership for sustainable development.

Together, the SDGs are a call for action to end poverty, fight inequality and pursue social and economic development for people, the planet and the prosperity of all. They focus on issues of fundamental importance for sustainable development, such as combating climate change and building peaceful societies by 2030, by taking up the challenges of ending poverty, supporting health and well-being and promoting quality education. The SDGs were officially launched at the beginning of 2016, marking the start of an agenda set to unfold over the next 15 years, as countries have committed to achieving the goals by 2030.

The Group is aware of the close connection between some of these objectives and its own business; as such, it has identified the most significant projects and activities that testify to its contribution to generating a positive change at global level around seven specific goals.

An analysis of the relevance of the issues was carried out assessing the development goals of the United Nations in the context of the materiality analysis (see page 28). These are the identified goals, the main actions carried out in 2017 and the strategies for the future.



## SUSTAINABLE DEVELOPMENT GOAL

**End poverty in all its forms everywhere**

### MATERIAL TOPICS FOR INTESA SANPAOLO

Access to credit and financial inclusion  
Relations with the community

### ACTIONS IN 2017

#### Financial inclusion of vulnerable people (see page 69)

Intesa Sanpaolo provides a range of products and services that promote financial inclusion and access to credit. Altogether, in 2017 the Group disbursed around 67 million euro in microcredit and anti-usury projects, in Italy and abroad.

#### Contribution to the community (see page 81)

Through the Charity Fund, Intesa Sanpaolo allocates a share of its distributable profits to supporting projects with benefits for the community.

The Fund Plan focuses strategically on projects that help more vulnerable groups with the aim of earmarking at least 80% of its national contributions and at least 60% of its local donations to projects designed to help weaker sections of society (e.g. solidarity projects, projects to combat poverty, social inclusion, training and employment projects). In 2017 the company exceeded its goal (88% of national contributions and 69% of local donations to projects for the most vulnerable sections of society).

In 2017, the Fund for charitable, social and cultural donations of Intesa Sanpaolo has disbursed approximately 9.5 million euro in support of over 900 projects carried out by non-profit organisations.

### OUR OBJECTIVES

Launch of a new Intesa Sanpaolo Fund for Impact, allocating to the fund by 2021 0.5% of shareholders' equity, estimated in the order of approx. 250 million euro. This will make it possible to disburse loans of 1.2 billion euro to sections of society that find it difficult to access credit.

Extension of the "Cibo e Riparo per i bisognosi" (Food and Shelter for the needy) initiative to guarantee 10,000 meals a day, 6,000 beds a month and 3,000 garments and medicines a month.



## SUSTAINABLE DEVELOPMENT GOAL

Ensure access to affordable, reliable, sustainable and modern energy for all

### MATERIAL TOPICS FOR INTESA SANPAOLO

Green economy  
Direct environmental impacts

### ACTIONS IN 2017

#### Loans and services for the green economy (see page 112)

In 2017 the Group disbursed approximately 1.3 billion euro for green economy projects (more than 5 billion euro over the period 2014-2017), corresponding to 2.0% of all Group loans. In 2017 Intesa Sanpaolo issued a 500 million euro Green Bond.

#### Renewable energy (see page 109)

Electricity from renewable sources amounted to 82.3% of total consumption in 2017.  
The Group self-produced over 1,150 MWh of energy from renewable photovoltaic sources.

### OUR OBJECTIVES

An increase in the use of renewable energy sources, from 76% at the end of 2012 to 81% by the end of 2022.



## SUSTAINABLE DEVELOPMENT GOAL

Promote inclusive and sustainable economic growth, employment and decent work for all

### MATERIAL TOPICS FOR INTESA SANPAOLO

Employment protection  
Access to credit and financial inclusion

### ACTIONS IN 2017

#### Job protection (see page 91)

Job protection is a priority issue and one of the key topics of the 2014-2017 Business Plan, with the reassignment of the excess production capacity of 4,500 people over the period. In 2017 the Group recruited around 4,000 people (1,244 in Italy and 2,741 abroad).

#### Support to new businesses (see page 75)

Various initiatives are dedicated to young people and micro-businesses to help them launch new enterprises (Finanziamento Microcredito Imprenditoriale) or invest in growth projects, offering the chance to access credit even in the absence of collateral: in 2017 over 800 loans worth 17.8 million euro were disbursed.

For female-run businesses and self-employed women (Business Gemma) 420 loans worth 16.3 million euro were granted in 2017.

Finally, in 2017 over 160 start-ups were supported with training, 100 of which were presented to around 1,300 participants.

**OUR OBJECTIVES**

Hiring of at least 1,650 people in the period 2018-2021 to support the growth of the core business and facilitate generational change.  
 Reassignment of excess capacity (5,000 employees) to new initiatives of greater value added.  
 Support for well-being (Process and People Care) and flexibility programmes (24,000 employees to use smart working by 2021).  
 1 billion euro of investment in training in 2018-2021 (46 million hours).  
 Launch of dedicated initiatives to fully promote diversity and inclusion (e.g. gender, age, nationality, religion, personal and social conditions).



**SUSTAINABLE DEVELOPMENT GOAL**

**Build resilient infrastructure, promote sustainable industrialization and foster innovation**

**MATERIAL TOPICS FOR INTESA SANPAOLO**

Access to credit and financial inclusion

**ACTIONS IN 2017**

**Loans and services for companies investing in innovation (see page 76)**

For many years Intesa Sanpaolo has provided a wide range of actions to support companies investing in innovation and research. As regards loans, Nova+ supplements the traditional creditworthiness analysis with a technical and business assessment of the investment plans, conducted by a team of engineers specialised in the various product sectors with the cooperation of prestigious Italian universities. Overall, the number of projects financed in the period 2014-2017 were over 200 with a total disbursement of more than 250 million euro.

**OUR OBJECTIVES**

2.8 billion euro of investments in 2018-2021 to complete the digital transformation.



**SUSTAINABLE DEVELOPMENT GOAL**

**Make cities inclusive, safe, resilient and sustainable**

**MATERIAL TOPICS FOR INTESA SANPAOLO**

Access to credit and financial inclusion  
 Relations with the community

**ACTIONS IN 2017**

**Circular economy (see page 112)**

The Intesa Sanpaolo Group continued to pursue its Circular Economy project which, in 2017, carried out numerous initiatives and actions to promote the awareness and adoption of the model in various domestic and international locations. Created to verify and analyse the level of circularity of businesses along their value chain, the Circular Economy Standard was applied to around 40 Italian businesses.



### Promoting culture for social cohesion (see page 84)

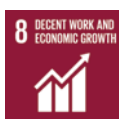
Progetto Cultura (Culture Project) of Intesa Sanpaolo aims to make the Bank's immense artistic heritage more accessible to the general public and to contribute to safeguarding Italian cultural heritage.

Promotion of the Bank's artistic heritage is implemented along various lines: study and scientific cataloguing of the works; restoration activity; museum projects creating permanent displays of a part of the collections (Gallerie d'Italia in Milan, Naples and Vicenza); planning and organisation of temporary exhibitions; support of scholarships for training opportunities and the search for youth in collaboration with the universities; loan of works to temporary exhibitions.

### OUR OBJECTIVES

Allocation of a dedicated credit line and launch of an investment fund for the circular economy.

Creation of a special unit focused on the promotion and proactive management of the Group's artistic, cultural and historical heritage (around 20,000 works of art).



## SUSTAINABLE DEVELOPMENT GOAL

Take urgent action to combat climate change and its impacts

### MATERIAL TOPICS FOR INTESA SANPAOLO

Green economy

Direct environmental impacts

### ACTIONS IN 2017

#### Environment and climate change (see page 104)

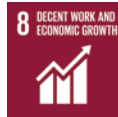
In accordance with the multi-year plan, actions and measures continued in 2017 to reduce electricity and thermal energy consumption in both Italy and the International Subsidiary Banks, where there is an increasing awareness of energy efficiency issues, and analyse the risks and opportunities of climate change. 2017 saw an increase in electricity and thermal energy consumption (+0.9% compared to 2016) mainly due to the more rigid weather conditions recorded in some months of the year and the extension of the organisational reporting boundary. CO<sub>2</sub> emissions rose by 3.8%, mainly due to higher emission factors than in 2016.

#### Climate Change Action Plan (see page 106)

The new Multi-Year Environmental Sustainability Plan – the Climate Change Action Plan – was issued in 2017 with targets for 2022 and 2037. In the new Plan, the Intesa Sanpaolo Group outlines its goals as regards reducing the CO<sub>2</sub> emissions connected with its activities, taking the year 2012 as its reference year. The 2022 objectives are supported by targeted actions.

### OUR OBJECTIVES

Reduce CO<sub>2</sub> emissions by 37% over the period 2012-2022.



## SUSTAINABLE DEVELOPMENT GOAL

Promote just, peaceful and inclusive societies

### MATERIAL TOPICS FOR INTESA SANPAOLO

Integrity in corporate conduct

#### ACTIONS IN 2017

##### Combating corruption (see page 42)

The Group attributes maximum importance to combating corruption and, in 2017, issued specific Guidelines, approved by the Board of Directors, which identify principles and sensitive areas and define the roles, responsibilities and macro-processes for managing corruption risk, further strengthening the internal regulatory framework, which already includes the Code of Ethics, the Group Code of Conduct and – for the Group's Italian companies – the Organisational, Management and Control Model. In 2017, training to prevent corruption and Anti Money Laundering involved the participation of over 50,500 employees for about 129,000 hours.

#### OUR OBJECTIVES

Continuation of the alignment of internal regulations with the Anti-Corruption Guidelines and verification of the adoption of the Anti-Corruption Guidelines by the Group's Italian and international companies.

Feasibility study for the development of indicators designed to monitor the process and formalisation of the first second-level controls in the areas identified as being at the greatest risk of corruption.

Delivery of training, through distance-learning modules, on the Group's Anti-Corruption Guidelines.

## Sustainability indices, rankings and awards

Intesa Sanpaolo is present in several sustainability indices and rankings put together by specialist ratings agencies that choose the companies not only for their financial performance but also for their results in the three ESG areas (Environment, Social, Governance).

Below is a summary of the main indices and rankings in which Intesa Sanpaolo is present:



### DJSI World e DJSI Europe [i]

Inclusion is dependent on an annual assessment carried out by RobecoSAM with a best-in-class criterion. Intesa Sanpaolo was included in the Sustainability Yearbook 2018.



### FTSE4Good Global e FTSE4Good Europe [i]

The analysis is carried out using only information in the public domain with an assessment in 14 areas and the use of over 300 indicators.



### CDP Climate A list 2017 [i]

Includes 112 listed companies selected for their advanced approach to Climate change mitigation.



**MSCI ESG Leaders**, focused on all aspects of sustainability (Environment, Social and Governance), and **MSCI Low Carbon**, focused on carbon emissions [i].



### Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120 [i]

which as well as the assessment on the three ESG areas also include the analysis of any disputes.



### Ethibel Excellence Global e Ethibel Excellence Europe [i]

Inclusion in the indices is based on the assessment conducted by the ESG rating agency Vigeo and also includes the analysis of any disputes.



### UN Global Compact 100 [i]

Includes the 100 businesses that have adopted the UN Global Compact's ten principles and distinguished themselves at global level for their attention to sustainability issues and for their financial performance.



**Standard Ethics Italian Index**, **Standard Ethics Italian Banks Index** and **Standard Ethics European Banks Index**, on social responsibility and corporate governance [i].



### ECPI [i]

The assessment is based on an analysis of public information and also assesses risks and any disputes.



### Thomson Reuters - Diversity and Inclusion [i]

This analysis considers over 6,000 listed companies and measures their performance in terms of promoting diversity, inclusion and professional development.



### Bloomberg Gender-Equality - GEI [i]

The analysis focuses on four areas of investigation relating to gender statistics and policies, the availability of dedicated products/services and community engagement.

### STOXX® Global ESG Leaders [i]

Includes the world's leading companies in the area of environmental, social and governance criteria, on the basis of ESG indicators supplied by Sustainalytics.

Thanks to its sustainability performance, in January 2018 Intesa Sanpaolo was the only Italian Group included among the Corporate Knights' 100 Most Sustainable Corporations in the World index. In 2017 Intesa Sanpaolo also maintained its place in the "Engaged Tracking (ET) Carbon Rankings", which includes listed companies that have stood out for their reporting and their actions to reduce greenhouse gas emissions. As for its commitment to people, the company's focus on the theme of inclusion was once again rewarded with the "Diversity & Inclusion Award 2017" and with its listing on the "EQUILEAP - Gender Equality 2017" index, which includes the 200 companies across the world, headquartered in developed countries, that have most distinguished themselves for their commitment to gender equality.

## Materiality analysis

The sustainability report focused on significant aspects relating to the positive or negative impacts generated by the Group's activities. These aspects result in risk scenarios that need to be aware of and manage. An understanding of these scenarios is obtained by cross-referencing strategically-important themes for the company with those that its stakeholders regard as key when interacting with the Group. To this end, for several years Intesa Sanpaolo has filled out and updated its "Materiality analysis" according to the process indications of the GRI standard.

The analysis focuses on two areas – the company and its stakeholders – and involves three phases:

- identification of relevant themes for the company and for stakeholders;
- prioritisation of the themes and definition of the materiality matrix;
- validation of the materiality matrix.



### IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

Intesa Sanpaolo has identified the priority issues for the company and for its stakeholders through a documentary analysis that is periodically updated. The main documents considered are:

- internal documents, including: the 2014-2017 Business Plan, the Code of Ethics, the Sustainability Reports for the last three years, top management communications, Shareholders' Meeting minutes, company policies;
- external documents, including: reference standards for sustainability reports (AA1000, GRI Standards, <IR>, SASB), national and international documents connected with sustainability issues (Agenda 2030, COP22, SDGs), the main regulations in the sector;
- sustainability reports of other Italian and international financial groups;
- documents drafted by national and international institutions for the identification of general and specific megatrends in the banking sector.

In 2017 Intesa Sanpaolo reformulated its priority issues beginning with the requirements dictated by the entry into force of Legislative Decree no. 254/2016, which made it obligatory for some categories of businesses to draft and publish a document containing information on specific sustainability issues. This reformulation generated an effective framework of priority issues. In order to provide clear definitions to all stakeholders, these issues were defined (see outline on page 181) with their meaning to Intesa Sanpaolo clearly explained. Finally, they were evaluated in terms of priority, related risks, areas of priority action and specific actions.

## PRIORITISATION OF THE THEMES AND DEFINITION OF THE MATERIALITY MATRIX

To assess the priority of each theme consideration was given both to the interests of the company in terms of its goals and strategies, as reported on the “Impact on strategies” axis of the materiality matrix, and to those of its stakeholders as regards their expectations and needs, reported on the “Importance for stakeholders” axis of the same matrix.

In both cases the issues were assessed using a scale of 1-5 where 1 indicates that the company strategies or stakeholders have minimal interest in the issue and 5 indicates that they have maximum interest.

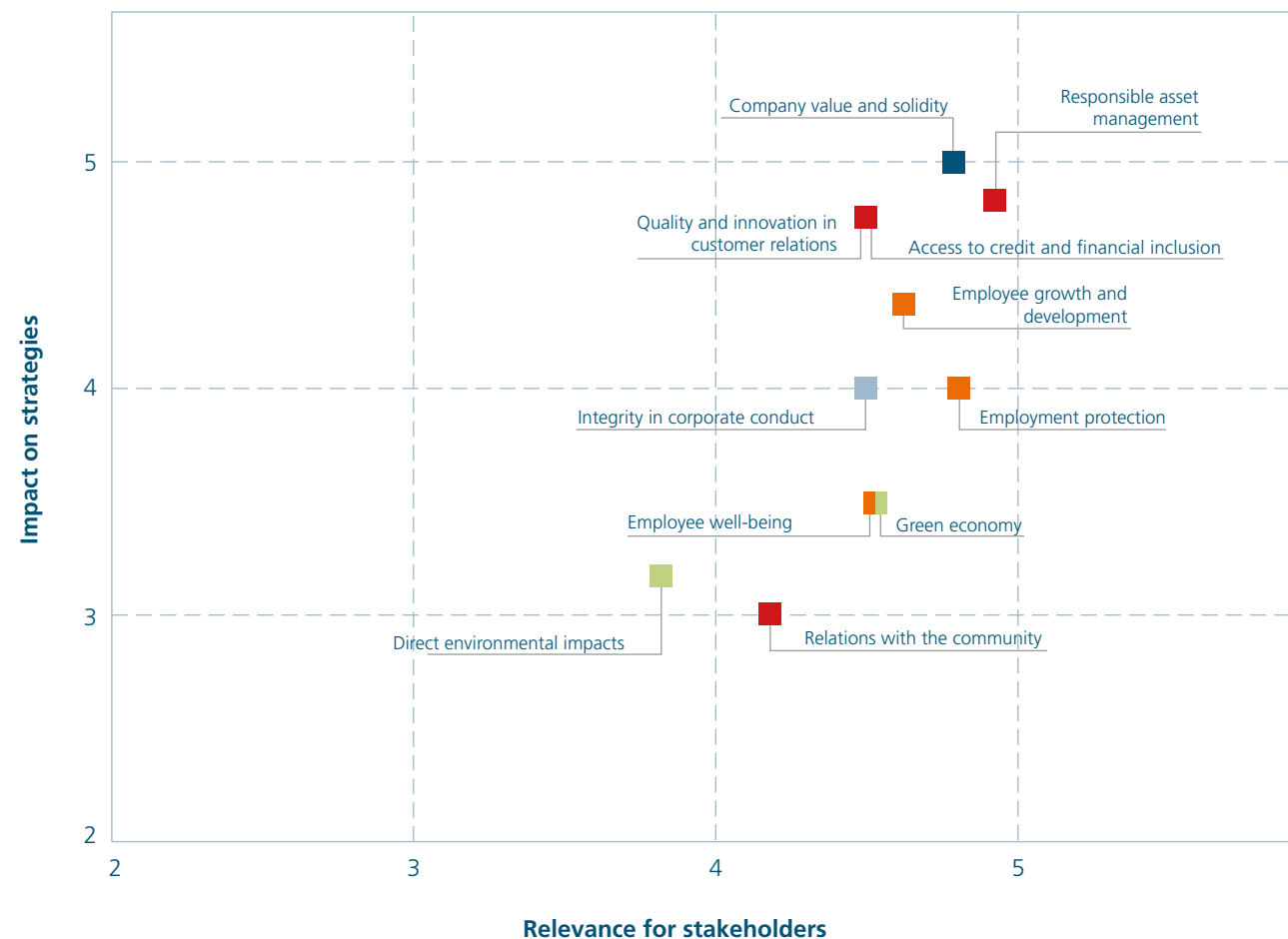
The results of the “stakeholder engagement” process (see page 121). were used when defining the stakeholders 2017 axis. The results were classified on the basis of Intesa Sanpaolo’s issues and weighted according to their relevance for the Bank of the stakeholder in question.

The 2017 strategies axis was constructed as follows:

- documentary analysis: in order to highlight issues that emerged in 2017 and their evaluation in the strategies of Intesa Sanpaolo, the main strategic guidelines were analysed, like the 2014-2017 Business Plan and the press releases during the year as the voice of the company management;
- construction of the 2017 strategies axis: the values assigned to the axis in 2016 were reclassified according to Intesa Sanpaolo’s new priority issues and updated on the basis of the results of the documentary analysis.

The results of the materiality analysis are graphically represented using a Cartesian coordinate system known as the Materiality Matrix which reports the company’s interest on the vertical axis and the stakeholder’s interest on the horizontal axis. This representation makes it possible to assess the significance (“materiality”) of each issue on the basis of its overall position with respect to the two axes. The 2017 Intesa Sanpaolo Materiality Matrix is composed as follows.

### 2017 MATERIALITY MATRIX



- Company value and solidity
- Integrity in corporate conduct
- Community
- Employees
- Environment and climate change

## MAIN CHANGES OF THE 2017 MATERIALITY MATRIX COMPARED TO 2016

The 2017 Intesa Sanpaolo Materiality Matrix presents some changes compared with that of the previous year. The main variations are reported below:

- “Company value and solidity”: in line with last year, it rose slightly on the stakeholder axis. For Customers and Investors aspects such as risk management – also as regards reputation – and the management of the Bank’s assets are particularly important.
- “Direct environmental impacts” and “Green economy”: the coordinated reading of the scores attributed to direct impact (slightly down) and the green economy (significantly up) does not demonstrate any discontinuity compared with the previous year.
- “Access to credit and financial inclusion”: this became more a priority issue for both the company and stakeholders. For Customers, the Community and Investors, the actions to support customers in temporary difficulty (e.g. unemployed, victims of natural disasters) were relevant; for the Community and Employees, the promotion of microcredit initiatives was important. The score is influenced by the grouping together of the issues of support for the business system and financial inclusion.
- “Relations with the community”: in 2017 this was considered a material issue thanks to its increase in importance in terms of both the impact of company strategies, due to the extraordinary operation involving the former Venetian Banks, and its relevance for stakeholders, with important aspects including transparent and effective communications also on the issues of corporate social responsibility.
- “Integrity in corporate conduct”: this important issue fell slightly in relevance for stakeholders, probably because of the perception of a decrease in sensitivity due to the increase in dedicated regulatory and operational instruments. For the Community and for Investors aspects such as combating corruption are important; for Employees, the promotion of professional ethics, honesty, fairness and responsibility is relevant.

The issues that were not subject to significant variations were:

- “Responsible asset management”: this issue had the same level of relevance for both the company and its stakeholders. Customers, in particular, highlighted the importance of the range of investment products suitable for their profile while for the Environment and Investors the application of ethics principles to the Bank’s investments is important.
- “Employee growth and development”, “Employee well-being” and “Employment protection”: people issues remain highly relevant for the company and its stakeholders. In particular, Investors are interested in aspects such as the training and well-being of employees. For Employees the equal treatment of diversity and welfare policies are important.
- “Quality and innovation in customer relations”: this issue remains relevant both for its impact on the strategies axis and for stakeholders. Aspects such as listening and dialogue for better customer relations are important for Employees, while Customers are focused above all on the simplification of banking and financial product regulations with a reduction in documentation.

Although relations with suppliers are not a material issue, Intesa Sanpaolo recognises their high social and environmental value and therefore provides summary disclosures in this document and detailed information on the website [i].

## MATRIX VALIDATION

All significant issues (i.e. those with a score of 3/5 or higher) for the company and/or for at least one of its stakeholders are material and are accounted for in this document.

Each one is assessed in terms of its positive and negative impact on internal and external stakeholders and the company structures, and on the basis of potential associated business risks/opportunities. The reporting boundaries are also declared for each issue (see page 181).

The Materiality Matrix was shared with the internal company functions and with the Risks Committee, which forms part of the Board of Directors, in order to present an organic summary of these activities to the governing bodies.

## ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

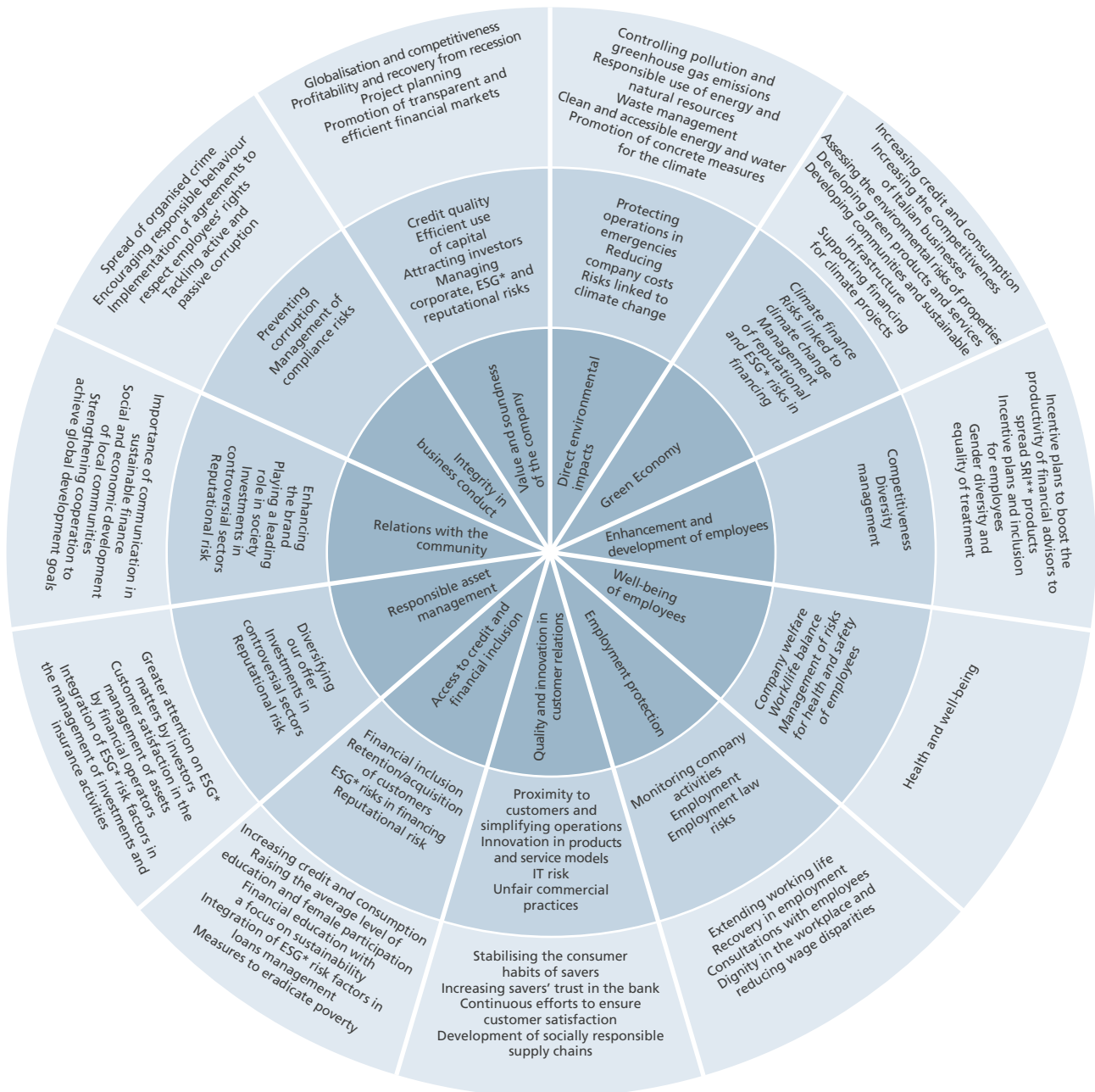
The results obtained from the Materiality Analysis were examined in terms of their congruence with a context analysis on general CSR issues and a sector analysis at national and international level. This analysis comprised:

- a context analysis on general CSR issues and a sector analysis at national and international level;
- a reference sector benchmark analysis.

According to the analysis, Intesa Sanpaolo is highly attentive to key areas as regards future trends.

# IMPACTS, RISKS AND OPPORTUNITIES

- TRENDS AND NATIONAL AND INTERNATIONAL OBJECTIVES
- RISKS AND OPPORTUNITIES
- THEMES



\* ESG Risks: environmental, social and governance risks.  
 \*\* SRI (Socially Responsible Investment) investors: investors who assess ESG factors.



Governance  
and management  
of risks



## Governance structure

Intesa Sanpaolo adheres to the goals and recommendations of the Corporate Governance Code for listed companies and has adopted the one-tier corporate governance system.

Detailed information on the corporate governance system and remuneration is provided in the “Report on Corporate Governance and Ownership Structures”, including references to diversity within the Board [i].

### THE BOARD OF DIRECTORS

The Board of Directors is tasked with the functions of guidance and strategic supervision. The management functions are primarily concentrated with the Managing Director and CEO, whereas the control functions are exercised by the Management Control Committee, appointed by the Shareholders' Meeting from the members of the Board and entirely composed of independent Directors.

The Board of Directors in office is composed of 19 members elected for three years by the Ordinary Shareholders' Meeting, by way of list voting, on 27 April 2016. The election took place on the basis of lists of candidates who meet the requirements envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital. The presence within the Board of a large majority of independent members (14 out of 19 members) and the appointment by the Board of a single Managing Director and Chief Executive Officer, excluding that other Members may hold executive positions and that the Board may delegate its duties to an executive committee, were considered a priority.

Under the governance model adopted by the Bank, the members elected by the minority are also assigned, in addition to the chairmanship of the Management Control Committee, the chairmanship of the Committee for Transactions with Related Parties and Associated Entities.

In the performance of its duties, the Board of Directors receives support from Committees, appointed by the Board from its members, whose organisation and operation are governed by specific Regulations approved by the Board:

- Nomination Committee;
- Remuneration Committee;
- Risks Committee;
- Committee for Transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group.

The Chairman of the Board of Directors has a non-executive role and does not carry out, not even de facto, management functions. The Chairman of the Board of Directors oversees the work of the Board, organises and directs the activity and performs all the tasks set by the supervisory regulations.

The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his/her assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors.

### DIVERSITY OF THE MANAGEMENT AND CONTROL BODIES

In line with the supervisory provisions, for the appointment and co-option of the Directors, the Board of Directors is required to identify its optimal qualitative and quantitative composition, which must include an adequate level of diversification of the members also in terms of age, gender, geographical origin and skills.

In this regard, Intesa Sanpaolo's Articles of Association specify that the Board shall adopt the necessary measures to ensure that each Director and the Board as a whole have an adequate level of diversification, including in terms of experience, gender and international orientation, in addition to competence, fairness, reputation, independence of mind, and time commitment.

The Board of Directors currently in office has been appointed in compliance with the optimal qualitative and quantitative indications established in 2016 at the time of the election of the board, by the outgoing Supervisory Board of Intesa Sanpaolo, within a specific document published on the Bank's website [i].

The document specifically states that the shareholders must ensure that the Board of Directors has the widest gender diversity in the presence of adequate professional skills and diversification of age brackets amongst Directors, in addition to a comprehensive level of knowledge and experience.

The indications established in terms of diversification were verified during the self-assessments, also on an annual basis. The less-represented gender must be reserved a share of at least one third of the total members (specifically 7 out of 19 members), as established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

The table below lists the competences stated by the Directors in 2016 in their application. The Directors elected were also subsequently engaged in continuous and in-depth education and training, as detailed in the paragraph below with regard to 2017.

Competences	Presence in the Board of Directors [No. Members]
Banking business (strategies, assessment and risk management techniques)	16/19
Reading and interpreting the financial statements data of a financial institution	18/19
Strategic approach (scenarios, trends, peers)	17/19
Managerial, entrepreneurial and business administration	14/19
Risk management	18/19
Global dynamics of the economic and financial system	18/19
Audit and monitoring	12/19
Regulation of financial activities	16/19
Remuneration and incentive systems and tools	18/19
International experience	13/19

At the time of the renewal of the Board, which will take place next year, new criteria will be drawn up on the composition of the Board and on diversity, which will also take account of the guidance contained in the new Guidelines published by the European Banking Authority last September on the suitability requirements for members of management bodies.

Intesa Sanpaolo is also responsible, as part of the direction and coordination performed as the Parent Company, for ensuring the overall consistency of the Group's governance structure and in particular the adequacy of the governance of the companies that make up the Group. This involves both the governance system adopted and the composition/structure of the Corporate Bodies.

Under the provisions of the articles of association, the senior officers of the subsidiaries are nominated by the Board of Directors of the Parent Company, which operates according to uniform principles at Group level and in compliance with the regulations and best practices applicable to each subsidiary, with the aim of ensuring an adequate qualitative and quantitative composition of the Bodies, with specific importance given to the level of diversification, also in terms of age, gender, seniority of service, geographical origin and international orientation.

In establishing the composition of the Bodies, the most adequate and effective mix of personal and professional profiles is sought for each subsidiary in terms of its nature, the structure of its activities and the risks assumed. The goal is to ensure that each Body has access to a set of expertise, experiences, skills and professional abilities that is sufficiently diversified and complementary. To this end, any indications made by the Management Body of each subsidiary during the annual self-assessment process are taken into account.

The principles regarding nomination within the subsidiaries will also be duly updated in the near future in the light of recent developments in EU legislation and expected changes at national level.

## TRAINING AND UPDATING OF THE DIRECTORS

The Chairman of the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the Board. In this context, he/she organises, and promotes Board Members' participation in initiatives aimed at providing them with an increasing degree of knowledge of the sector of operation of the Bank and Group, company dynamics and their development, the principles of sound risk management and the regulatory and self-regulatory environment of reference, and in formal and informal meetings, aimed at further review of strategic matters.

In 2017, a total of 12 specific induction sessions were held to allow Board Members to learn about and discuss the various aspects of the Bank's and Group's business, the applicable regulations and the duties and responsibilities of their office.

The induction sessions conducted in 2017 involved the following, in particular:

- Tax issues;
- Risk management;
- Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process;
- Reporting and accounting standards;
- Remuneration and incentive policies;
- Anti-money laundering.

In addition to the above, the Board has conducted, starting from June 2017, four preparatory brainstorming meetings to examine the main strategic areas and to deepen some guideline of the Intesa Sanpaolo Group's Business Plan. Finally, in order to promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, accounting positions and any additional documentation conducive to the performance of their duties is made available to Board Members and regularly updated.

## REMUNERATION

Full information, both in qualitative and quantitative terms, is provided in the Report on Remuneration, available on the website [i].

The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined by the Shareholders' Meeting in a fixed amount for the entire period of their office. The Shareholders' Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson. Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of said Committee, consisting of an equal amount for each Member, but with a special addition for the Chairman.

Pursuant to the Articles of Association, the Managing Director and General Manager is entitled to receive a fixed and variable remuneration determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.

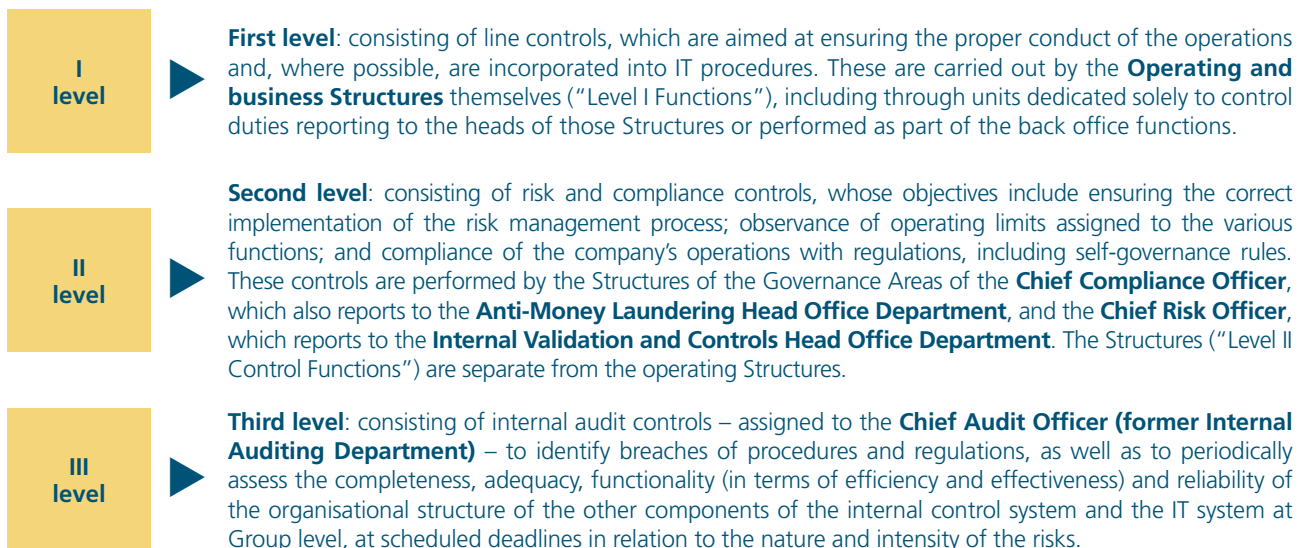
In compliance with the principle that activation of the short-term incentive system must be consistent and compatible with the remuneration of shareholders, the Board of Directors established that the variable component of short-term remuneration for the Managing Director and CEO, Carlo Messina, also in relation to the office of Chief Executive Officer, has a maximum limit of twice the fixed component, including the annual pro-quota of the long-term Incentive Plan LECOIP, and is indexed to the performance achieved in the assigned objectives.

If the bonus is less than 100% of the fixed remuneration (assuming that the materiality threshold is exceeded), 50% is paid in shares and 50% in cash; on the other hand, if the bonus is higher than 100% but lower than 150% of the fixed remuneration, 55% is paid in shares and the remaining portion in cash; and lastly, if the bonus is higher than 150% of the fixed remuneration, 60% is paid in shares and 40% in cash. The disbursement of 60% of the bonus is deferred for 5 years. The payment of this deferred portion will be subject to verification, each year, of the malus conditions.

## THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

To ensure sound and prudent management, which combines business profitability with informed risk taking and operating conduct underpinned by fairness, in 2017 the Bank updated the Integrated Internal Control System Regulations, also to take account of the transition to the one-tier governance system.

The internal control system has been designed to achieve constant identification, governance and control of the risks involved in our activities and is based on three levels:

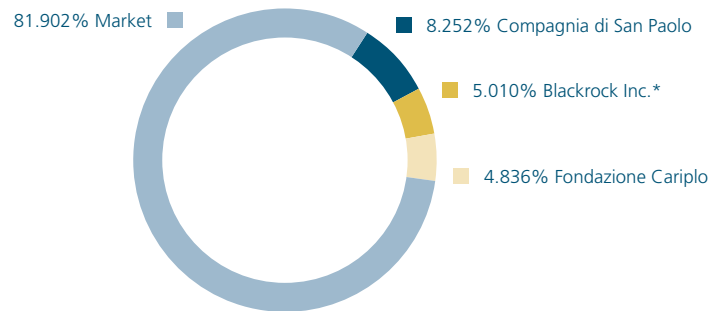


## SHAREHOLDER BASE

Share capital subscribed and paid-in totals 8,731,984,115.92 euro, divided into 16,792,277,146 shares of a nominal value of 0.52 euro each, of which 15,859,786,585 ordinary shares (equal to 94.45% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.55% of share capital).

In February 2018, Intesa Sanpaolo's shareholder base was composed as follows (holders of shares exceeding 3%<sup>1</sup>):

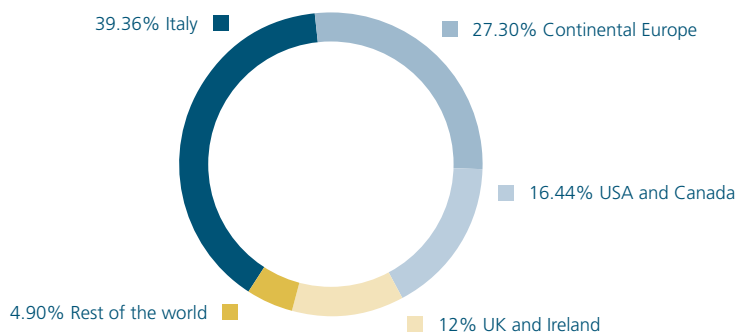
<sup>1</sup> Shareholders by way of asset management may have requested exemption from reporting until they exceed the threshold of 5%.



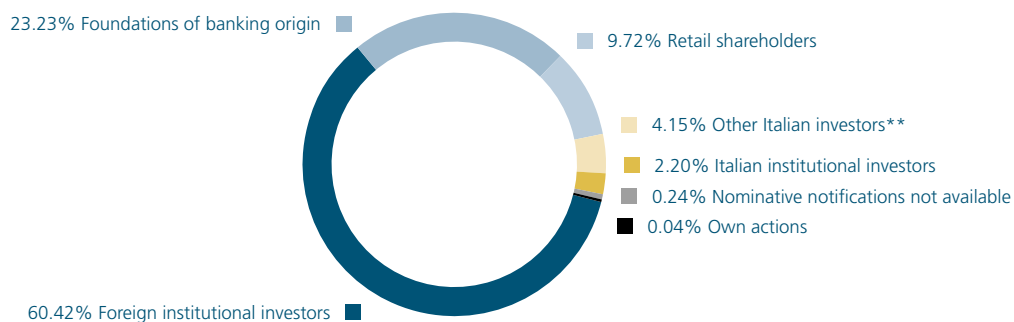
\* For asset management. Shareholder with aggregate holding of 5.106% as per form 120 B of 4 July 2017.

Below is a breakdown of the ordinary shareholder base by geographic area and type of shareholder, based on the names of the receivers of the dividend paid for the year 2016, as reported by the intermediaries (ex-dividend date 22 May 2017).

## ORDINARY SHAREHOLDER COMPOSITION BY GEOGRAPHICAL AREA



## ORDINARY SHAREHOLDER COMPOSITION BY TYPE OF SHAREHOLDERS



\*\* Includes the portion held by Assicurazioni Generali S.p.A. at the dividend detachment date of 22 May 2017.

## RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on correct and timely communication.

During 2017, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a safe point of reference for stakeholders. To guarantee access to all, again in 2017 this information was made available quickly, easily and affordably through a number of channels: Internet, conference calls via a toll-free number and the free distribution of financial statements on request. The Investor Relations section of the website [i] offers well-organised content and thematic updates providing stakeholders with extensive, systematic information.

In order to contribute to the creation of sustainable value over time, regular and frequent meetings were held with the financial community that consolidated long-term relations based on mutual trust.

Special attention was also paid to SRI (Socially Responsible Investment) investors and analysts with dedicated events and road-shows.

## INTESA SANPAOLO STOCK PERFORMANCE

In 2017, the performance of Intesa Sanpaolo ordinary shares mirrored the performance of the banking sector indices, with a fall at the start of the year, through to the end of February, followed by a rise, interrupted by a downturn in May, through to the end of the third quarter, when the maximum was reached. The price then declined through to the end of the year, with a rise of 14.2% recorded at the end of December compared to the end of 2016. The price of Intesa Sanpaolo savings shares increased by 19.1% at the end of 2017 compared to the end of 2016. The discount with respect to ordinary shares decreased to 4% at the end of 2017 from around 8% at the end of 2016.

Intesa Sanpaolo's capitalisation rose to 46.4 billion euro at the end of December 2017, from 40.6 billion euro at the end of 2016.

The Management Board will propose to the Shareholders' Meeting to allocate a unit amount of 0.20 euro on ordinary shares and 0.21 euro on savings shares, totalling approximately 3.4 billion euro.

## SHAREHOLDERS' MEETING

For the Bank, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.

Intesa Sanpaolo has always strived to encourage the broadest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.

The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate, or upon request by Shareholders representing at least one twentieth of the share capital.

The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman of the Board of Directors.

In 2017, the ordinary Shareholders' Meeting was held on 27 April and the Special Savings Shareholders' Meeting was held on 1 December.

## RIGHT TO ATTEND AND VOTE

Each ordinary share confers the right to cast one vote. Savings shares, which may be in bearer form, do not confer the right to vote in ordinary and extraordinary shareholders' meetings but entitle the holder only to attend and vote at the Special Meeting of savings shareholders.

## Governance of Corporate Social Responsibility

The Corporate Social Responsibility (CSR) Sub-Department provides support to Top Management in defining sustainability strategies and policies designed to generate value for stakeholders. It reports through the Chief Governance Officer to the Managing Director and CEO and to the Board of Directors.



The CSR governance system is also based on strong involvement of the Risks Committee, which has been established within Board of Directors, as required by the regulations, to provide specific support to the Board in relation to all CSR matters. To this end, the CSR Sub-Department periodically meets with the Committee to agree the approach and report on the progress of processes and activities related to sustainability. In 2017, it took part in 4 meetings with the Risks Committee (with the Management Control Committee invited to two of those meetings) to provide information on the 2016 Sustainability Reporting, Principles on Human Rights, Climate Change Action Plan, Sustainability Indices and the 2017 Non-Financial Statement.

In addition, the CSR Sub-Department reported to the Management Control Committee on the assessment of CSR and reputational risks in the preliminary evaluation of loans and, together with the Surveillance Body pursuant to Legislative Decree 231/2001, on the annual Report on implementation and governance of the Code of Ethics.

The model adopted in Intesa Sanpaolo's Code of Ethics is based on the self-responsibility of the company Structures. Accordingly, in addition to implementing actions and activities based on the principles and values of the Code of Ethics, the company Structures appoint a CSR delegate, who collaborates with the CSR Sub-Department, to identify their CSR objectives for the management, monitoring, and periodic reporting of the projects underway and the management of relations with their stakeholders. In addition, each Bank of the foreign network has a CSR Delegate who works in coordination with the CSR delegate of the International Subsidiary Banks Division.

In 2017, CSR promoted specific initiatives consisting of:

- the issue, in December 2017, following approval by the Board of Directors, of the Principles on Human Rights (see page 118);
- the issue, in June 2017, of a 500 million euro five-year Green Bond offered to international institutional investors (page 114);
- the approval by the Managing Director and CEO, in October 2017, of the new Environmental Sustainability Plan – Climate Change Action Plan (CCAP) – which sets the goals and plans the medium-term (in 2022) and long-term (in 2037) actions, in collaboration with the other company Structures involved (see page 106);

- the experimental start-up of the provision of advisory opinions on the social, environmental and reputational risks of business and/or company operations in sensitive sectors. The opinions, provided jointly with the Reputational Risk Office of the Chief Risk Officer Area, include the allocation of a synthetic risk class and 32 of these opinions were issued in 2017;
- responding to 21 assessment requests from investors and analysts on ESG (Environment, Social, Governance) and climate change issues and holding meetings with socially responsible investors and analysts (SRI), in collaboration with Investor Relations.

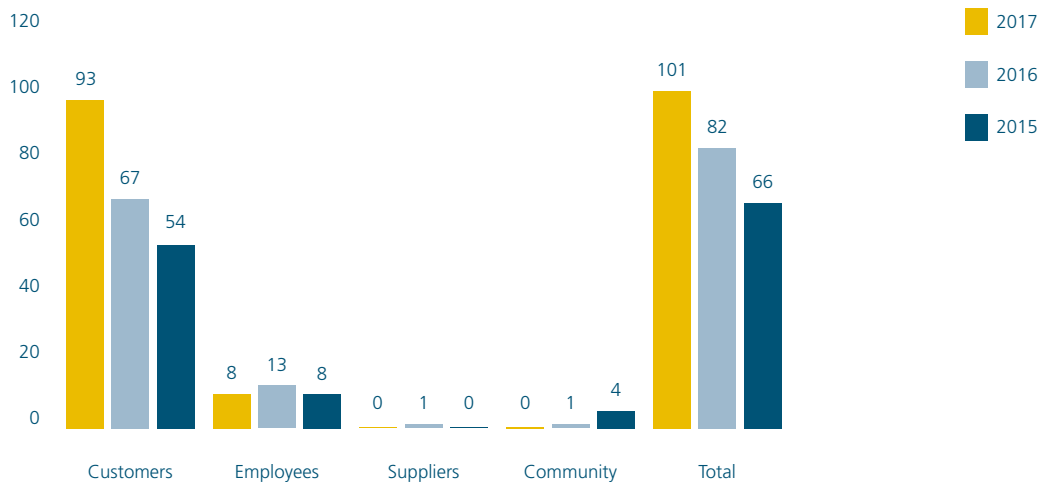
## IMPLEMENTATION AND GOVERNANCE OF THE CODE OF ETHICS

The Code of Ethics is the self-regulation document for the integration of social and environmental considerations into company processes, practices and decisions. It contains voluntary commitments in the management of relations with all the Group's internal and external stakeholders and sets out the foundations of the corporate culture and core values. It is a constantly updated document that follows the evolution of the environment in which the Bank operates and ensures maximum transparency and coherence in the relationship of trust with all the stakeholders.

The Code's implementation and governance mechanism is based on the following cornerstones:

- The principle of self-responsibility, where each structure is directly responsible and ensures adherence to the values and principles of the Code, setting the related objectives and action plans. The Structures most affected by the matters addressed in the Code have strengthened this approach by appointing a CSR delegate;
- The commitments set out in the Code are given practical expression in the annual reporting process (Consolidated Non-Financial Statement), which presents the management policies and methods, initiatives, indicators and objectives for the issues relevant to the stakeholders and the business;
- The analysis and subsequent certification of corporate social responsibility governance by an independent third party in accordance with the principles and contents of ISO 26000, published annually on the website [i]. The third-party assessment conducted at the end of 2017 in Italy showed strong coverage of the CSR issues investigated, with a clear commitment to fostering consistency in conduct with respect to the Intesa Sanpaolo Group Code of Ethics and the necessary improvements, through the liaison work by the CSR unit. In particular, the principles of the Code of Ethics are set out in a corporate regulatory system that enables their application, also taking into account the results of the stakeholder engagement processes. Compared to the previous year, in Italy progress was recorded in 7 of the 10 issues monitored, namely: Quality and innovation in customer relations, Employment protection, Employee well-being, Access to credit and financial inclusion, Employee growth and development, Relations with the community, and Direct environmental impacts. For the international branches, the analysis identified continuity in the commitments made and room for improvement in some areas. In particular, although there is sometimes an uneven approach among the various countries, there is a structured commitment focused on several priorities (Quality and innovation in customer relations, Employment protection, Relations with the community, and Enhancement of human resources), whereas for some other issues the analysis identified the need to establish more structured processes (Responsible asset management, Green economy, and Financial inclusion);
- The management of reports of alleged non-compliance with the Code of Ethics: the CSR Sub-Department receives the reports made and, after the necessary checks, responds in collaboration with the Structures concerned ensuring that those who make the reports in good faith are protected from any form of retaliation, discrimination or penalisation, ensuring the utmost confidentiality without prejudice to legal obligations. 101 reports of non-compliance with the Code of Ethics were received in 2017, 88 of which in Italy and 13 in the international branches. This number was up on the previous year, reflecting both the continued significant impact of the difficult economic conditions and the establishment of the Code of Ethics as a channel of dialogue with the Bank. These communications come largely from customers (93) and express, in some cases (16 reports), the expectation of responsible behaviour in credit management when customers are in situations of fragility. In this regard, the Proactive Credit Structure reconsidered 11 reports with a positive outcome for a customer with particular difficulties. However, in many cases, the appeal is made once the debt has been transferred to another institution, while in others it involves requests (advances on life policies, renegotiation of the debt repayment) that have already been granted in the past and are contractually not repeatable. Non-discrimination issues have been constantly and carefully monitored. With regard to the issue of accessibility of branches and services (12 reports), difficulties were identified in the use of new technologies by more elderly customers. Requests were received to maintain assistance by personnel in branches for those who have difficulties in using ATMs, or to have preferential lanes to reduce waiting times at the counter. There is continued attention to immigrant customers, which, with 6 reports, requires the adoption of more inclusive approaches to cultural diversity by the Bank. With regard to reports relating to people, three blind employees highlighted problems arising from the evolution of work tools based on new technologies. The subsequent adoption of suitable solutions allowed the employees to return to full working capacity. A report was related to the environmental sustainability of the company fleet;

## Reports of alleged non-compliance with the Code of Ethics



- Initiatives to spread the culture of responsibility through continuous education and training on social responsibility and the Code of Ethics. With regard to internal and external communications, precise information has been provided on the achievements in this area, together with objective data that concretely reflect the commitments made and the objectives reached. This was made possible by the timely updating of the online CSR section both on the intranet (12 news items published) and on the internet in the corporate website (4 press releases). A special section, Focus Sustainability, has been created in the corporate magazine with 6 in-depth articles. A CSR section has been created in the OneDesk portal for employees of the international subsidiary banks of the Group. Lastly, 8 interventions were carried out on the Managers' School App. In terms of training, a video was produced and published on the principles and values of the Code of Ethics (accessed by around 1,050 managers) in the Managers' School platform. In addition, a collection of 9 Training Objects (training videos and drama series) was developed and created, which has been available on the training platform since February 2018, initially for employees of the Banca dei Territori (about 50,000 people) and then extended to all employees. During the year, classroom meetings were also organised with the CSR Delegates of the Structures in Italy and of the international subsidiary Banks.

Compliance with the principles and values of the Code of Ethics was monitored with the support of the current Chief Audit Officer (former Internal Auditing Department), so that it could be reported annually to the Management Control Committee and the Surveillance Body pursuant to Legislative Decree 231/2001. Audits were conducted that also considered social and environmental responsibility aspects and implications including:

- Transactions with Related Parties and associated entities;
- Research and Development Special Fund financing and management of the Fund for the development of social business (Banca Prossima);
- Migrant Assistance Sistema di Protezione per Richiedenti Asilo e Rifugiati (SPRAR) (protection system for asylum seekers and refugees) (Banca Prossima);
- Money transfer operations (focus on several Regional Governance Centres: Piedmont, Valle d'Aosta and Liguria; Milan and Province);
- Management of purchasing procedures, centralised or for specific companies and activities, and significant outsourced processes of important operational functions.

The audits did not identify any breaches or critical issues.



# Integrity in corporate conduct

## RELEVANT ISSUES

Fight against corruption	page 42
Combating money-laundering	page 44
Compliance with tax regulations	page 45
Protection of free competition	page 46
Privacy protection	page 47
Compliance with labor laws	page 47
Audits	page 48
Fines and disputes	page 49

## WHY THESE ISSUES ARE RELEVANT

The Intesa Sanpaolo Group recognises the strategic importance of activities to ensure compliance with internal and external regulations and codes of conduct, in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust. It believes that compliance with standards encourages the creation and maintenance of a competitive economic environment and protection of customer rights, which contributes to the development of local areas and communities. Intesa Sanpaolo seeks to be a reliable and professional partner for the regulators. It actively adheres to the principles of the United Nations Global Compact that envisage the development of policies for combating corruption, protecting human rights and safeguarding the environment.

A comprehensive risk assessment system is applied across all the company Structures. Adherence to the rules and integrity of corporate conduct are also ensured through compliance activities focused on the control of compliance risk in relation to anti-money laundering, counter-terrorist financing and embargo management. The Group adheres to the principle of active cooperation in preventing these phenomena, which represent a serious threat to the legal economy. It also monitors developments in international tax regulations guided by the OECD and aimed at countering base erosion and profit shifting from high-tax to low-tax jurisdictions, with the ongoing commitment to adhere to those principles.

The audit work also includes constant and independent monitoring of the due conduct of the Group's operations and processes. The supervision is also carried out through specialist regulatory areas related to specific Structures.

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Indicators	2017 Results
Specialist training to prevent corruption and money laundering	50,520 trained employees (57.7% of the total) 128,962 training hours delivered (4.9% of the total)
Whistleblowing reports	16 reports all processed, of which 6 were found to be non pertinent and 10 were subject to specific investigations
Specialist training on privacy protection	13,135 (participants) 15,918 (hours)
Specialist training on free competition	2,233 (participants) 2,421 (hours)
Requests for antitrust advice and clearing on Group projects	Advice and clearing requests were made for 61 initiatives, of which 30 advice and 15 clearing requests have been completed (opinions not subject to changes or updates) and the rest are still ongoing.
Training on consumer protection	10,332 (participants) 18,941 (hours)

## FIGHT AGAINST CORRUPTION

The Group's Code of Ethics states that it pursues its business goals with honesty, fairness and with a sense of responsibility in full compliance with the rules, professional ethics and spirit of signed agreements. It recognises the strategic importance of the work aimed at ensuring compliance with internal and external regulations and codes of conduct and sets high standards of compliance for all personnel, which are also included in the Code of Conduct. The Code of Ethics also establishes Intesa Sanpaolo's commitment to contributing to the fight against corruption, supporting the OECD (Organisation for Economic Co-operation and Development) guidelines and the anti-corruption principles established by the United Nations in 2003, also by taking a "zero tolerance" approach. The Group has adopted strict internal procedures over time to prevent the risk of corruption and extortion, which are set out in specific Guidelines.

### MODEL FOR THE MANAGEMENT OF ADMINISTRATIVE LIABILITY PURSUANT TO LEGISLATIVE DECREE 231/01

Legislative Decree 231/2001 establishes a system of administrative liability for Italian Companies for certain specifically identified crimes or offences, committed in their interest or for their benefit by their senior officers and/or employees. Intesa Sanpaolo has long had a specific Organisational, Management and Control Model in place that defines the principles of control and conduct that must be adopted to reduce the risk of committing crimes and offences envisaged by the Decree, including, in particular, corruption, environmental crimes and the violation of human rights.

In preparing the Model, the Bank first of all took into account all the existing regulations, procedures and control systems already being implemented to the extent they were also suitable as measures for preventing crimes and illegal conduct in general, including those envisaged by Legislative Decree 231/01.

The Bank identified the following as specific instruments already existing and aimed at planning the formation and implementation of company decisions and carrying out controls on business operations, also in relation to crimes and offences to be prevented:

- the corporate governance rules, adopted in compliance with the Corporate Governance Code for listed companies and the relevant company regulations and regulatory legislation;
- internal regulations and company policies;
- the Group's Code of Ethics, Internal Code of Conduct and Anti-Corruption Guidelines;
- internal control system;
- power and delegation system.

The Board of Directors delegates to the Structures the task of implementing the content of the Model and ensuring the constant updating and implementation of internal regulations and company processes, which are an integral part of the Model, in compliance with the principles of control and conduct defined for each sensitive activity.

The effective and concrete implementation of the Model is also guaranteed by:

- the Surveillance Body, in exercising the powers of initiative and control assigned to it in relation to the activities carried out by the individual organisational Units in sensitive areas;
- the heads of the various organisational Units of the Bank (Governance Areas, Divisions, Departments and Organisational Units) in relation to the activities at risk carried out by them.

Without prejudice to the independent responsibility of each Italian-registered company of the Group regarding the adoption and effective implementation of its own Model, Intesa Sanpaolo in performing its function as the Parent Company issues general criteria and instructions and verifies compliance by the company Models with those criteria and instructions.

In November 2017, the Board of Directors approved the update of Intesa Sanpaolo's Model, mainly attributable to the following aspects:

- changes in external regulations I) amendments to the anti-money laundering rules (Legislative Decree 90/2017 which amended Legislative Decree 231/2007); II) amendments to corporate offences, with the revision of the offence of "Private-to-private corruption" (Article 2635 Italian Civil Code) and the introduction of the new offence of "Incitement to bribery" between private parties (Article 2635-bis Italian Civil Code); and III) the new offence of "Illicit intermediation and exploitation of labor";
- adoption of the Group Anti-Corruption Guidelines.

Following the approval of the new Model at the Parent Company, the Italian Group companies were asked to proceed with the completion of the updating of their Models by the first quarter of 2018.

To provide the Surveillance Body with an overall picture of the planning of second-level (compliance, anti-money laundering, administrative/financial governance) and third-level (internal audit) controls, the Compliance department collects the respective plans from the relevant Structures on an annual basis regarding the scheduled supervision of sensitive areas and incorporates them into the 231 Audit Plan. On the basis of this document, the Surveillance Body assesses the adequacy of the programme of audits on individual sensitive company activities and identifies any further actions needed to strengthen the audit plans proposed by the individual Structures concerned.

The heads of the organisational units involved in sensitive processes pursuant to Legislative Decree 231/01, certify the level of implementation of the Model, by means of an overall self-diagnosis process on the work carried out, with a particular focus on compliance with the principles of control and conduct and the operating rules.

Lastly, constant attention is paid to training initiatives and the dissemination of the compliance culture. This included the Legislative Decree 231/01 distance training course, initiated in 2015, which had a participation rate of 81% at Group level at the end of 2017.

In March 2017, the Board of Directors approved the Group's Anti-Corruption Guidelines, which identify the principles and the sensitive areas and define the roles, responsibilities and macro-processes for the management of this risk, further strengthening an internal regulatory framework which already consists of the Code of Ethics, the Group Internal Code of Conduct and – for the Italian Group companies – the Organisational, Management and Control Model adopted pursuant to Legislative Decree 231/2001.

The Guidelines define the commitment to comply with the regulatory provisions aimed at combating corruption in all its forms, where corruption means the direct or indirect offering or acceptance of money or other benefits capable of influencing the recipient, in order to induce or reward the performance of a function/activity or its omission. In line with international and domestic best practices, the Group does not tolerate:

- any type of corruption, in any form, manner or jurisdiction it occurs, not even if activities of this kind are permitted, tolerated or not prosecuted under the laws in force in the countries in which the Group operates;
- any conduct involving the offer or acceptance of money or other benefits – directly or indirectly – with the aim of inducing or rewarding the performance of a function/activity or its omission. Such conduct is not tolerated even with regard to small payments aimed at speeding up, facilitating or ensuring the performance of a routine activity or any activity that forms part of the recipient's duties (so-called facilitation payments). Benefits that cannot be granted include, for example, gifts and services free of charge (except for those envisaged by specific regulations on gifts, and entertainment and charitable expenses), the undue hiring of a person, the granting of credit on terms that do not conform to the principles of sound and prudent management and, more generally, all transactions that entail the generation of a loss for the Group and the creation of a profit for the recipient.

The responsibility for control in this area is assigned to the Anti-Money Laundering Head Office Department and its Manager is allocated the role of Group Anti-Corruption Officer.

In 2017, a check was conducted on the consistency of the specific internal regulations with the general principles set out in the Guidelines, in order to implement the necessary alignment, in addition to a detailed analysis of the anti-corruption controls currently in place in the individual "highest risk areas", in order to identify any strengthening measures. This resulted in the updating of the rules on charity, gifts and entertainment expenses, sale of real estate, and hiring, as well as the adaptation of the contractual clauses to be used with third parties and the setting up of a special electronic mailbox for any reports on potential circumstances or conduct involving corruption. The work will be completed with measures regarding purchasing procedures, sponsorships and equity investments.

During the year, the Anti-Money Laundering Head Office Department assessed 172 transactions in the highest risk areas, including due diligence reviews or opinions on the purchase, management and sale of equity investments, on other assets and gifts, and on relationships with suppliers and charities. Lastly, in July 2017, specific training was provided on the strengthening of the Group's anti-corruption controls during a meeting between the Management Control Committee, the Surveillance Body (SB) of Intesa Sanpaolo and the Boards of Statutory Auditors/SBs of the Subsidiaries. The training session was attended by 26 members of the Boards of Statutory Auditors and Surveillance Bodies of Group companies, together with all the members of the Management Control Committee and the Surveillance Body of Intesa Sanpaolo.

In terms of the dissemination of information and the culture in this area, the Anti-Corruption Guidelines were sent to all members of the Board of Directors of Intesa Sanpaolo and of the Banks of the Banca dei Territori Division as part of the process of approval by their respective Boards of Directors.

For the employees, specific communications on the adoption of the Guidelines were published on the company intranet in Italy through a news document and an Internal Regulation. In Italy, there were no cases of disciplinary measures related to corruption incidents. There were no significant penalties for non-compliance with laws or regulations relating to corruption or discrimination in the workplace.

## COMBATING MONEY-LAUNDERING

Intesa Sanpaolo pays particular attention to compliance with national and international regulations aimed at combating money laundering and terrorist financing, which it recognises as a serious threat to the legal economy with destabilising effects for the banking system, and it adheres to the principle of active cooperation in preventing these phenomena.

In compliance with the legislative provisions of the legislator and the sectoral supervisory authorities, and drawing on the international standards contained in the FATF (Financial Action Task Force) Recommendations, the Group has adopted procedures, instruments and controls designed to mitigate the risk of being involved, even unknowingly, in acts of money laundering and terrorist financing.

The Group's governance system to combat money laundering and the financing of terrorism is based on Guidelines that constitute a systematic and functional reference framework, with active collaboration by the Group in preventing said illegal activities. Specific processes and procedures are in place in terms of obligations of customer due diligence, reporting of suspicious transactions, recording of relations and transactions, storage of documents, assessment and management of risk, internal control and guarantee of compliance with all of the relevant provisions to prevent and impede the completion of transactions connected to money laundering or financing of terrorism. The guidelines and standards established by the Parent Company are developed and implemented within the individual operating Structures in proportion to the characteristics and complexity of the activity carried out, and their size and organisational structure, in compliance with the requirements of local regulations and ensuring the sharing of information at consolidated level.

Procedures that provide automatic checks on the Group's register and transactions have been active for some time now, in order to mitigate the risk of having customers included in the list of entities (black lists) subject to restrictions or freezing of assets. The Group has also adopted a stricter approach, going beyond the regulatory requirements, by envisaging more detailed assessments of credit and reputational aspects to prevent its involvement, in any capacity, in transactions with counterparties or countries under embargo, even if the transaction is among those permitted by the restrictive provisions issued by the international authorities. In 2017, the activities planned for the consolidation of the international Anti Money Laundering (AML) model were completed and the project work continued on the strengthening of anti-terrorist controls through the enhancement of filtering systems for detecting suspicious elements. In addition, the project was initiated for the adaptation of AML controls to the new regulatory requirements of the AML IV Directive (transposed by Legislative Decree 90/2017 in force since 4 July), together with a multi-year programme for the overall review and strengthening of anti-money laundering, embargo, anti-terrorism and anti-corruption measures at Group level (ENIF - Enabling Integrated Financial Crime Project).

In 2017, Intesa Sanpaolo Life signed a settlement agreement with the Central Bank of Ireland in relation to the allegations made during the inspections of 2015. The fine imposed, of 1 million euro, takes account of the cooperation provided during the inspection and the implementation of the required mitigation actions.

## RELATIONS WITH POLITICAL PARTIES AND MOVEMENTS

The internal policies establish that political parties and movements cannot be recipients of donations and sponsorships. With regard to the financing of political parties, connected associations and individual candidates, specific rules state that the only form of new credit concession in their favour, reserved to decision by the Board of Directors, consists of the advance on an annual basis of the "2x1000 contribution" against the transfer, to be notified in accordance with the law, of the sums due to the parties for this form of contribution. In 2017 no financing was granted in this area.

## COMPLIANCE WITH TAX REGULATIONS

In compliance with the Code of Ethics, the Group is committed to observing principles based on values of honesty and integrity in managing tax matters, compliance with the tax regulations applicable in the countries in which the Group operates and maintaining a collaborative and transparent relationship with the tax authorities, including through adherence to cooperative compliance schemes.

Intesa Sanpaolo places particular attention on the evolution of tax regulations, both domestic and international, aimed at countering base erosion and profit shifting, with the ongoing commitment to adhere to those principles. The Group has strengthened the internal control system for tax risk, known as the Tax Control Framework, to make it capable of covering the strategically important area of tax risk and meeting the requirements for access to the collaborative compliance scheme introduced in Italy, in accordance with Legislative Decree 128/2015.

In December 2017, the Intesa Sanpaolo Group adopted its Principles of conduct on fiscal matters, in order to ensure compliance over time with the tax and fiscal rules of the countries where it operates and to guarantee the financial and reputational integrity of all the Group companies. In particular, guidelines have been established to ensure uniform management of taxation at all Group companies, based on approach of: (i) correct and timely determination and payment of taxes due by law and performance of the related obligations, (ii) containment of tax risk, understood as the risk of operating in violation of tax regulations or in conflict with the principles or with the aims of the legal system in the various jurisdictions in which the Group operates, both due to outside factors (primarily, uncertainty of the interpretation of tax laws due to ambiguity or lack of clarity) and internal factors (incorrect and/or untimely compliance with mandatory requirements; failure to detect regulatory changes affecting the taxation of the Group; and transactions that may be challenged by the tax authorities as abusive). The Principles are:

- Corporate Responsibility – The Group, in compliance with the Corporate Responsibility principle, acts according to the values of honesty and integrity in the management of fiscal matters, in the knowledge that revenue from taxes is one of the main sources of contribution to the economic and social development of the countries in which it operates;
- Legality – The Group adopts conduct based on compliance with the tax regulations applicable in the countries in which it operates and interpretations that allow it to manage tax risk responsibly, so that it can satisfy the interests of all its stakeholders and ensure its positive reputation;
- Tone at the top – The Board of Directors defines the principles of conduct in relation to Group tax matters and ensures its application, assuming the responsibility of guiding the spread of a corporate culture based on the values of honesty and integrity and principle of lawfulness;
- Relationship – The Group maintains a collaborative and transparent relationship with the tax authorities, which includes providing them the information needed to fully understand the circumstances underlying the application of tax rules. To this end, Intesa Sanpaolo encourages the group companies to adhere to cooperative tax compliance systems, which supplement the national regulations, in order to create stronger relationships with the tax authorities.

Guidelines were also approved for the management of tax risk within the system of collaborative compliance with the Revenue Agency, which govern the criteria and processes that Intesa Sanpaolo must adopt to ensure the adequacy and effectiveness of its Tax Control Framework. "Tax risk" is defined as the risk of operating in violation of tax regulations or in conflict with the principles or purposes of the tax system in the various jurisdictions in which the Group operates.

The types of tax risk that may arise in the context of business processes have been identified by Intesa Sanpaolo as:

- Tax compliance risks. These are risks of an operational nature and arise in both business processes (such as risks of not correctly performing all the operational tasks necessary to ensure correctness – in terms of completeness, accuracy and timely processing – of relevant data for tax purposes), and in specific tax compliance processes (from data collection through to its processing and preparation of tax declarations/payments to the tax authorities);
- Tax risks of an interpretative nature on transactions/routine operations. This type of risk relates to the uncertainty about the actual meaning of the regulations and the classification of actual cases with respect to theoretical circumstances and arises within the following processes: regulatory alignment, advice given to the Structures of the Bank and interpretation choices adopted in tax compliance processes;
- Tax risks of an interpretative nature on non-routine transactions. These risks arise whenever non-routine transactions/operations are carried out, which are characterised by objective and defined uncertainty regarding the risk of adopting incorrect interpretations or interpretations that are contrary to the principles and aims of the tax system.

The supervision of compliance with tax legislation is assigned to the Tax Sub-Department, which performs the role of Specialist Function.

Based on the periodic reports and other information flows provided by the Tax Sub-Department and the other corporate control functions and checks conducted directly, the Compliance, Governance and Controls Head Office Department produces an independent assessment of the regulatory compliance risk in relation to tax matters and the controls put in place for its mitigation and, when it deems necessary, it requests the Tax Sub-Department to implement appropriate strengthening measures.

During 2017<sup>1</sup> the Group, in addition to indirect taxes of 917 million euro, recorded accrued income taxes for the year of 1,481 million euro, for the most part in Italy, where the majority of operating income was earned, as per the table below.

Direct taxes in 2017	Italy	Europe	Rest of the world
Tax contribution	1,059	356	66
Operating income	13,173	3,211	1,059

In compliance with the applicable regulations, Intesa Sanpaolo also publishes a country-by-country disclosure in which the following information is provided for each country (according to the rules established by the Bank of Italy): gross income; number of employees; profit or loss before tax; and tax on profit or loss. The report is available at the following link [\[i\]](#).

## PROTECTION OF FREE COMPETITION

The Group constantly monitors and promotes free competition and disseminates a culture of compliance with anti-trust regulations, working to ensure that the international, European and national rules and procedures are effectively applied and complied with.

In the Group Code of Ethics, Intesa Sanpaolo declares its commitment to competing fairly in the market and cooperating with other economic, private and public entities whenever necessary to strengthen the overall capacity of the countries where the Group operates. The Bank is constantly committed to managing relations with institutions and organisations, in monitoring existing regulations and in conducting attentive advocacy on any bills that could impact the activities of the Group and of its stakeholders at the national, European and international level, with a view to limiting legal, economic and reputational risk and developing new opportunities.

Due to the growing importance of antitrust issues, the Group has long since adopted a risk control system for antitrust compliance, under the responsibility of the International and Regulatory Affairs Department, which reports directly to the CEO. In this regard, it has adopted an extensive antitrust compliance program whose key features include the creation of a specific internal team aimed at supervising antitrust compliance and the adoption of a Compliance Policy for EU Antitrust legislation. The control of this area has been extended beyond the more traditional forms of antitrust (mergers, abuses of dominant positions and agreements) to also include EU regulations on state aid and the recent Italian regulations in support of Italy's competitiveness.

In particular, with regard to the objective of producing training events on compliance with competition protection regulations, online training modules were developed for the Managers' School together with 5 Web TV clips for publication on the company Intranet available to all employees in Italy. The issues addressed focused on specific protection matters in this area, including antitrust in the USA; big data management; the powers of the authority in the European Commission guidelines; and the prohibition of state aid. Two training sessions were also held in the course "Antitrust law in Italy - the regulation of competition in the Italian legal system", involving about 30 people, together with a thematic in-depth session on the subject of the exchange of information and participation in trade associations, aimed at 15 employees.

In April 2017, the Italian Antitrust Authority concluded the proceedings – initiated in 2016 against the Italian Banking Association and 11 member banks including Intesa Sanpaolo – aimed at establishing whether the interbank agreement on the system of remuneration for the SEDA service, offered by banks to market participants from October 2013, constituted a restrictive agreement in breach of Article 101 of the Treaty on the Functioning of the European Union. The Authority did not impose any fines, in view of the minor seriousness of the breach and the regulatory and economic environment in which the conduct took place.

<sup>1</sup> The comments refer to the reclassified figures published in the 2017 Consolidated Financial Statements of the Intesa Sanpaolo Group and include the acquired Aggregated Set of Banca Popolare di Vicenza and Veneto Banca. For additional details or information, see the 2017 Consolidated Financial Statements of the Intesa Sanpaolo Group.

## PRIVACY PROTECTION

Intesa Sanpaolo is continually committed to implementing regulatory, organisational and technological measures aimed at adequately responding to the needs of privacy protection. These actions reflect the principles of the Group Code of Ethics which commit the Bank to adopting criteria of absolute transparency in informing customers and employees about their data privacy rights and how their personal information is processed. This commitment is set out in Company rules for the processing of personal data envisaged by the applicable national regulations, which provide an overall framework for conduct, aimed at all staff, as well as employees of the Bank.

The Privacy Sub-Department of the Safety and Protection Head Office Department provides supervision, for the Parent Company and the Group Companies that have signed specific service agreements, of the privacy regulations, ensuring the adoption of the related updates and regulatory alignment, in addition to compliance with the provisions of the Italian Data Protection Authority. This structure also conducts prior assessments on the compliance of new products, initiatives and services involving the processing of personal data and sends the processing notifications to the Italian Data Protection Authority. It also represents the Company with respect to the Authority during inspection procedures. The Privacy Sub-Department is responsible for identifying the role performed by the Group's suppliers based on the provisions for the processing of personal data contained in the contracts and preparing any appointments as Data Processor. It also updates and publishes the List of Third Parties that process personal data of customers and employees. This Sub-Department manages the responses to the Italian Data Protection Authority and the interested parties following appeals, reports or complaints submitted to the Authority. It also processes customer requests, connected to the exercise of the right of access to personal data in compliance with the legal provisions and the measures issued by the Authority, and oversees training on privacy, in collaboration with the designated Structures.

For the other Group Companies, the Privacy Sub-Department performs the role of guidance, coordination and control, overseeing the correct application of the Group guidelines and regulations on privacy, and provides support and advice for the performance of the current activities in this area. For the Group, it ensures control of compliance risk in relation to privacy regulations, performing the role of Specialist Function envisaged by the Group Compliance Guidelines. The structure oversees the recording required for the personal data processing carried out by the Parent Company and by Intesa Sanpaolo Group Services and proposes the nominations of the, internal or external, Data Processors and Persons in Charge of Data Processing to the Data Controller's Delegate.

This effort enables the mitigation of reputational and compliance risks in the processing of personal data, also with respect to the lawfulness and fairness of the processing, the purposes of the processing and its relevance, and the completeness and non-excessiveness of the data collected.

With regard to requests received from customers regarding personal data protection, in Italy 101 reports were received in 2017 for alleged violation of the Privacy Code and eight complaints by the Italian Data Protection Authority against companies belonging to the Group for which the necessary responses were provided. In 2017, the Italian Data Protection Authority issued two administrative fines for a total of 60,000 euro for breaches of the Personal Data Protection Code. No cases were recorded of Group customer data being lost or stolen.

The new European Regulation no. 679/2016 [General Data Protection Regulation (GDPR)], which will enter into force on 25 May 2018, makes each data controller responsible for implementing regulatory, organisational and technological measures to adequately respond, according to a risk-based approach, to the main new principles introduced by the GDPR: Data Protection by design and by default, appointment of the Data Protection Officer, Privacy Impact Assessment, and Data Breach. The project for alignment to GDPR is currently underway, under the responsibility of the Privacy Sub-Department, and work has started on the development of the technological and organisational measures needed to comply with the requirements of the European Regulation in Italy and for the Group's Legal Entities located within the EU.

## COMPLIANCE WITH LABOR LAWS

In line with the commitment set out in the Code of Ethics for the development of a working environment of mutual trust and loyalty, enhanced by the contribution of each person, the management model in this area is based on the national and second-level bargaining agreements (Group). Compliance with these rules, in addition to the legal provisions, is instrumental to improving the working climate, with a view to continued growth in the quality of relations between the Company and its personnel and customers. They are also aimed at asserting the need for a transparent and sustainable work organisation, with clear operational responsibilities at the various levels to continuously ensure compliance with the rules and the prevention of non-compliant behaviour, identifying measures that ensure the effective synthesis of company objectives and worker expectations in terms of working environment and internal relations.

Responsibility for management and consequently also for monitoring the effective application of the Trade Union agreements, is assigned to the Employment Policy Sub-Department of the Human Resources Head Office Department. The protocol for Industrial Relations enables joint research and sharing between the Company and Trade Union Organisations on solutions to improve the well-being of employees and make a positive contribution to productivity with advanced and innovative responses in the area of pensions, assistance and services for families, education and better work-life balance.

The aims of the actions include improving the work-life balance for the employees.

In general, the number of labor lawsuits is small: 10 cases for violations of labor law were notified in 2017 and around 40 cases were closed. In addition to appeals against dismissals for just cause following disciplinary procedures, the types of litigation initiated include the establishment of subordinate employment relationships in cases of contracts for the supply of IT services and compensation for damages for deskilling (also in 2017 no lawsuits for mobbing emerged).

There is no evidence of cases of discrimination that have led to investigations for measures to be issued under formal procedures or processes except for two reports of harassment: in one case a disciplinary measure was issued (suspension from service and pay for 8 days) and in the other case investigations are still ongoing.

Ongoing monitoring has also been conducted on compliance with the rules laid down by the Internal Code of Conduct, through the investigation of potentially abnormal situations.

## AUDITS

The planning of Audits is coordinated by a specific internal structure, which supports the Chief Audit Officer in setting and assigning medium/short term objectives and plans to the Auditing Responsibility Centres, which are internal Structures focused on specific sectors (e.g. head office functions, ITC, branch network, etc.). This activity takes into account the findings from the risk analysis, the requests from the Company Management and Control Bodies, and from Top Management, as well as the obligations arising from external regulations and from the Supervisory Authorities.

In terms of timing, the planning is divided into:

- Three-year Strategic Planning: in line with the company's strategic guidelines;
- Annual Operational Planning: annual audit plan, subject to approval by the Bodies;
- Quarterly Operational Planning.

In addition, on an annual basis and in line with the International Standards for the Professional Practice of Internal Auditing, the Internal quality assurance and improvement plan is prepared, which is also based on the monitoring of the operational and financial objectives assigned to the Structures and includes the Annual Plan submitted for approval to the Company Bodies.

At the international level, the audits are structured to ensure direct monitoring of Intesa Sanpaolo's international branches, in addition to guaranteeing supervision of the Head Office Structures and the International Subsidiary Banks. For these banks, the dedicated offices of the Parent Company provide direct auditing, together with governance of the activities carried out by local audit units.

In 2017, the current Chief Audit Officer (former Internal Auditing Department) carried out audits directly or indirectly aimed at verifying compliance with internal regulations and in relation to anti-money laundering and embargoes and, more generally, on various areas/processes of the Bank, some of which were particularly important because of their sensitivity in relation to 231/2001 legislation. It also verified the adequacy of the Integrated Internal Control System in these areas. A total of 267 audits were carried out, 10 of which directly or indirectly concerned aspects related to social and environmental policies.

Implementation of the quality improvement plan for the monitoring of the overall control system continued (Internal Audit Transformation - IAT project). In particular, in 2017 the new Risk Models were activated, which ensure a risk-based assessment approach across the company Structures, including the recent "Fraud and behavioural irregularities" model.



## WHISTLEBLOWING

Since 2016, a whistleblowing system has been in place, which allows employees to report actions or events that could constitute breaches of banking regulations – from which no significant reports have emerged. Whistleblowing, which ensures the confidentiality of the person making the report (without the risk of retaliatory, unfair or discriminatory behaviour) encourages employees (including suppliers and consultants) to report acts or conduct they become aware of that may constitute a breach of the regulations governing banking activities or connected or instrumental activities. The current Chief Audit Officer (former Internal Auditing Department) is the structure responsible for assessing these reports and in 2017 a total of 16 reports were received, of which 6 were non pertinent and 10 resulted in specific investigations.

## FINES AND DISPUTES

As at 31 December 2017, a total of about 17,000 disputes were pending<sup>2</sup> for a total amount of 5,917 million euro, down on 6,682 million euro for 2016.

In further detail, the most important of these are:

- bankruptcy revocatory disputes (458 million euro);
- disputes concerning settlements in insolvency proceedings (558 million euro);
- disputes concerning investment services (409 million euro);
- disputes concerning anatocism and other conditions (980 million euro);
- disputes concerning banking products (230 million euro);
- disputes concerning credit positions (1,418 million euro);
- disputes concerning lease contracts (110 million euro);
- other civil and administrative disputes (1,243 million euro).

In terms of tax litigation, there were disputes pending amounting to a total of 364 million euro for the Group. With regard to compliance with environmental regulations, for damage caused to the environment as a result of the Bank's operations and in relation to health and safety, over the last three years, no significant reports emerged and no fines were imposed (see page 131).

With regard to labor litigation, at the end of December 2017 there were no significant cases from either a qualitative or quantitative standpoint.

For information on the disputes in 2017 and a detailed description of the most significant civil and fiscal lawsuits, see the Consolidated Financial Statements (page 439) [i].

<sup>2</sup> The figures include the disputes relating to the Aggregate Set Acquired.

## Main social and environmental risks managed by the Group

The Group has implemented specific processes and responsibilities to understand and manage risks in such a way as to ensure long-term soundness, extending the benefits to its stakeholders.

Below is an overview of the main social and environmental risks that are significant due to their possible impact on company activities and the community.

### MAIN SOCIAL AND ENVIRONMENTAL RISKS MANAGED BY THE GROUP

Area	Risk	Stakeholder affected
Society: quality and innovation in customer relations	Customer protection and responsible sales	• Customers
Society multichannel approach and accessibility	Prevention of IT risk	• Customers
Society: customer health and safety	Preventing and combating robberies	• Customers • Employees
Society: support to the production system Environment and climate change: green economy	Management of social and environmental risks in loans	• Customers • Community • Environment
Society: responsible asset management Environment and climate change: green economy	Assessment and control of ESG risks in the investment portfolios	• Customers • Community • Environment
Society: support to the production system Environment and climate change: green economy	Transactions and loans in controversial sectors	• Customers • Community • Environment
Society: quality and innovation in customer relations Environment and climate change	Protection of business continuity in the event of an emergency	• Customers • Environment
Environment and climate change	Management of potential environmental risks connected to climate change impacts	• Environment • Community
Employees: Labor/Management relations	Management of labor dispute risks	• Employees
Employees: employee well-being	Health and safety of employees	• Employees
Integrity in corporate conduct	Management of compliance risks (corruption, money laundering, tax legislation, free competition, privacy, labor laws)	• Community
Governance and management of risks	Management of reputational risks	• Customers • Shareholders • Employees • Suppliers • Environment

### REPUTATIONAL RISK ASSESSMENT AND MANAGEMENT

Considering the high awareness of business ethics and the growing interest in the valuation of intangible assets, Intesa Sanpaolo has developed a model to actively manage its reputation with all its stakeholders with a view to preventing and minimising potential negative effects on its image.

Intesa Sanpaolo's reputational risk governance model assigns the Corporate Bodies the function of strategic supervision and to the Enterprise Risk Management Head Office Department general responsibility for governing reputational risk processes. Each company function is involved in the process of safeguarding the corporate image by identifying the reputational risks associated with the activities under its responsibility. Some company

functions are also assigned specific tasks in relation to reputation protection (including Compliance, CSR, Investor Relations, Institutional Affairs and External Communication, Internal Communication).

The Group attaches great importance to non-financial risks and, as part of the main risk-taking strategies set out in the Risk Appetite Framework (RAF), it has been defined a qualitative statement dedicated to the protection of its reputation.

The reputational risk management system is based, on one hand, on systematic and independent monitoring by the corporate Structures with the specific duty of protecting reputation and, on the other hand, on reputational risk management processes implemented through the Enterprise Risk Management Head Office Department.

These processes are aimed at the Reputational Risk Clearing, with the objective of ex-ante identification and assessment of potential reputational risks (ESG risks are particularly important in this regard) connected with the most significant business transactions, the main strategic projects and the selection of Intesa Sanpaolo's suppliers/partners. By providing an advisory opinion, the clearing seeks to identify the potential risks associated with a specific transaction and/or counterparty to enable informed risk taking, within the decision-making processes concerned. In particular, the analysis of the reputational risks, conducted using dedicated metrics and tools, concerns both the counterparty and the specific transaction.

In addition, Reputational Risk Monitoring processes are in place to monitor the evolution over time of Intesa Sanpaolo's reputational positioning and identify the main areas of exposure, through periodic analysis of its web reputation or observation of appropriate Key Risk Indicators. The monitoring processes are performed on the basis of the reputational dimensions identified in the Group's approach and enable the integration of the internal perspective (based on the Bank's internal data and assessments including, for example, compliance risk management activities and monitoring of the application of the Code of Ethics) with the external perspective (based on analyses/surveys conducted by third parties to monitor stakeholder perception and expectations, including aspects such as stakeholder engagement and web reputation).

The mitigation of reputational risk is entrusted both to the Structures directly supervising the reputation and corporate image, and to the Structures responsible for managing primary risks, in view of the consequential nature of reputational risk. In addition, with regard to significant reputational risks, the Enterprise Risk Management Head Office Department may promote the establishment of specific mitigation measures.

## MANAGEMENT OF SOCIAL AND ENVIRONMENTAL RISKS IN LOANS

The Code of Ethics requires investment decisions and the credit policy to take into account the socio-environmental risks associated with the activities of corporate customers. This commitment is also contained in the Rules for the environmental and energy policy. Both documents also mention the importance of adhering to the Equator Principles covering these risks. The assessment of environmental risks also enables compliance with the regulatory requirements set out in the Organisational, management and control model pursuant to Legislative Decree 231/2001 on the administrative liability of entities.

From an organisational perspective, the analysis and assessment of the socio-environmental risk of financing operations subject to the Equator Principles, is the responsibility of the Chief Lending Officer Area. For other loans, the Structures responsible for this assessment, if requested by the business or lending Structures, are the Corporate Social Responsibility Sub-Department for the specific socio-environmental risk and the Risk Management function for the reputational risk aspects.

The assessment of the credit rating, which includes the socio-environmental aspects, is conducted for all the corporate customers, in accordance with the Rules of the Internal Rating System.

The social and environmental aspects can also have a positive impact, leading to an improvement in the rating. With this in mind, the new rating model has introduced additional assessment elements regarding the qualitative aspects of the companies, such as trademarks, patents, quality and environmental certifications, research and development, innovation and digitisation, ownership and management, and membership of a supply chain.

With particular regard to the sectors potentially most exposed to environmental risks, a specific Questionnaire for integrating environmental risks into the credit assessment is currently being tested on a sample of customers.

Lastly, in 2017, a process of issuing advisory opinions, on request from the operating Structures, on the social, environmental and reputational risks of financing transactions and/or borrowers in sensitive sectors was launched on an experimental basis. The opinions, provided by CSR jointly with the Reputational Risk Office of the Chief Risk Officer Area, include the allocation of a risk class (from low to high) and 32 of these opinions were issued in 2017.

## ADOPTION OF THE EQUATOR PRINCIPLES

The evaluation and management of the social and environmental risks plays a fundamental role for loans for large industrial and infrastructural projects.

The Equator Principles (EP or Principles) are international Guidelines for the management of socio-environmental risks arising from project financing, that financial institutions can adhere to on a voluntary basis. Applying these Principles in a structured and integrated manner allows emerging risks to be identified and managed in countries that are vulnerable from a social and environmental viewpoint and in sensitive sectors. Intesa Sanpaolo has adhered to the EP since 2007.

The Principles are based on the criteria of the International Finance Corporation of the World Bank (the Performance Standards), which concern: assessing social and environmental impacts; protecting workers' rights; preventing pollution and promoting energy efficiency; risks to the health and safety of communities in the countries where activities are carried out; consulting populations concerned and protecting their rights; safeguarding biodiversity and sustainable management of natural resources; and preserving cultural heritage.

The EP process takes specific account of the impacts from climate change. In fact, the Principles require customers to demonstrate that, if the CO<sub>2</sub> eq emissions of a project are expected to exceed 100,000 tonnes, they have considered solutions with lower emissions, through alternative analysis. The Principles also require the publication, on an annual basis, of CO<sub>2</sub> emission levels for these projects.

The Climate Change Working Group of the Equator Principles Association liaises continuously with the International Finance Corporation on the implementation of its climate change strategy in the Performance Standards and to share best practices in the area of climate change risk management.

The EP envisage the assignment of a risk category to the projects to be financed (A indicates a high level of risk, B medium and C low), based on variables such as the socio-environmental characteristics of the country, the industrial sector and the characteristics of the project in question.

The scope of the Principles includes the technical form of Project Finance, from 10 million US dollars, and business loans, if intended for the implementation of a specific project, from 100 million US dollars.

## THE SOCIAL AND ENVIRONMENTAL RISK ASSESSMENT ACCORDING TO THE EQUATOR PRINCIPLES

An updated version of the Operating Guidelines for implementation of the Equator Principles by Intesa Sanpaolo was issued during the year. The Guidelines are integrated into the Group's credit policies in order to identify all loans, starting from the application stage, that come under the scope of the EP. The Guidelines require higher-risk projects, and medium-risk projects if necessary, to be assessed by an independent advisor who identifies the main social and environmental impacts. The results of this independent due diligence provide suggestions and recommendations regarding the need to supplement the preliminary assessment with in-depth studies or action plans to ensure that the project meets the requirements of international standards. The action plans must be integrated into the contractual obligations and monitored at a frequency based on the level of risk identified.

Customers are required to submit regular reports as evidence of the implementation of the actions requested by the Bank, which may also be verified with on-site inspections. In the event of non-compliance with the agreed conditions, the Bank reserves the right to exercise the intervention measures for assessment on a case-by-case basis.

The assessment process also envisages engagement and consultation with local communities, to understand the possible social impacts and identify any actions needed. The Equator Principles require an ongoing relationship with stakeholders, from the design phase and throughout the entire project, through structured stakeholder engagement activities and grievance mechanisms.

### TRAINING ON SOCIAL AND ENVIRONMENTAL RISKS IN BANCA INTESA BEOGRAD

Intesa Beograd, in partnership with the European Bank for Reconstruction and Development (EBRD), organised two training seminars on social and environmental risks for employees working in positions of responsibility for the risk management activities. Around 30 people were made aware of environmental and social issues in the light of the EBRD requirements (risk management approach, implementation of the Equator Principles, etc.).

## PROJECTS COMPLETED IN 2017

Since 2007, a total of 326 loans subject to screening for the Equator Principles have reached financial closure, 11 of which in 2017.

In 2017, the amount agreed for projects that adopted the Equator Principles assessment process, was 611.5 million euro, equal to approximately 8% of the total amount agreed for loans in the reference scope. The reference scope covers all the Intesa Sanpaolo Structures involved in project finance covered by the scope of the Principles, in Italy and abroad.

The table below shows the number of projects that were financially closed in 2017, with breakdown by category.

	Total	Category A	Category B	Category C
<b>Project Finance</b>	10	1	8	1
<b>Business loans associated with projects</b>	1	1	-	-

## CONTROVERSIAL SECTORS

Intesa Sanpaolo is aware of the importance of the correct and responsible allocation of credit, according to criteria of social and environmental sustainability. To this end, it devotes particular attention to examining the sustainability issues associated with sectors considered more sensitive, such as the armaments, nuclear energy, and fossil fuel extraction sectors.

Sensitive sectors are identified among those that have a significant socio-environmental risk profile and that are the subject of awareness-raising initiatives or pressure campaigns by specialist NGOs, civil society groups and customers. In keeping with the values and principles expressed in the Code of Ethics and in the knowledge of the need to support national and European defence, together with the allied countries in NATO, the Intesa Sanpaolo Group will not support operations that relate to the production and trade of military goods, even if permitted by applicable law, in countries that do not belong to the European Union and/or NATO. The company rules also prohibit engagement in any kind of banking or lending activity related to the production of and/or trade in controversial weapons and/or banned by international treaties and in particular: nuclear, biological and chemical weapons; cluster and fragmentation bombs; weapons containing depleted uranium; and anti-personnel landmines. In addition to the provisions already adopted by Intesa Sanpaolo in accordance with the provisions of Law 185/1990, in 2017 specific rules were issued for the Group's international subsidiary banks. The operations of the Group's Branches and International Subsidiary Banks are also subject to local regulations, when they are stricter than the Group regulations.

In 2017, the total number of transactions reported to the Ministry of Economy and Finance pursuant to Law 185/1990 in terms of loan disbursements and payments amounted to 272.3 million euro. For the International Subsidiary Banks, the volume of transactions in the arms sector was 27.5 million euro.

In other sensitive sectors, the Corporate Social Responsibility Sub-Department, in agreement with the Reputational Risk Office, provides the business and lending Structures with prior opinions on the social, environmental and reputational risks.

## CLIMATE CHANGE: MANAGEMENT OF POTENTIAL ENVIRONMENTAL RISKS AND IMPACTS

The Intesa Sanpaolo Group considers the risks and opportunities arising from climate change within its overall strategy and integrates ESG assessment into its activities. Through the monitoring of the Code of Ethics, stakeholder engagement activities and sustainability reporting, the Group identifies and analyses the range of risks associated with climate change and sets objectives and guidelines aimed at implementing actions designed to manage and mitigate these risks.

The potential risks, opportunities and possible impacts on stakeholders and on corporate Structures have been analysed in the materiality matrix, both in terms of direct impacts on Group operations and properties and in terms of the green economy. Since 2016, the materiality matrix has been agreed with the Chief Risk Officer Area with the aim of starting a process of integration with the reputational risk assessment carried out annually.

In addition, with regard to the alignment of the Environmental and Energy Management System to the most recent UNI EN ISO 14001:2015 standard, a Background Analysis was conducted to gain a full understanding of the reference scenario, including the specific associated risks, as well as the needs and expectations of all stakeholders involved by SGAE. The SGAE Delegates and the managers of several corporate functions (CSR, Operational and Reputational Risk, Rules and Credit Instruments, Investor Relations & Price-Sensitive Communication, Rating Agencies and Investor Coverage, and Innovation) contributed to the results of the process. All the risks identified by the Background Analysis – split into six

categories (commercial, economic, operational, technological, implementational and reputational) – are managed by the Intesa Sanpaolo Group, within the SGAE, through a continuously monitored programme of actions. A low level of risk is considered acceptable, whereas for medium and high level risks, specific actions are defined, whose initiation time is within one month for the high level and within six months for the medium level.

Intesa Sanpaolo's strategy includes actions to reduce greenhouse gas emissions (mitigation), together with measures for adapting to climate change that is taking place or has already occurred. In recent years we have witnessed extreme atmospheric events at global level that have had considerable impact on the Bank's Structures and on the activities of our corporate and retail customers.

The assessment of risks to workers' health and safety also includes the assessment of the hydrogeological risk and hydraulic risk due to flooding and landslides. With regard to flooding, the benchmark is based on the level of danger associated with a floodable area and depends on the probability that the area can be flooded. With regard to landslides, the benchmark is based on the level of danger associated with an area subject to landslide events and depends on the relationship between the probability of occurrence of the event and its extent. These assessments are set out in the Risk Assessment Document pursuant to Legislative Decree 81/08, and enable the Intesa Sanpaolo Group to implement actions that take account of the effects deriving from critical events linked to natural phenomena caused by climate change, allowing the management of different potential risk scenarios, through the implementation of specific Emergency Plans, in order to mitigate and reduce possible damage, particularly with regard to workers and third parties. Intesa Sanpaolo has also adopted an Organisational Model for Crisis Management which defines the organisational structure responsible for managing critical events and identifies the roles, responsibilities and decision-making powers. This ensures the participation of all the managerial and operational levels necessary for managing emergencies and crises, including those deriving from large-scale destructive events, i.e. at a metropolitan or wider level, that affect essential infrastructures of both the Bank and third parties, or situations that do not necessarily have a significant impact on operations, but have a high social or local impact (e.g. floods, etc.). In particular, the Emergency Management Operational Centre deals with the various crisis scenarios, ensuring continuous and precise monitoring of the situation and coordinating the actions to be implemented for the local Structures concerned, in constant collaboration with the competent head office Structures.

Lastly, on an annual basis, in order to meet the requirements of the Carbon Disclosure Project, a specific analysis is conducted of the risks and opportunities related to climate change. Specifically, the impacts, financial implications, management methods and related costs are examined, taking into account the specific climatic characteristics of the different geographical areas where the Group operates. The tables below show the main risks, impacts and actions resulting from climate change considered by the Intesa Sanpaolo Group. For the full mapping, see Intesa Sanpaolo's questionnaire for the Carbon Disclosure Project [i].

## Direct risks for the Intesa Sanpaolo Group

Potential risks	Timeframe*	Potential impact	Actions
Changes in environmental regulations	Medium term	Possible fines in the event of non-compliance with new regulations	Constant and precautionary monitoring of possible changes to national and European regulations
Introduction of new greenhouse gas emissions limits or new reporting in this regard	Short term	Costs of upgrading heating and air conditioning systems and costs of introducing new monitoring tools	Preventive actions to replace old plants with next-generation plants with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings
Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)	Medium/long term	Procedural adjustment costs relating to certification processes in the event of changes to standards and regulations	Continuous and precautionary monitoring of possible changes in standards and participation in specific training courses and workshops

Potential risks	Timeframe*	Potential impact	Actions
Extreme weather events (floods, heavy snowfalls, extreme temperature variations)	Short/medium/long term	Possible damage to the Bank's infrastructure, increased costs related to the change in average outside temperature and possible interruptions in banking activities	Adoption of a business continuity plan and measures to prevent physical damage to the Bank's Structures
Reputational risks	Medium/long term	Reduction in the price of the shares of the Intesa Sanpaolo Group	Stakeholder consultation initiatives, participation in international working groups on climate change issues and continuous monitoring of the application of the values set out in the Code of Ethics

\* 0-3 years short term; 3-6 years medium term; over 6 years long term.

## Direct risks for the Intesa Sanpaolo Group

Potential risks	Timeframe*	Potential impact	Actions
Uncertainty surrounding environmental regulations	Short term	Negative impact on the possibility of implementing new products and services	Active collaboration with policy makers to highlight the need for stable and clear regulations and to be kept up-to-date on changes underway
Regulations and incentives on renewable energy	Short term	Negative impact on loans to customers that want to invest in renewable energy sources, due to an Italian scenario characterised by uncertainty and a sharp reduction in public incentives	Offering of advisory services to customers on new regulations and incentives for the energy efficiency sectors
Introduction of new rules related to waste reduction or emission reduction	Short term	Increased costs for corporate customers	Study of possible scenarios for Intesa Sanpaolo's customers and creation of financial solutions to prevent excessive costs
Extreme atmospheric events	Short/medium/long term	Financial implications related to the default risk of businesses seriously damaged by extreme atmospheric events	Suspension of repayments of loans and allocation of specific funding at special conditions in favour of damaged customers
Fluctuation of socio-economic conditions	Medium/long term	Reduction of customers' economic capacity and subsequent difficulty in repaying debts	Implementation of a Disaster events ceiling for the reconstruction of damaged properties and suspension of payments in the case of major natural events

\* 0-3 years short term; 3-6 years medium term; over 6 years long term.



Society



## RELEVANT ISSUES

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### WHY THESE ISSUES ARE RELEVANT

The corporate mission clearly expresses the importance of providing its customers with excellent banking and financial services, enabling development levers for the territorial contexts, and of promoting the creation of a virtuous circle, based among other things on the trust that comes from customer satisfaction and from a willingness to support the needs of the community and the territories. It also underlines the assumption of responsibility for prudent asset management, the commitment towards providing wider access to credit and financial instruments for everyone, and towards the sustainable development of the business system and support for events of a cultural and socially-beneficial nature.

The 2014-2017 Business Plan continued with these commitments and was strongly geared towards offering excellent services to the real economy by listening to the needs expressed by stakeholders, with attention to transparency and continuity of relations established by the Group with the communities.

This is performed through offering socially-responsible investments with innovative financial and insurance products and with an active role in projects of solidarity.

There is an equally significant effort towards sharing this responsibility with the supplier chain by exercising an active control over the purchasing system also in order to properly assess the impacts on society and the environment.

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Indicators	2017 results	2017 objectives Cumulative value 2014-2017
New medium/long-term credit granted to the real economy	approx. 63 billion in 2017 approx. 200 billion the cumulative figure for 2014-2017	Approx. 170 billion
Credit issued for initiatives with high social impact	4.5 billion	Support to vulnerable social groups
Systematic measurements of the Net Promoter Score (NPS) through Web and telephone surveys	More than 500,000 opinions expressed by Retail and Personal customers and 55,000 opinions expressed by SME customers NPS Retail: 13.2 (8.3 in 2016) NPS Personal: 2.7 (0.4 in 2016) NPS SME: 20.2 (17.6 in 2016)	Developing customer experience leadership
Maintenance of the average response times to customer complaints and appeals (Parent Company) in line with reference regulations (R/R)	Investment activities Complaints: 43 days (vs R/R 60 days; 41 days in 2016) Appeals: 36 days Banking and financial services Complaints: 22 days (vs R/R 30 days; 19 days in 2016) Appeals: 20 days	Keeping performance indices high when listening to customers
Cyber risk management	Blocking of fraudulent transactions amounting to approx. 39 million	Ensuring the health and safety of customers
Robberies in Italy	Number of robberies: 15 (- 28.6% compared to 2016)	
Cash donations to the community *	49.6 million	Support and cooperation with the territories and the communities in which the Bank operates for the development of socially-beneficial and cultural projects

\* Overall monetary disbursements to the community are measured based on the LBG model.

# Quality and innovation in customer relations

## COMPANY POLICIES

In keeping with the values and principles of conduct defined in the Code of Ethics, which are based on listening and dialogue, transparency and fairness, the protection of safety in business relations, the Group places the customer at the centre of attention and aspires to maintaining relations at a level of excellence.

These values and principles are incorporated in the essential rules of behaviour defined in the Group's Internal Code of Conduct that commits Board members, employees and other staff to comply with them. In addition, for specific areas of activity governing the quality of customer relations, there are governance Guidelines and rules based upon the activation of processes that, by adopting models involving a high level of protection, direct behaviour towards criteria of substantial good faith and fairness in the relationship. Customer health and safety aspects are also monitored with policies that establish principles, rules of conduct and definition of responsibilities in operational relations at the branch and also on the electronic channel.

## SERVICE QUALITY

Intesa Sanpaolo has adopted a service model focused on business areas with an organisational structure that ensures the monitoring of the national territory and in the foreign countries where it operates. The Divisions are responsible for developing the best service quality levels through the various channels, in order to improve the efficiency of the commercial products they offer to the various types of customers.

Customer satisfaction and service quality are monitored and overseen by the structures that deal with customer satisfaction and customer experience in the various business Divisions.

With reference to Large Corporate Customers, in early 2017 the process of reorganisation of the Division that oversees their business activities, was completed. This made it possible to develop in a more focused manner its role as a global partner for balanced and sustainable growth of enterprises. This mission was implemented with reference to highly complex customers with a multinational presence, and with a view to supporting the internationalisation of Italian firms, through a specialised network of seven Territorial Areas and eleven Units specialised in various industrial sectors, enabling an integrated offer of products and services.

## LISTENING TO RETAIL AND CORPORATE CUSTOMERS IN ITALY

For the Banca dei Territori Division, the management model on this subject starts by holding dialogues with customers right from the design stage of new products and services that suit their expectations: the feedback between the customer and the Bank allows them to tune in with each other so as to identify and satisfy the needs over time.

Attention to the customer is characterised:

- by monitoring satisfaction and collecting opinions and suggestions to identify opportunities for improvement in products and services and also in the forms of interaction with the Bank;
- by an approach geared towards customer protection and satisfaction, measured by surveying the Net Promoter Score (NPS) – the opinion that measures the propensity for recommending the Bank;
- by the definition and monitoring of the KPIs for the quality provided in order to ensure customers an excellent level of service and whose results (together with those of NPS) are published on the SElok portal and contribute towards the calculation of the 25% of the Variable Results Bonus of the branches and areas of the Banca dei Territori Division;
- by the precise and prompt handling of complaints that discovers the causes of dissatisfaction and allows corrective actions to be identified in order to reduce operational and reputational risks.

The continuous improvement of products and services is defined by an articulated process with several steps, from the analysis of customer needs through interviews and other methods, to the conception of new products and services (concept testing and design thinking) and finally to the systematic surveying of customer satisfaction.

Macro quality monitoring and measuring activities are preliminary to the creation of working group discussions aimed at improving the quality of relations with the Bank. In particular, the main structured activities relate to the SElok programme, the dashboard that allows the monitoring of customer service quality; customer experience surveys at the various stages of the life cycle of products and services and the listening to employees in the branch network on the Bank's internal processes.

The SElok programme displays the monitoring results of the quality provided (approximately 30 indicators) and quality perceived (Net Promoter Score) that determine the Branch Excellence index. The dashboard is based on four families of indices to facilitate the identification of the areas for improvement: Operational Excellence which provides an indication of compliance with the relevant rules on the conduct of the banking and brokerage business, management of conflicts

of interest, transparency and consumer protection regulations; Service Excellence indicating the efficiency and quality of the service provided; Credit Excellence indicating the professionalism with which the Bank assists customers in situations that are often difficult; the Net Promoter Score, which helps to assess to what extent the customer would recommend the Bank to family and friends. In 2017 approximately 580,000 opinions and 190,000 comments were collected, complying with the rule on contacting a customer no more than once every two months (if he/she does not give an opinion) or six months (if he/she provides an opinion).

The Branch Excellence Index (published in the SElok Portal) is of significant importance also for the purposes of the employee incentive system (see page 94) contributing towards the calculation of the 25% of the overall Variable Results Bonus for the branch.

In 2017, the results with respect to each family of indicators were as follows:

- with regard to Operational Excellence, there was increased attention to the correct filing of contracts envisaged by the regulations issued under MiFID (Markets in Financial Instruments Directive) and ESMA (European Security and Markets Authority);
- as regards aspects of service Excellence, there was increased speed in providing replies to messages received via internet banking and to calls to branches and also an increased attention to multichannel services;
- in the area of Credit Excellence, some improvements were achieved for the prompt renewal of ratings and credit lines;
- within the scope of NPS in branches, there was improved awareness on certain issues such as the welcome provided in branches and assistance on the automatic channels (e.g. ATM, internet banking, App).

NPS trends by customer type*	2017	2016
Retail	13.2	8.3
Personal	2.7	0.4
SME	20.2	17.6

\* In 2015 the NPS data was not collected

### NET PROMOTER SCORE - NPS®

It is an indicator that measures the propensity of customers to recommend a product, service or company. The NPS is based on a simple question to the customer to assess to what extent he/she would recommend the Bank to a friend, relative or business partner (according to the interlocutor)

On the basis of the opinion expressed, the respondents are divided into:

- detractors: dissatisfied customers who could damage the company through negative word of mouth;
- passives: satisfied but not loyal customers who may be affected by competition;
- promoters: customers loyal to the company who recommend it to others.

The Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters. The result, however, is not expressed in percentage terms, but as an absolute number between -100 and +100. Between the end of 2016 and throughout 2017, a number of meetings were held throughout the country with the Sales Departments and the Area Managers where they discussed the kinds of behaviour, identified in collaboration with the Network and with the Human Resources and Change Management Department of the Banca dei Territori, that could improve the Net Promoter Score. The range of customers involved was also increased thanks to the opening of the new measurement channel via internet banking.

The customer experience measuring model in customer operations resulted in 100 structured listening points where customers were able to leave feedback on the quality of their experience. In 2017 more than 600,000 opinions and over 150,000 comments were collected by activating new measurement channels that currently include emails, internet banking, App or phone. Ad hoc surveys were then undertaken to respond to specific and momentary needs, or to further investigate items raised during the ongoing surveys (8 surveys were conducted in 2017 involving 2 million customers and 125,000 completed questionnaires were collected). These results are considerable in relation to the improvement activities performed as a result of the satisfaction/dissatisfaction comments that were collected, as in the case of active surveys on the new internet banking site.

The point of view of people who work in the branch network was enhanced in the context of the measurement of customer experience. In 2017, 16 surveys were carried out with the involvement of 61,000 employees and approximately 16,000 completed questionnaires were collected. The aim of the various strands of further investigation was to analyse the different perceptions on service quality between customers and Bank workers; to measure the direct experience of employees regarding the services they provided and to assess the suitability and usability of the professional activity support tools available to them.

## LISTENING TO LARGE CORPORATE CUSTOMERS

Customer satisfaction surveys are designed and conducted regularly on the basis of requests from the structures responsible for products and services in order to identify the measures to be taken to improve the offer. Based on the evidence that has emerged, the structures themselves establish their plans of actions and act in order to meet the highlighted needs.

The results of the surveys are always shared with the relationship functions which, in their approach with the customers, benefit from the information received and can act with greater awareness and attention to the customer's needs. In 2017, some new surveys were conducted which involved:

- 193 company representatives with a qualitative research conducted by telephone about payment card acceptance products and services in order to understand to what extent the quality of service (processing of payment instruments) has changed as a result of the reorganisation of activities due to the sale of Setefi to the Mercury Consortium. The answers received amounted overall to 61%. The NPS index was 25.6 and the general satisfaction index (Customer Satisfaction Index<sup>1</sup>) was 81.7 out of 100;
- 20 company representatives who all answered the quality survey via telephone on the new Liquidity Dashboard service aimed at monitoring and managing liquidity on current accounts at Banks in the Intesa Sanpaolo Group, and at other Banks. The survey provided a substantial contribution towards identifying the actions to be taken to improve quality of service through the opinions of customers who took part in the initial experimental pilot phase;
- 273 representatives from customer companies in an online quantitative survey on the service offered by the Forex Sales desk of Banca IMI in preparation for the introduction of a new electronic platform - the Single Dealer Platform. The NPS index was 36.5;
- 773 company representatives were involved in a qualitative and quantitative survey using two contact methods (telephone and online) about transaction banking products and services with a focus on cash management and trade finance and with the aim of verifying the impact of the improvement actions taken and also the level of satisfaction and areas of strength and weakness highlighted by the customers. The response rate was 27% (in particular 118 were willing to be contacted again). The NPS index was 24.9.

## LISTENING TO CUSTOMERS IN THE INTERNATIONAL SUBSIDIARY BANKS

Customer satisfaction measurement activities regarding Retail customers in the Group's International Subsidiary Banks involved five banks (Banca Intesa Beograd in Serbia, Intesa Sanpaolo Bank in Slovenia, CIB Bank in Hungary, Privredna Banka Zagreb in Croatia, VÚB Banka in Slovakia) with a specific focus on the multichannel offer and the service model, in order to further investigate the role of consultancy in the sales process. Specific analyses were aimed at understanding the perception of quality for certain significant credit products (mortgages and personal loans) and for the new branch model opened in Banca Intesa Beograd.

With reference to the benchmarking survey carried out between June and December 2017, approximately 8,000 interviews were conducted in the Group's main countries of operation. The survey results showed stable levels of satisfaction with reference to the country's banking systems and also the individual banks.

As for the small and medium-sized business customers, between the end of 2017 and the start of 2018 customer satisfaction surveys were conducted in CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Intesa Sanpaolo Bank (Slovenia) and PBZ (Croatia) involving a total of about 2,200 companies. In all the projects, the support from the network relationship managers was significant in the role of promoters of the customer listening topics.

## MANAGEMENT OF COMPLAINTS

The Intesa Sanpaolo Group makes customers the focus of attention and is committed to develop an ongoing dialogue with its customers in order to keep the relationship at a level of excellence. In this context fundamental importance is attributed to complaints and other requests where customers express their dissatisfaction as their correct and prompt assessment and handling:

- can enable the Bank to overcome the reasons for dissatisfaction and safeguard the business relationship;
- is a useful indicator of the service level, providing ideas for improving the offer and commercial processes and for making some fine adjustments to the characteristics of specific products/services;
- constitutes an element that contributes towards the assessment and management of operational and reputational risks and, in particular, of non-compliance and conduct risks.

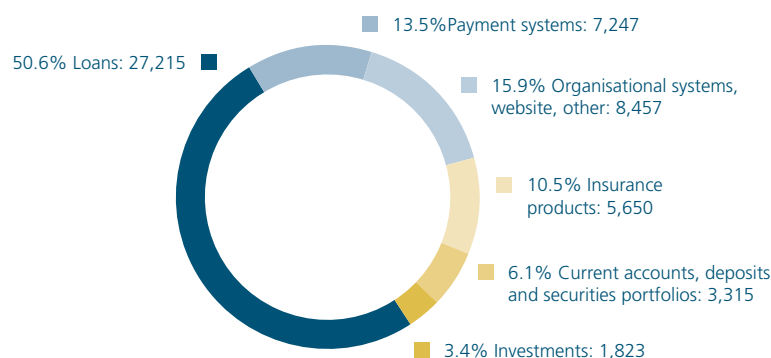
The organisational, procedural and regulatory framework adopted in this regard by the Group is defined in the Guidelines for managing complaints, disclaimers and protests to the Supervisory Authority and appeals to alternative dispute resolution Bodies.

The structure that handles complaints is obliged to ensure compliance with the maximum response times specified in the regulations and differentiated according to the type of complaint: 30 days for those (ordinary) complaints on banking and financial matters, 45 days for those relating to insurance products and 60 days for those relating to investment services.

<sup>1</sup> Customer Satisfaction Index: the index was calculated using a structural equation model with latent variables, specifically the "Partial Least Squares - Path modelling" (in literature, known as PLS-PM). The outputs of the model include the measurement, through a synthetic index, of the overall satisfaction level (CSI - Customer Satisfaction Index).

Despite what is specified in the regulations, the Complaints Office has independently reduced the response time limits to 25 days for ordinary and insurance complaints, in line with the constant objective of keeping performance indices high when listening to customers. In October 2017, a project aimed at renewing and improving the complaints management model was also launched, by involving the other staff of the Complaints Office through focus groups to identify and understand customer expectations based on their own experiences.

With regard to Italy<sup>2</sup>, in 2017 53,707 complaints, appeals and protests were recorded, broken down as follows:



- Loans: they account for 51% of the total and show a decrease of 18%. This performance is due to the reduction in applications brought by former customers of Accedo<sup>3</sup> that, in relation to the early redemption of loans with assignment of one-fifth of salary, are claiming the pro-rata refund of fees and/or charges paid at the time of disbursement, and the similar contraction in disputes relating to the area of the Banca dei Territori Division, mainly referring to the alleged usurious nature of the conditions and alleged illegitimacy of the compound effects of interest capitalisation;
- Issues on organisation, management and functionality of websites: these represented 16% of the total and recorded an increase of 35%, mainly due to malfunctions, layout and usability of the new website, as well as waiting times, queues in branches and, more generally, to behaviour by personnel perceived as being inadequate. Conversely, the number of complaints decreased in relation to the failure and/or delayed processing of requests for copies of documents;
- Payment systems: they account for 13% of the total, with a slight reduction compared to the previous year. Nearly half of the complaints relate to errors or delays in the execution of transactions, while 36% relate to fraud – computer-fraud in particular – leading to customer disputes concerning charges against them;
- Insurance products: these account for 11% of the total, up by 6%. About half of the applications recorded by the Banca dei Territori Division refer to policies related to loans, in relation mainly to claims for refunds of premiums for the early redemption of loans and issues associated with settling claims, while the applications registered by the Companies are mainly related to the claims area (conduct of liquidators, settlement of insurance benefits) and problems related to administrative aspects (customer service, timing and contents of statements during the contractual relationship);
- Current accounts, deposits and securities portfolios: they account for 6% of the total, an increase of 40% mostly due to disputes relating to the proposal for a unilateral amendment of the contractual conditions, sent to about 3 million customers in May 2017;
- Investments: these account for 3% of the total and show a decrease of 6%. The most frequent causes of complaints refer to the negative performance of the financial markets – which determined results not in line with the expectations of investment, management and financial policy funds – and to errors and/or delays in performing transactions.

The data described above include 1,254 requests for clarification, made by the Supervisory Authority after their receipt of protests lodged by customers and 3,583 claims to alternative dispute resolution Bodies.

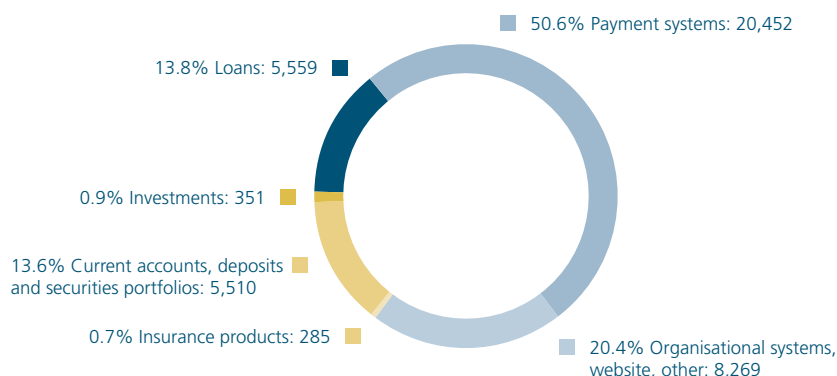
In the course of 2017 a total of 48,498 applications were processed – also in the context of ADR procedures for disputes – of which 14,821 have been accepted.

The average processing time of complaints and response thereto concerning Italy, is on average lower than the applicable reference regulatory provisions.

<sup>2</sup> The perimeter includes the following companies: Intesa Sanpaolo, Network of Banks operating in Italy, Mediocredito Italiano, Banca5 (Banca dei Territori Division); Banca IMI (Corporate and Investment Banking Division); Fideuram Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Sanpaolo Invest (Private Banking Division); Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita (Insurance Division); Eurizon Capital SGR, Epsilon SGR, Eurizon Capital SA (Asset Management Division); Intesa Sanpaolo Provis, IMI Fondi Chiusi SGR (Capital Light Bank).

<sup>3</sup> In February 2017 the Company was incorporated into Intesa Sanpaolo; as a result of this corporate action, Intesa Sanpaolo seamlessly replaced Accedo in all contractual income and expense relationships and in particular in all loan agreements entered into by the latter.

As regards the overall situation of the phenomenon abroad<sup>4</sup> one should note that in 2017 40,426 complaints, appeals and protests were recorded<sup>5</sup>.



All banks registered a decrease in the number of instances received (an average of about 11%), with the exception of VÚB Banka (+1%), Banca Intesa Russia (+5%) and Banca Intesa Beograd (+23%); with reference to the latter, the increase is mainly due to malfunctions in the new management system for payment cards.

The complaints, appeals and protests referring to the payment systems category represent, as in the previous year, the primary source in numbers, with 51% of the total, and show a slight increase compared to 2016 (+2%). About half of those applications, relating to VÚB Banka (Slovakia), are primarily motivated by ATM equipment malfunctions.

Complaints relating to organisational and management issues and functionality of websites were particularly significant, accounting for 20% of the total and up by 7% compared to 2016; they almost all concerned the Croatian subsidiary Privredna Banka Zagreb and related mainly to service disruptions that customers encountered in accessing the remote banking channel. The number of applications regarding Current Accounts, Deposits and Securities Portfolios were limited (14% of the total), whereas the proportion regarding Insurance products and Investments (2% of the total) was not significant, in line with the related business at the individual subsidiaries.

In the course of 2017 a total of 39,432 applications were processed - also in the context of ADR procedures for disputes - of which 18,890 have been accepted.

The average processing times of dossiers vary depending on the subsidiaries and are largely in line with the local laws and regulations, where obligatory resolution deadlines exist.

## INNOVATION IN CUSTOMER RELATIONS

An organisational structure dedicated to innovation continued to work to accelerate the Group's business innovation capacity through the research, analysis, conception and promotion of solutions on the domestic and international market capable of leading to new commercial opportunities and the development of the local community and economy.

The spread of a culture of innovation was also achieved with the help of a network of specialist representatives who work in Regional Governance Centres and in some International Subsidiary Banks (Bank of Alexandria in Egypt, Intesa Sanpaolo Bank in Slovenia, Privredna Banka Zagreb in Croatia and VÚB Banka in Slovakia). In addition, in order to increase connections with the whole, across-the-board system of innovation, certain partnerships with selected partners at a national and international level were also consolidated (e.g. local authorities, companies, incubators, research centres and universities), which help to strengthen the positioning of Intesa Sanpaolo in the various areas.

Innovation also involved the redesigning of the main Bank processes starting with customers' needs. This is the aim of the Digital Factory, the specific structure that operated by transforming the processes designed by the bank for the bank in a form of management prepared with the customers for the customers.

The people involved in the Digital Factory come from corporate structures involved in transformation processes and work full-time sharing not only a common objective, but also the physical space where they work. In addition to speeding up analysis and production times, this helps to increase exchanges and experiences and encourages the professional growth of the participants. The scope of the Digital Factory has also been extended to the business development with the proposal of new digital products and services in support of the Banca dei Territori, Corporate and Investment Banking and Insurance Divisions. In addition to continuing the developments on processes started in 2016, seven new processes for the operational network were redesigned in 2017 and five additional digitalisation processes were finally launched.

<sup>4</sup> The perimeter includes the following companies: Privredna Banka Zagreb - PBZ, VÚB Banka, CIB Bank, Banca Intesa Beograd - BIB, Intesa Sanpaolo Bank Slovenia, Banca Intesa Russia, Bank of Alexandria, Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank Bosna i Hercegovina - BiH (International Subsidiary Banks Division); Intesa Sanpaolo Bank Luxembourg, Foreign Branches (Corporate and Investment Banking Division); Praxex Bank (Capital Light Bank Division).

<sup>5</sup> Compared to 2016, the figure also includes the applications recorded by Intesa Sanpaolo Bank Bosna i Hercegovina (331) and the Foreign Branches of Intesa Sanpaolo (19).

The number of operations that do not require copies printed on paper was expanded (see page 110), continuing the path of dematerialisation of banking contracts.

## EMPLOYEE ENGAGEMENT

Attention to the quality of the commercial offer also includes management change measures and new ways of employee engagement in order to act effectively on developing customer relation procedures and spreading the digital culture.

The programme called “Insieme per la Crescita 2.0” (Together for Growth) which involves approximately 38,000 network employees, aims to improve performance through greater attention to forms of behaviour, both by increasing customer and employee satisfaction and by generating a pervasive and permanent change in relationship management. In 2017 the programme evolved through a shared process with the employees of the Network; the benchmark forms of behaviour in the approach with customers applied effectively in the branches on a daily basis were also reviewed. To facilitate its adoption, they used the method of explaining the reasons behind the proposed behaviour decisions and the reason concerning the processes of simplification.

The “Insieme per la Crescita” programme makes use of the work of the CRM function for the measurement of customer satisfaction and directly measures employee satisfaction through the branch barometer (synthetic barometer rating of 7.8, on a scale of 1 to 10, with over 247,000 questionnaires collected).

The “Vividigitale” project aims to disseminate the digital culture among customers and staff. In this regard, various formats were activated including 30 events organised in the branches on digital issues and meetings on chats organised with the aim of spreading knowledge about the Bank’s new instruments. A total of 157 sessions were organised, 28 of which were directed at the 1,600 employees assisting in the integration of the former Venetian Banks.

## MULTICHANNEL APPROACH AND ACCESSIBILITY

Service quality also means offering customers the possibility to carry out transactions or to acquire/consult information on a variety of channels: the 2014-2017 Business Plan emphasized the importance for Intesa Sanpaolo of branding itself as a fully-integrated, multichannel bank.

In 2017, its positioning in multichannel and digital banking was reinforced in line with market trends, with 6.9 million multichannel customers<sup>6</sup> and 6 million Apps downloaded, assuming the position of leading digital bank in Italy. This goal was also achieved through help from the new digital platform for Retail Customers who in 2017 were able to use the new internet banking. During the year, approximately one million My Key contracts were activated. This new multichannel contract allows customers to automatically link up all the products and services they own to the digital channels and to activate OkeySmart, the new OTP (One-Time Password) software that is easier and safer than the physical password key and meets the requirements of the European directive on payment services in the internal market (so-called PSD2 - Payments Service Directive 2). The new Intesa Sanpaolo Mobile App has also been available since the beginning of 2017, which is used to manage daily banking needs with the possibility of making card-less and emergency withdrawals (to have money withdrawn by a third party by sending a simple code). In addition, in order to combat the use of cash and to make digital payments an increasing load-bearing pillar in the process of digitisation of the bank, some new mobile payment tools were introduced in Apps, both with the use of cards and through accounts, such as PAYGO, Masterpass and JiffyPay which allow to be the only bank to date in Italy, capable of offering its customers a single payment procedure for all their in-store and online purchases (the same procedure was recently extended to three-dimensional online payments - 3DS).

Within the international scope, the DigiCal (digital channels + physical branches) programme continued, geared to strengthening the integration between the physical and the digital channels in order to provide Retail and Small Business customers with a new way of accessing products and services and getting in contact with the Bank.

The main results relate to the development in the CIB Bank (Hungary) of internet banking and digital ATM networks with dematerialisation processes. In 2017, the Hungarian subsidiary had more than 140,000 online customers (doubling the number of online customers in one year). In addition, in the market surveys that were conducted, the CIB Bank Mobile App received the best Net Promoter Score (89.1) among the top seven Hungarian banks; 22% of respondents use the App as their main channel for transactions with the Bank. Internet and mobile banking was also introduced in PBZ – Privredna Banka Zagreb – Croatia also with the introduction of remote digital signatures in contracts for the development of distance relationships.

Among the customer relationship channels, branches continue to be for Intesa Sanpaolo the physical place in its distribution network where customers can get personal support and assistance, particularly with regard to more complex operations. The local branches are still more geared towards offering a focused, personalised and high value-added service. There are 4,694 branches in Italy and 1,149 abroad<sup>7</sup>. Intesa Sanpaolo’s presence in the various regions of Italy is significant, with market shares of at least 12% in most Italian regions.

<sup>6</sup> Referring to Italy; it does not include Fideuram Intesa Sanpaolo Private Banking (about 593,000) and Banca 5 (about 27,000).

<sup>7</sup> The data for branches in Italy and abroad include the branches arising from the acquisition of the former Venetian Banks (783 in Italy and 40 abroad).



The New Branch Layout project has produced a significant change in the place where customers are met: the modular physical spaces put the accent on the welcome given, with areas to be shared together and the proposal of artistic and cultural events. The new branch model, conceived in 2014 also through listening to customers, was implemented in the following years and at the end of 2017 it was adopted in 118 branches. The experience enjoyed by our customers in the new branches was the subject of a survey involving 233 branches and more than 5,200 customers who appreciated the new layout as being elegant and modern. The suggested areas of improvement concern the reception and waiting areas for which a project enhancement phase has been activated to modify the furnishings and organisation to support the employees.

The newly-conceived branches were the venues of the "Sharing Ideas" events for customers to share their stories, ideas and projects and for the Bank to effectively become a Bank that takes part in the projects of households, businesses and the local area. There were about 95 events and they managed to engage about 5,500 customers. Inside the Milan Branch in Corso Vercelli, a Puro Gusto Autogrill store has been opened since September, a modern coffee shop available to customers.

At the end of 2017, Intesa Sanpaolo had a network of over 7,737 automatic teller machines (ATM, MTA e Self-service staff-assisted banking terminals)<sup>8</sup> in Italy and over 2,600 ATMs abroad. During 2017, the former Veneto Banca and Popolare di Vicenza ATMs migrated onto the platform of Intesa Sanpaolo. Customers are provided with a vast range of services from withdrawals using all card types to account and card queries, mobile phone top-ups, payment of utility bills and taxes, the setting up of SEPA bank transfers and the top-up of season tickets issued by the main local transport companies.

The Online Branch is a remote interaction channel of the Bank in addition to the physical branches located throughout the countries. With over 800 employees, it works through 11 operating points with online managers and coordination staff. It also makes use of two outsourced operating points, employing a total of about 1,100 people. The Online Branch provides operational and commercial information help and relational support to current and potential customers of all banks of the Intesa Sanpaolo Group, also via chat, video chat, email and social network channels. In their management of contacts, online managers can also conclude the sale of a new product or service, by making the proposal through the remote offering procedures. The scope of application of remote sales covers cards, loans, investments and protection.

In order to extend access to services, Banca 5 (formerly Banca ITB) has been operational since 2017, the first online bank in Italy to operate in the payment system sector and dedicated exclusively to a network of tobacco points of sale. Banca 5 has about 20,700 customers which are owners of the tobacco points of sales distributed throughout the country. During the year, it launched services for its Retail customers through the network of tobacco points of sale by setting up 2,570 operating points which, in addition to traditional payment products, also offer support services. The services provided are classified into three main macro areas: to individuals (postal and bank bill payment slips, F24 tax forms, car tax, top-ups for phone cards and prepaid cards etc.), to businesses (e.g. collections by direct debit) and owners of the non-captive points of sales (e.g. fees for current accounts and use of the terminal).

<sup>8</sup> The ATM figures include the branches arising from the acquisition of the former Venetian Banks (659 in Italy) within the scope of the Banca dei Territori Division.

## PHYSICAL ACCESSIBILITY

To allow visually impaired or blind people to withdraw cash, find out their current account balance or top-up their mobile phone at an ATM, all the ATMs of branches in Italy are equipped with an interface featuring easy-to-read graphics making operations easier for the visually impaired, while blind people can listen to a voice guide on approximately 5,700 machines with the use of ordinary headphones. This is a project that was developed in cooperation with the *Unione Italiana Ciechi* (Italian Association for the Blind).

Also as regards the International Subsidiary Banks, there is an ongoing commitment to make applications compliant with WCAG 2.0 (Web Content Accessibility Guidelines) that has made them accessible to a larger number of customers with disabilities.

The monitoring over the accessibility and usability of buildings and services has led to the conclusion of the census of 5,800 operating points (consisting mainly of Retail, Personal, Business, Private and Corporate branches, detachments of the various branch types, detached and company branches) out of a total of 6,029, verifying the usability of automated equipment and accessibility of the various areas with the use of tactile paths for visually impaired and blind people. On the Intesa Sanpaolo website you can find specific information on the accessibility of branches (see [\[1\]](#)). In particular, there is information on the accessibility to our branches and self-service areas by wheelchair users; one can also find out if there are accessible cashier desks with a cashier, accessible toilets, adequate space for manoeuvring in corridors, tactile paths for the visually impaired and blind, lifts or lifting platforms or stair lifts to connect the various floors.

Intesa Sanpaolo has also been cooperating with the LIA Foundation (*Libri Italiani Accessibili* - Accessible Italian Books), which has been working for years with the *Associazione Italiana Editori* and the *Unione Italiana Ciechi e Ipovedenti* (Italian Association for the Blind and Visually Impaired), to extend the accessibility of its documents published on the Internet and on the Intranet.

## CUSTOMER PROTECTION AND RESPONSIBLE SALES

### TRANSPARENCY TO CUSTOMERS

Intesa Sanpaolo intends to make the dissemination of information to its customers clearer and more comprehensible in all stages of the relationship with the Bank, through simplicity of language, information transparency and alignment of conditions within the various documents relating to the same product/service. The main offer documents, drawn up according to requirements of clarity and understandability can be found in branches and also on the Bank's website, under the Banking Transparency section [i], particularly with respect to Product and Service information sheets, Specific Guides, and Information documents on the conditions offered to general customers.

### INVESTMENTS: ADVISORY SERVICE

A system of specific rules has been introduced and is fully operational regarding the sale of banking, financial and insurance products and services. In line with the first MiFID (issued in 2007) Intesa Sanpaolo has chosen to offer the highest level of protection to its customers, i.e. the advisory service which provides personalised advice allowing customers to make investment decisions that are consistent with their own financial profile; in this sense, Recommended Portfolios are proposed resulting from a process of analysis which selects and combines products and services offered by the Bank on the basis of their consistency with the market scenario and with the customer risk profiles.

In 2017, Intesa Sanpaolo launched a project in order to comply with the European directives and regulations with regard to the protection of investors<sup>9</sup>, as from the beginning of 2018. Group Product Governance Guidelines and specific Rules approved by the Board of Directors of Intesa Sanpaolo have been issued, aimed at meeting the principles of enhanced investor protection (with formalities to be performed by intermediaries, adequate training of staff responsible for the provision of investment services and more detailed information on costs, charges and incentives of the products and services offered) and transparency about the trading that takes place on the financial instrument markets.

Among the projects consolidated in 2017 regarding advisory services, "Valore Insieme" represents a global offer provided by the branch managers through an innovative relationship platform. It is aimed at those who are looking for an exclusive relationship that combines innovative technology with ongoing professional support from a dedicated relationship manager. The service covers various areas of need (Securities and Pension Assets, Real Estate Assets, Protection and Security) connected by a transverse diagnostics section to ensure communication and interaction between the various consultancy levels. The platform enables ongoing monitoring of the assets and the relationship and offers personalised recommendations through new reports and an alert system that ensures constant advisory protection over time.

### THE PROCESS OF COMPLIANCE CLEARING OF NEW PRODUCTS AND SERVICES

New products and services marketed by Intesa Sanpaolo, as well as any changes to existing products and services, are subject to prior verification of their compliance with the relevant legislation. Similarly, innovative projects that launch new business or enter new markets, are assessed in advance to ensure their substantive and formal compliance with internal and external regulations. Conformity assessments are carried out in accordance with the principles of fairness and protection of interests of customers and also relate to the quality of the information provided and the coherence of these services, products or transactions with the expectations of customers to whom they are addressed.

### DIALOGUE WITH CONSUMER ASSOCIATIONS

Intesa Sanpaolo has long been involved in open and constructive dialogue with all the nationally-recognised Consumers' Associations, listening to their requests and finalising collaboration with them on a project, technical and operational level. In 2017, a meeting was held between the Bank's Top Management and the heads of all the Associations to establish relationship procedure, the ongoing and future plans and technical discussions on specific categories of products/services. Work also continued throughout the year on permanent conciliation (see on the Website Conciliation Agreement [ii]) as a means of out-of-court solutions adopted and managed together with the Consumer Associations.

The conciliation procedure, which concerns products offered to retail customers (current accounts and linked payment cards, mortgages and personal loans), is simple, free and fast, with maximum case resolution times of 60 days. Customers may decide to participate, at no cost and without compromising any other procedures they may wish to take subsequently, in order to protect their own interests. In 2017, 17 new applications for permanent conciliation were received.

<sup>9</sup> Directive 2014/65/EU (MiFID II) and Regulation 2014/600/EU (MiFIR), Regulation 2014/1286/EU (PRIIPs).

## ASSESSMENT BY THE ITALIAN COMPETITION AUTHORITY (AGCM) REGARDING THE OFFER OF DIAMONDS

Following an agreement with Diamond Private Investment (DPI), from October 2015 the Bank expanded its range of products offered to customers with the offer of diamonds by introducing a solution for diversification with the features of the so-called “safe haven asset” in which to allocate a marginal share of one’s assets, with a long-term investment horizon. The marketing process was based on the criteria of transparency, with safeguards that have been progressively strengthened over time, including, inter alia, quality controls on diamonds and the fairness of prices charged by DPI. The activity generated volumes of purchases mainly in 2016 and altogether the number of customers who bought diamonds were about 8,000, for a total of more than 130 million euro.

In 2017, the AGCM launched proceedings against companies that sell diamonds (including DPI) to assess conduct in violation of the provisions on unfair trading. These proceedings were extended to intermediaries who worked to highlight the services offered by those companies. At the conclusion of the assessment procedure, the AGCM served notices of sanctions having ascertained alleged infringements of the Consumer Code in the conduct of DPI and of the banking intermediaries to which the proceedings had been extended, on the grounds that – in brief – they had provided a partial, deceptive and misleading representation of the characteristics of the diamond purchases, methods of establishing prices – presented as a market price – and the performance of the diamond market. The Authority imposed a fine of 3 million on Intesa Sanpaolo, lower than the initial determination of 3.5 million, because the Authority recognized the merit of the initiatives implemented by the Bank starting from 2016 to reinforce the safeguards of the offer process designed to ensure, in particular, the provision of correct information to customers. Following the decision of the AGCM, the Bank paid the penalty amount and lodged an appeal to the Lazio Regional Administrative Court to challenge the decision.

In November 2017 the Bank terminated its partnership with DPI and ceased that trading, that had already been suspended in October and initiated a process that provides for recognition to customers of the original cost incurred for the purchase of the precious stones, and the withdrawal of the stones, in order to meet the customers’ resale requirements in the event that, as a result of the illiquidity that has arisen on the market, these are not met by DPI within a prescribed period of 30 days, as per the agreement. In January 2018, the Bank sent a notice to customers possessing diamonds to emphasise the nature of the stones as durable goods, confirming, among other things, its willingness to intervene directly as regards any realisation needs expressed by the customers and not satisfied by DPI. As at 31 December 2017, the Bank had received 1,287 requests for resale of the diamonds, for a total of 23.9 million.

## CUSTOMER HEALTH AND SAFETY

The cardinal principle behind the initiatives for the protection of branches and offices of the Group is the safeguarding of the health and safety of all the people that work there or pass through. This principle is implemented through operational rules and technological safety measures, supported by IT tools and the dissemination of a health and safety culture.

### PHYSICAL SAFETY

The analysis on the risks of robbery is constantly updated with the aim of improving safety systems and systematically controlling the level of security of high risk sites. The number of robberies has been decreasing for several years and, in particular, in 2017 only 15 events occurred in Italy: this is a very low figure and down by 28.6% compared with the same period in the previous year. The relevant structures are working on models for the management of an emerging risk: Cyber Physical Security, which does not solely relate to new technologies, but is based on a new approach that moves us to rethink and redesign tools, systems and models in an integrated and more effective manner by combining traditional aspects of physical protection in branches and the protection of operations over the web.

As regards the International Subsidiary Banks, the Parent Company functions ensure guidance and support activities, particularly in projects on the development of physical security and distribution models (e.g. extension of the new layout model to the International Subsidiary Banks).

### CYBER SECURITY

The Group considers the protection of information and the management of the related processes a matter of strategic importance. IT security is governed by Guidelines for the protection of the interests and rights of customers and employees. IT security management processes are included in the Integrated Internal Control System of the Bank and involve structures and functions up to the highest level (such as the Board of Directors with supervision by the Risks Committee, the Managing Director and CEO and the various Head Office Departments) with the description and outlining of their responsibilities.

The role of the Information Security Officer is defined in respect of the regulators and the supervisor ensuring the functional coordination of the structures responsible for IT safety and business continuity of the Group Banks and companies.

The IT security profile also relies on the dissemination of risk awareness, methods of prevention, importance of processed data and the use of application procedures by all those involved (structures of the Bank, employees, customers and suppliers). IT security tasks are carried out with a centralised management model for Italian Banks and companies that have a high degree of integration with the Parent Company, and with a coordination and control model for the other Group companies and the International Subsidiary Banks with common Guidelines that are shared throughout the entire perimeter. Since the use of multichannel services is continually on the increase, there is close attention on the prevention of fraud in the services available on the new channels. Intesa Sanpaolo has consolidated a fraud prevention system for the Group's Italian banks and for some of its International Subsidiary Banks that is capable of analysing in real time all the transactions carried out via Internet Banking and identifying those that may be considered questionable so that they can be checked by a specialised unit.

Constant monitoring of fraud resulted in the blocking of over 15 million euro in fraudulent transactions in 2017 for retail customers and nearly 24 million euro for corporate customers.

All customers are informed about the standards of conduct for the correct and safe use of online tools. Security monitoring along with Business Continuity solutions and Crisis Management mechanisms have confirmed the effectiveness in managing events related to natural disasters and crisis events, allowing continuity of services and the safeguarding and protection of employees and customers.

The safeguards provided by Intesa Sanpaolo Group's CERT (Computer Emergency Readiness Team) were consolidated in 2017. This team is an operating interface for critical events of a cyber nature regarding external stakeholders. The Group's CERT is also operating on several fronts such as Cyber Threat Intelligence services, internal (Banks and Group companies) and external (national CERT, CERTFin, other CERTs) information sharing services and reports to the supervisory authorities in the event of serious IT security incidents.

In terms of cyber security, the action programme has identified the lines of development in Intesa Sanpaolo's strategy strongly focused on the challenges of the coming years: attention to the management of digital identity, the security of third parties, the Dynamic Analysis of Risk, the areas of data protection, open banking, cloud evolution.

Finally, as in previous years, the Bank continued to commit itself to obtaining and maintaining third-party certifications for its own quality assurance, security and operational continuity activities and also for its appropriate monitoring of the services provided (see [i]).

# Access to credit and financial inclusion

## COMPANY POLICIES

Intesa Sanpaolo provides a range of products and services that promotes financial inclusion and access to credit, in accordance with the Group's Code of Ethics that highlights, among the principles of customer relations, the value of this policy as a key lever for social inclusion, enabling people to improve their condition and to be able to exercise their rights of citizenship to the full. The Code of Ethics also indicates the commitment of Intesa Sanpaolo in promoting economic and social development in the country where it operates. In particular, this responsibility results in assisting companies in developing and improving their competitiveness and in innovating and internationalising their business.

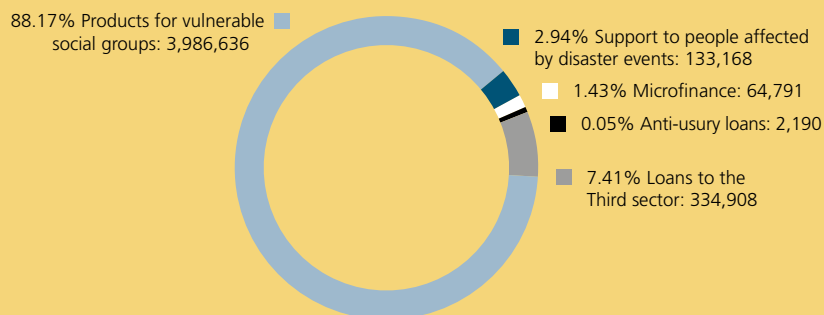
The 2014-2017 Business Plan confirmed compliance with these principles by defining the goal of being a real economy Bank for households and businesses. Credit management policies were defined in order to develop and monitor the overall loan facilities and also to qualify the approach to customers by all Banks and Companies of the Group.

## FINANCIAL INCLUSION OF VULNERABLE PEOPLE

Support for vulnerable customers involves a number of projects and initiatives aimed at the fair allocation of resources by identifying actors within the territory with whom agreements and synergies can be developed that will make access to credit easier for vulnerable individuals or those who would otherwise have no access to banking.

In 2017, the Intesa Sanpaolo Group issued new loans for high social impact activities amounting to over 4.5 billion euro (7.3% of the total new loans granted by the Group in 2017), helping to create business and employment opportunities and also assisting people in difficulty through various procedures: microfinance; anti-usury loans; products and services for associations and entities in the Third sector; products dedicated to the most vulnerable social groups to support their financial inclusion; loans to support populations hit by natural disasters.

### LOANS WITH SOCIAL IMPACT [% and thousands of euro]



## MICROFINANCE AND THE FIGHT AGAINST USURY

There are a number of active collaborative projects with mainly philanthropic or religious entities, for providing credit to individuals or small companies in difficulty. Altogether, in 2017 the Group disbursed almost 67 million euro in microcredit or anti-usury projects, in Italy and abroad. A few significant examples are described below.

Since 2010 the Group has been involved in the “Prestito della Speranza” project, promoted by the Italian Episcopal Conference (CEI) and the Italian Banking Association (ABI) to assist families in temporary difficulties through the support of micro and small start-ups. In 2015 the offer was renewed exclusively with the CEI, with the aim of disbursing 100 million euro of loans – guaranteed by a 25 million euro CEI fund entrusted to Banca Prossima – through the diocesan Caritas network and with assistance from VoBIS-Volontari Bancari per le Iniziative nel Sociale (an association of volunteer ex-bank employees which operates throughout Italy whose aims are strictly based on social welfare and solidarity). Prestito della Speranza has two specific areas of focus: life choice projects and entrepreneurship projects for young people and start-ups. The initiative is structured either as a Social Loan (Credito Sociale) to families up to a maximum amount of 7,500 euro, disbursed in 6 bi-monthly instalments of 1,250 euro as an income top-up; or as a Business-builder loan (Credito fare impresa) to micro-enterprises which are either new or have a low capital base, with the provision of a single disbursement loan of up to a maximum of 25,000 euro. At the end of 2017, total lending in the latest version of the Prestito della Speranza, i.e. since March 2015, was 37 million euro, of which approximately 11 million disbursed in 2017 for more than 1,400 loans.

The risks inherent in this business are credit risks – previous versions of the Prestito della Speranza had produced double-digit default rates – and operating risks; the latter are mainly related to the possibility that any non-compliance with the process for the enforcement of guarantees makes the latter more difficult to collect with consequent difficulties for the operating manager. The exclusivity attributed to Intesa Sanpaolo, obtained in 2015, increased the controllability and reduced the extent of these risks.

The mechanism for providing a guarantee fund with Banca Prossima, by a generally philanthropic or religious institution, associated with an agreement with Intesa Sanpaolo, for providing credit to individuals or small companies in difficulty, has been replicated with a series of counterparties. Significant initiatives include Intesa Sanpaolo’s participation as partner to Fondazione Lombarda Antiusura and Fondazione Welfare Ambrosiano. The partnership with the Fondazione Welfare Ambrosiano – an entity financed by the Municipality of Milan, involving also the Fondazione Lombarda Antiusura – has made it possible to disburse, since the beginning of operations in 2011, a total of about 3.5 million euro of which about 60% by Intesa Sanpaolo, especially regarding social credit. The initiative entails support for micro-finance initiatives both of a social nature to provide income support for families, and of a business nature, for the creation of micro and small enterprises. The catchment area is essentially the Milan area and Intesa Sanpaolo is one of the four financial partners involved.

An agreement was made with the Società Nazionale di Mutuo Soccorso Cesare Pozzo in October 2016 through which this institution secured a guarantee of 3 million euro, using part of its assets under administration with Banca Prossima, and granted 40 loans to its members for household (school or health) expenses at very favourable terms, totalling a little less than 200 thousand euro.

Lastly, there are a few other ongoing agreements for credit inclusion of disadvantaged persons or small companies; in particular there is one again with the Fondazione Lombarda Antiusura (in collaboration with Caritas Ambrosiana and Fondazione Cariplo), one with the Finetica Onlus and one with NEETwork for offering free training placements provided by non-profit organisations.

### BANK THE UNBANKED

Bank of Alexandria, with its Bank the Unbanked project has developed several products dedicated to individuals who would have no access to banking, to improve their living and working conditions in the poorest areas of the country. These products are structured within a single programme which includes:

- micro-finance to meet different customer needs and to create small businesses. In 2017, financing was offered to individuals with micro-activities, conducted without commercial or fiscal documentation (informal sector), and from November onwards this was supported by loans to micro-enterprises operating in the formal sector. At the end of 2017, almost 69,000 customers had access to these loans totalling about 35 million euro.
- micro-deposits at advantageous rates to encourage the culture of saving among disadvantaged social groups (over 700 accounts opened for a total amount of almost 177,000 euro).

The offer also includes a platform for smartphones (MA7FAZTY Mobile Wallet), which allows users to perform normal banking transactions in a simple and secure manner. Users of the Mobile Wallet are over 48,400 and 25.3% of these use it on an ongoing basis.

## NATURAL CATASTROPHES AND DISASTERS

The Intesa Sanpaolo Group confirmed its concrete and tangible commitment supporting families and businesses affected by earthquakes or environmental disasters that occurred in Italy (earthquake in Central Italy, extraordinary weather events in the Triveneto area, earthquake in Ischia, floods in Livorno and floods in the provinces of Parma, Reggio Emilia and Modena) providing new subsidised loans intended for the restoration of damaged properties (houses, shops, offices, artisan workshops, companies), suspensions on existing loans, actions in the area of protection and preferential, simplified and expedited procedures. At the end of 2017, the Intesa Group had disbursed more than 133 million euro for more than 2,500 requests; the suspended repayments of outstanding loans were more than 1,300. In particular, in connection with the ongoing emergency situation in areas of Central Italy affected by the earthquakes in 2016 and 2017, a total sum of 20 million euro was allocated for the unilateral remission of mortgages on primary residences for properties that were destroyed or are totally inaccessible, in order to provide further help to the populations in those territories. The management of these cases involved more than 100 branches of the Intesa Sanpaolo Group in collecting the necessary documentation and applications for access to the benefits of the initiative, the Regional Governance Centres of the areas involved and also other professionals needed to define and manage the risks involved, the most important of which was operational risk.

## SUPPORT TO HOUSEHOLDS

Intesa Sanpaolo participates in the Guarantee Fund for Main Home Purchases, established by the 2014 Stability Law to facilitate access to credit by households for the purchase of and energy efficiency improvements to their main residence. Thanks to the Memorandum of Understanding between ABI and the Ministry of Economy and Finance, the beneficiaries – mostly young couples, single-parent families with minor children, young people under the age of 35 who hold an atypical employment contract and tenants of public housing owned by the Istituto Autonomo Case Popolari (Social Housing Authority) – can get a guarantee on the principal amount of their loan (up to 50%). In 2017, 3,200 mortgages were disbursed, totalling 350 million euro (in 2016, disbursed mortgages numbered almost 1,200 for a value of about 161 million euro).

Support for households was also reflected with the renegotiation of mortgages: more than 40,700 in 2017, and over 3,400 suspensions (3,250 in 2016) defined as a result of system agreements and for providing support to households affected by natural disasters.

## OFFER FOR YOUNG CUSTOMERS

The renewed and expanded range of mortgages includes Mutuo Giovani, with new solutions that enhance the flexibility of the product on offer to the under-35s, including atypical workers or those with contracts providing increasing safeguards, to facilitate the purchase of their first homes covering up to 100% of the value of the property and with a duration of up to 40 years. Mutuo Giovani allows borrowers for an initial period of ten years to pay a lower instalment covering interest only, with the possibility of suspending the payment of instalments or to extend or shorten the duration. Altogether nearly 2.5 billion euro was disbursed to nearly 22,000 young people (also in 2016, more than 2.5 billion was disbursed).

Young people were also given the opportunity of using the XTE Prestito con Lode, whose aim is to promote access to study. The requirements for obtaining this loan rely solely on academic merit and regularity, without any personal guarantees and irrespective of the family income. In 2017 the Bank continued to develop a capillary action for the promotion of the product at major Italian universities. This action was extended to Senior Vocational Training Organisations, operating in the public and private sectors, in order to achieve the full potential for supporting the development of younger generations and the financial inclusion of capable and deserving individuals. More than 7.8 million euro were granted in 2017 (596 new loans).

The range of products in XME Conto also includes a flexible current account with advantageous conditions for the under 30s. In addition to the seven euro discount on the offer chosen by the customer, further benefits are included such as zero commission fees on ATM withdrawals at other banks around the world, zero commission fees for online transfers and government duty stamps up to the age of 30 years if it is a single account. At the end of 2017, holders of the XME Conto under 30s account numbered over 238,000.

## REMITTANCE MANAGEMENT

Immigrants represent an important share of Intesa Sanpaolo's customers: at the end of 2017 they numbered 1.2 million (compared to 1 million in 2016). The offer of money transfer services includes three modules that are complementary with each other which make the range complete and competitive: GetMoney to Family, which allows money to be sent to the main countries of origin of migrants, through partnership agreements signed with local banks; Express to Family, which allows the transfer of money to Intesa Sanpaolo Group banks in Albania, Egypt, Romania, Serbia and Ukraine; Money Transfer Western Union, which through its widespread agent network allows money to be received anywhere in the world. In 2017 almost 118,000 remittances were executed amounting to almost 57.4 million euro. In 2017, over 100,000 transfers were executed through Western Union amounting to about 30 million euro.

## ACTIVITIES AIMED AT THE THIRD SECTOR

The Third sector is a significant part of the Italian economy and society and Intesa Sanpaolo has long recognised the importance of this by providing Third sector organisations and the religious world with services, mainly through Banca Prossima. At the end of 2017, Banca Prossima had about 62,000 customers, direct and indirect deposits of nearly 6 billion, of which 3.5 billion in direct deposits and about 1.8 billion in loans. Specific models were developed for customers of the Third sector that take into account the fact that intangible assets of these entities play an important and specific part in making their long-term financial exposure sustainable. These models were integrated into a variant of the Group's rating process that better suits the characteristics of customers from the non-profit and religious sectors, particularly with respect to the qualitative part. Lastly, ensuring support for the entities in the Third sector, Banca Prossima set up a Fund by statute for the development of social enterprises which is attributed every year at least 50% of the profits that remain after allocations to legal and statutory reserves and the reconstitution of the share premium reserve, initially used to set up the Fund. As a result of this instrument, about 1,000 entities with ratings below the minimum level required by the Group for access to credit, were given loans with a default rate of below 10%.

## CROWDFUNDING PLATFORMS

"For Funding" is the crowdfunding donation platform of the Intesa Sanpaolo Group aimed at large organisations, non-profit associations and foundations which want to launch a fundraising campaign with the participation of a wider donor community.

There is a limited number of fundraising initiatives on the platform and they are guaranteed through selection by the Intesa Sanpaolo team in order to develop solely the most deserving projects and not to waste the donations given: there is an assessment of the beneficiary organisation and also the type of projects.

Once a project is published online, donors may contribute to the fundraiser with a donation through the website, by credit card or by online bank transfer (Pago Online, My Bank and Home Banking), or with a bank transfer via one's own bank or through any Intesa Sanpaolo branch. Transactions are performed without any fees borne by the donor or the beneficiary.

In addition to the digital platform, the project also involves Social Ambassadors: these are specific contact persons at bank branches in charge of social issues and their dissemination in order to create a positive relationship with potential donors. There are approximately 900 employees whose remit on behalf of Intesa Sanpaolo is to generate widespread awareness of the importance of social projects.

The platform was launched in September 2017 with projects for UNICEF, Fondazione Bambino Gesù and Fondazione Gruppo Ospedaliero San Donato. Subsequently, the following entities also joined: Banco Alimentare, Comocuore Onlus and Famiglie SMA – Genitori per la Ricerca sull'Atrofia Muscolare Spinale.

This initiative is supported by Terzo Valore, the portal developed by Banca Prossima that enables non-profit organisations to finance themselves by appealing to communities of supporters who grant them resources by way of debt. Terzo Valore is characterised by a guarantee mechanism that was prepared for the lenders: Banca Prossima provides a line of credit that can be activated if the non-profit organisation has difficulty in returning the resources provided. Via the website [\[i\]](#), supporters can underwrite part of the loan at a rate of their choice that is below a maximum level indicated by the organisation itself. In fact, about 50% of lenders lend at zero interest. Since the beginning of operations in 2011 to the end of 2017, Terzo Valore has accepted about 100 projects submitted through the website. 95 have been completed (of which 9 in 2017), for a total of 10.75 million euro disbursed by Banca Prossima and a further 8.1 million by third parties (the total value of the projects involved was over 20 million). In 2017, these figures amounted to 970 thousand and 820 thousand euro.



## FINANCIAL EDUCATION

Intesa Sanpaolo is committed to spreading knowledge of economic and financial issues, especially among the younger generations and since the school year 2008-2009, together with the Osservatorio Permanente Giovani-Editori, it has promoted the project “Financial culture at school: getting ready to make choices” renamed Young Factor. The project intends to encourage the spread of the economic-financial culture among young people, providing them with useful information support tools to help them make informed choices about their future and to foster the creation of responsible citizens. Now in its tenth year, it provides a path of financial education for senior secondary school pupils by involving a nationally-based network of 2,800 schools, 7,600 teachers and 500,000 students mostly in the last two years of school (the figures refer to the school year 2016-2017).

### MUSEO DEL RISPARMIO (SAVINGS MUSEUM)

The Savings Museum is a multimedia and interactive workshop set up in 2012 at the initiative of Intesa Sanpaolo. Dedicated to families, adults and children, it aims to explain the concepts of savings and investment in a clear and simple language. A few new financial education projects and contents were developed in 2017, paying particular attention to the most vulnerable groups of the population, including:

- the project called “Arianna. Il Filo della Finanza”, aimed at helping to overcome the gender gap in terms of financial matters. Within the scope of this project a number of events were held: a conference on “Donne e denaro. Una relazione complicata”, the exhibition called “Quel genio di mia nonna. Dai libri di casa al kakebo.” and a research study on “Le donne e la gestione del risparmio”;
- the Welcom-ED project, developed in collaboration with the University of Turin and the Equal Opportunities Department of the City of Turin and aimed specifically at the segment of migrants. The initiative includes providing educational workshops on basic concepts of financial planning and savings, to be administered through the Centres for Adult Education (CPIA) and local associations (e.g. Gruppo Abele and Almaterra);
- the LEI project, in partnership with the Compagnia di Sanpaolo, Casa Circondariale di Torino (Turin prison) and the cooperatives working there, offering the female prisoners a training programme and internship and encourage their gradual reintegration into society once released from prison, with special attention on education towards conscious money management.

The relationship with schools of all levels has also been consolidated with the following initiatives reserved for students:

- the project called MOney LEarning, carried out with the support of the European Investment Bank and Fondazione Scuola della Compagnia di Sanpaolo, which involved about 1,800 primary school children from Piedmont in an educational project on the history and evolution of coinage held at the Museum;
- the Campus di Educazione Finanziaria e Imprenditoriale “Fuoriclasse della Scuola” organised by the Museum for the 50 winning pupils in the National Olympics for Schools, held annually by the Italian Ministry of Education and Research;
- the third edition of the Festival called “Il mio posto nel mondo” (“My place in the world”) was dedicated to about 600 secondary school pupils, who were able to listen to testimonies by personalities from various professional and training fields to encourage discussions on the importance of investing in human capital.

The Museum also signed up to the “Alternanza Scuola Lavoro” work-study project promoted by Intesa Sanpaolo and LUISS Guido Carli – Libera Università Internazionale degli Studi Sociali, providing a selection of contents on issues regarding major financial crises, entrepreneurship and the role of financial institutions.

Partnerships were also entered into including:

- the Economic Awareness Protocol, with the Regional Education Office, INPS, Inland Revenue Agency, Bank of Italy, Foundation for Financial Education and Savings and the Finance Committee of Turin, for the joint implementation of economic and financial training programmes for teachers;
- a Memorandum of Cooperation with the Italian Network of Adult Education (RIDAP) for the development of financial education content for adults.

Among the most significant events promoted in 2017 there is “Arte del Risparmio” (Art of Saving), a week of events to celebrate the World Savings Day (31 October) that has been enhanced with the cooperation of the International Subsidiary Banks and the Gallerie d’Italia. The International Subsidiary Banks participate in this event by organising local financial education workshops for schools in the countries where they operate. More than 7,200 pupils have been involved in numerous initiatives led by over 200 employees acting as Ambassadors for financial education.

In 2017, a number of new information materials and teaching aids were developed such as the pocket-money guide “Paghetta&CO”, a brochure called “L’ABC del Risparmiatore” (The Saver’s ABC) prepared on the occasion of the World Investor Week and the eBook called “Le parole del Rischio” (Risk Words).

## FINANCIAL EDUCATION TRAINING INITIATIVES WITH CONSUMERS

The project "Mettere in comune competenze" (skills pooling), launched in 2011, aims to improve mutual knowledge and collaboration skills to the benefit of customers and consumers. The project is divided into four activity sectors: training of Consumer Associations' middle managers; development of a training plan targeted at all Intesa Sanpaolo employees; initiatives for the training and information of the local structures of the Associations; meetings with Intesa Sanpaolo Group Top management and middle and junior managers of the Associations to combine skills and proposals in the main operating areas. During 2017, after the commitments in recent years in Piedmont and Lombardy, the project on financial education training for regional managers of Consumer Associations came to Campania with the running of six training days involving all 20 Associations belonging to the CNCU (National Council of Consumers and Users) with an average participation of two representatives per association.

## SUPPORT TO PRODUCTION

Intesa Sanpaolo offers simple, thorough solutions in line with the various business needs to manage daily operations as well as solutions dedicated to raising the value of customer companies in the various sectors of activity. The marketing structures develop a range of products and services for different types of customers, working with the Planning and Management Control function in the definition of commercial plans.

Worthy businesses with valid projects are also supported in times of difficulty with assistance in the creation of innovative solutions for restructuring and revitalisation.

In 2017, by promptly identifying the early signs of tension, it was possible to bring approximately 21,000 Italian companies back to performing-loan status (over 73,000 since 2014) from their non-performing loan positions (loans of approximately 1.7 billion euro). In line with the 2014-2017 Business Plan, Intesa Sanpaolo continued to support the development of the real economy and of the communities in which the Group operates. In 2017, Intesa Sanpaolo allocated about 63 billion euro to new medium-long term loans in the real economy (around 50 billion in Italy, an increase of 2.6% compared to 2016). Of the total amount, 43 billion euro (+4.4% compared to 2016) were disbursed to households and SMEs.

Supervision over the management and control of risks, according to the responsibilities of Corporate Bodies, is entrusted to the coordinated action of the Chief Risk Officer as regards risk management and Chief Lending Officer as regards the assumption and management of the Group's credit risk, reporting directly to the Chief Executive Officer. These areas of centralised responsibility support the business structures and the other functions involved in the credit process in order to make the activity of granting, managing and controlling credit as efficient and effective as possible. For the activity of providing credit and finance, there are various forms of coordination – with specific reference standards on powers, criteria for granting and managing loans and detailed operating Guidelines – that allow Intesa Sanpaolo to exercise an active policy-making and support role. In particular, there are set Group policies for granting and managing credit based on the formulation of a rating, which represents a summarised assessment of risks.

Also thanks to its long-term collaboration with Confindustria Piccola Industria, Intesa Sanpaolo has developed an innovative rating model, validated by the ECB, which, together with the usual economic and financial assessment, also assigns value to intangible qualitative factors, in terms of easier access to credit and more favourable financial terms and conditions. These include trademarks, patents, quality and environmental certifications, research and development, innovation and digitisation, development and competitive positioning projects, management of business risk, ownership and management, as well as membership of a chain. For customers with higher risk levels and greater difficulty in gaining access to credit, the new model has led to an increase in their ratings in 37% of cases.

## SVILUPPO FILIERE (PRODUCTION CHAIN DEVELOPMENT)

The Italian entrepreneurial network is built around a large and complex network of small and medium-sized enterprises organised into supply chain systems, often with strong relationships at a local level. Behind the large companies making Italian products, there are small and very small companies that precisely because of their modest size, often have great difficulties in getting access to credit. This particular characteristic led to the development of the Programma Sviluppo Filiere (Production Chain Development Programme), a project aimed at helping manufacturing companies of excellence to grow, thanks to a new and innovative model of collaboration between the Bank and the Lead Company. The Programme is based on three pillars:

- Risk: by integrating industrial information into the risk assessment systems;
- Credit: by building estimating logics for a Supply Chain Ceiling thanks to better understanding of the actual financial requirements;
- Commercial offer: by creating packages of products and services dedicated to covering the needs of the actors in the Supply Chain.

Created with the objective of facilitating access to credit, the initiative has enjoyed considerable development: at the end of 2017 lead companies participating in Sviluppo Filiere exceeded a total number of 500 with potentially 15 thousand suppliers, for a turnover of over 70 billion euro and a workforce of 91 thousand employees.

## BUSINESS SUPPORT AGREEMENTS

The 2015 Credit Agreement, signed on 31 March 2015 by ABI and the main trade associations and with validity until 31 July 2018, includes initiatives for access to credit which are directed at:

- Recovering companies, with the possibility for all SMEs "with performing status" to suspend principal payments on their loans for a maximum of twelve months and extend the amortisation schedules of their mortgages and due dates of short-term loans and loans for farming activities;
- Developing companies, in support of the entrepreneurial projects of SMEs;
- Companies and the Public Administration, for the factoring of company receivables due from the Public Administration.

In 2017, payment suspensions of loan instalments continued and 582 applications were accepted (since 2015 there has been a total of more than 4,400), for a total residual debt of 289 million euro and 26 million euro in extended debt. From 2015 to December 2017, Intesa Sanpaolo disbursed 976 loans through the initiative for developing companies, for a total of 372 million euro. The factoring of company receivables due from the Public Administration allowed the provision of 93 loans for the same period amounting to 3.3 million euro.

Within the framework of the Industria 4.0 National Plan, new sectoral agreements were entered into for supporting and fostering innovation processes, investment in new technologies and the digitisation of businesses. In 2017, the new agreement with Confindustria Piccola Industria also entered in full swing. This project called "Progettare il Futuro Accelerazione, trasformazione digitale, competitività" – (Planning the Future - Acceleration, digital transformation, competitiveness) aims to understand and accompany companies as effectively as possible, working systematically with the organisations which represent them. The programme enabled the allocation of 90 billion euro to four growth levers within the Italian industrial sector: ecosystems of enterprises and business integration, finance for growth, human capital and new businesses.

## SUPPORT TO NEW BUSINESSES

"Finanziamento Microcredito Imprenditoriale" (business microcredit financing) is dedicated to young people and micro-enterprises in order to help them launch a new business or invest in growth projects offering them access to credit even without real collateral. This opportunity was made possible by a special section of the Guarantee Fund for small and medium-sized enterprises established by the Decree of the Ministry of Economic Development dated 18 March 2015. The medium/long-term loan, with a maximum duration of 7 years and a maximum amount of 25,000 euro, is functional to the purchase of capital goods (including raw materials) or services for the business activity (including leasing fees), to pay salaries to new employees or working partners, to pay training courses to improve professional quality and technical and managerial skills. Over 800 loans for a total of almost 18 million euro were disbursed in 2017.

## SERVICES FOR CORPORATE WELFARE

By extending its offer outside the traditional perimeter of banking and insurance products, the Group provides the Welfare Hub service, launched in October 2017, for managing corporate welfare programmes. Through access to a digital, multi-channel and multimedia platform (via PCs, tablets and smartphones), companies can grant their employees goods and services for the exercise of their welfare credit (a performance bonus converted into Flexible Benefits upon request from the employee or premiums paid by the company already in that form). Welfare Hub allows company employees to find out about opportunities offered by tax laws and make a conscious choice about opting for the Flexible Benefits. The employees of customer companies can also access six different financial and insurance product areas, from health to welfare, from loans to insurance policies, from loans to young people to covering risks.

## OFFER FOR WOMEN'S ENTREPRENEURSHIP

The Business Gemma programme made available a long-term total of 600 million euro in credit lines for women's enterprises and for self-employed women from 2014 to 2017. In 2017, 420 loans were disbursed for a total of 16.3 million euro. The initiative also offers the chance to freely benefit from the special segment guarantee of the "SMEs Guarantee Fund" dedicated to businesses run by women and to request, during the repayment period, a suspension of up to twelve months on the principal amount within the repayment instalments of the loan in the event of maternity leave, serious illness (also of the spouse or children) or disabling illness of a parent, blood relative or relative by marriage up to the third degree who lives with the applicant. Business Gemma services also include an insurance policy that offers insurance cover and welfare services aimed at addressing the problems of balancing private and professional life. The areas of action covered are: health, maternity, assistance, help and legal protection in times of difficulty in the private life of the businesswoman. The new policies underwritten during 2017 were 69.

### WOMAN VALUE COMPANY AWARD

In support of gender equality and the enhancement of the role of women in the business world, Intesa Sanpaolo promoted a number of initiatives and sponsors some important awards. In particular, with the Marisa Bellisario Foundation, the "Women Value Company – Intesa Sanpaolo" award was established in 2017. Now in its second year for 2018, the award is dedicated to small and medium-sized enterprises that have implemented concrete and innovative policies and strategies to guarantee men and women have equal opportunities and equal career recognition.

With regard to the International Subsidiary Banks, Banca Intesa Beograd, Intesa Sanpaolo Bank Albania and Privredna Banka Zagreb continued with their initiatives dedicated to women's entrepreneurship initiated through the partnership with the European Bank for Reconstruction and Development (EBRD) under the Women in Business programme.

The programme, which aims to support micro, small and medium-sized enterprises run by women in the Western Balkans, has three components: subsidised loans, technical advisory services offered by EBRD for banking institution partners and the extension of know-how for women benefiting from the initiative. Altogether in 2017, 408 new customers benefited from this subsidised borrowing. A major contribution was provided by Banca Intesa Beograd which in 2017 disbursed more than three million euro in subsidised loans to 368 new customers.

With regard to training activities, the three Banks involved have organised various initiatives and workshops: in the case of Privredna Banka Zagreb, in addition to activities carried out on Croatian territory, a market study was conducted by a company of business consultants specialised in female entrepreneurship training; in addition, employees specialised in the commercial offer to the SME segment also took part in specific training. As regards Serbia, four workshops were organised dedicated to the topic of women's leadership which was attended by 100 women entrepreneurs.

Lastly, Bank of Alexandria signed a memorandum with the National Council for Women that marked the Bank's commitment to develop financial and non-financial services to support women's entrepreneurship, also to encourage the use of products through simplified access processes and usable in the fringe areas.

## LOANS AND SERVICES FOR COMPANIES INVESTING IN INNOVATION

For many years Intesa Sanpaolo has provided a wide range of actions to support companies investing in innovation and research. As regards loans, Nova+ supplements the traditional creditworthiness analysis with a technical and business assessment of the investment plans, conducted by a team of engineers specialised in the various product sectors with the cooperation of prestigious Italian universities. The financed projects in 2017 numbered 34 for approximately 32 million euro. Overall, the number of projects financed in the period 2014-2017 were over 230 with a total disbursement

of about 280 million euro. In 2017 the Nova+ range was further implemented to enhance the Industria 4.0 plan as effectively as possible by supporting business investment in line with the relevant public subsidies.

Innovation is also promoted with the international acceleration programme, Intesa Sanpaolo Start-Up Initiative [i], which selects the most promising high-tech start-ups and prepares them to face the market and introduces them to the actors of the innovation ecosystem. The best start-ups are presented at specific events (Arena Meetings): 8 events were held nationally in 2017 (social ventures; biotechnologies; health technologies; agri-food; transport; utilities; industrial bio-economy; industry 4.0) and 6 Investor Arena Meetings were held internationally (Circular Economy, Fashion and Design, Life Sciences, Circular Economy for Food in London; Hardware in Hong Kong; Fashion in New York). Overall in 2017 more than 160 start-ups were formed, of which 100 were presented to about 1,300 guests, investors (Fondi di Seed/VC e Angel Investors), customer companies and players in the innovation eco-system.

In order to promote interaction between start-ups, tech SMEs and companies, by facilitating the meeting between supply and demand, Intesa Sanpaolo has launched a number of partnerships and collaborations since 2015 to provide digital platforms for business matching. Tech-Marketplace [i] promotes interaction between start-ups, tech SMEs and businesses, helping to match the supply and demand of technological innovation with the aim of fostering business agreements and acquisitions. With regard to businesses, it supports the exploration of technologies and new solutions for their business challenges. At the end of 2017, the platform had over 4,600 Businesses (representing the demand side) and over 980 profiles of start-ups and tech SMEs technology suppliers, divided into about ten different sectors including energy, software, telecommunications, transport, agri-food and fashion.

# Responsible asset management

## COMPANY POLICIES

Asset management is central to the activities of the Intesa Sanpaolo Group and takes advantage of organisational structures in business areas that use their expertise to supervise asset management, private banking and protection requirements with financial and insurance products and services. The offer has been gradually expanded to meet the diversification requirements of customer portfolios according to a needs-based approach (spending, reserves, investment and pension) and according to the specific allocation objectives.

The activity is aimed at the development of financial and insurance products and advisory services to meet the welfare and protection needs of families also in the long term. Guidelines and Rules for the marketing of financial products clearly explain the obligation of operators to act in a transparent, fair and diligent way in the provision of investment services, as required by the applicable legislation.

In the Group's Code of Ethics, within the framework of the principles of conduct with customers, the attention in asset management aims to offer growing importance in the assessment of investments, to social and environmental criteria and those relating to sound governance in order to promote balanced and sustainable development. With this in mind, the portfolio of offers includes available funds that apply selection criteria in compliance with the Principles for Responsible Investment, also with the aim of activating sustainability dynamics in businesses and customer choices. Eurizon Capital has signed up to the Italian Stewardship Principles which define the procedures for exercising administrative and voting rights in listed companies to stimulate discussions and cooperation with listed issuers in which the company invests on issues of social and environmental sustainability.

## SOCIALLY RESPONSIBLE INVESTMENTS

Eurizon Capital SGR has adopted a method for the selection of financial instruments that takes into account environmental, social and governance factors as an integral part of the investment process, aimed at curbing risks including reputational risks. The ESG (Environment, Social and Governance) and SRI (Sustainable and Responsible Investments) principles are applied to all actively managed funds, whether they are benchmark or flexible ones. The actively managed funds also include specialised ESG products which use an appropriate internal rating system and ethical products with dedicated benchmarks, managed according to strict positive and negative criteria for the selection of issuers. There are specific limitations on investments for critical issuers (with low sustainability rating) and for those working in sectors that are not socially responsible (issuers in the cluster bomb and anti-personnel landmine sectors), and, where appropriate, there are also special processes that require discussions and engagement with those companies subject to investment on behalf of managed assets. In particular, securities involved in the design, production, sale and stockpiling of anti-personnel landmines and cluster bombs, are excluded from SGR investment if they have these characteristics:

- for products whose investment policy is characterized by the presence of a benchmark, the maximum direct investment allowed is equal to the weight of the issuer in the benchmark;
- for products whose investment policy does not provide for the presence of a benchmark, direct investment in securities of issuing bodies belonging to the list is excluded.

The offer also comprises some ethical funds, where the qualifying aspects of management include an evaluation position exercised as regards the choices of companies where resources are invested.

In 2017, Eurizon conducted 665 engagement initiatives with issuers, of which 135 (about 20%) mainly referred to ESG issues (in 2016, engagement activities numbered 600, of which 50 concerned assessments related to social, environmental and correct governance issues).

In 2017, the SRI - Sustainable and Responsible Investing Committee (inside the SGR, it is chaired by the Managing Director) and the Sustainability Committee (an independent body outside the SGR) of Eurizon met three times and passed resolutions on issues of management and research.

With regard to the operations of the SRI Committee, during 2017 it passed 90 resolutions on engagement actions for companies with low sustainability rating; this resulted in the freezing of their existing current positions. When the period of 18 months from the start of engagement comes to an end and the conditions that led to issuers being included in the lower rating list still remain, the securities are treated with the same criteria applied to non-

conventional weapons (including nuclear, biological and chemical weapons and are assigned the same characteristic of having an indiscriminate destructive potential). Following the action of engagement, discussions and in-depth examination with the senior management of the issuer, the Committee decided to rehabilitate a large company and allowed its investment in all portfolios.

As regards the operations of the Sustainability Committee, during 2017 it passed resolutions on the formation of lists in support of the new investment process and on the method of selecting out-of-benchmark securities for the Ethical System funds, in addition to the promotion of higher education in the field of sustainable finance.

During the year, three new products were launched that accompany the four already active in 2016, i.e. the Ethical System funds and the Eurizon Flessibile Azionario fund characterized by the inclusion of ESG factors in the selection process of the securities in the portfolio. The new products launched in 2017 are: Eurizon Sustainable Global Equity, Eurizon ESG Target 2022 and Eurizon Disciplina Sostenibile ESG, launched in December 2017.

The amount of assets under management in the area of Ethical Funds amounted to almost 1.1 billion euro in 2017 (1.5% of the total amount managed in funds established under Italian law). Assets under management with sustainability criteria in other Funds amounted to almost 2.9 billion euro in 2017 (4.0% of the total). Overall the total assets managed in Ethical Funds and with sustainability criteria amounted to almost 4 billion euro (about 5.6% of the total). In general, the performance of Ethical Funds and Managed Funds with ESG criteria has been positive and equal or higher than the market or the reference benchmark.

In addition, Eurizon operates fourteen mandates regarding eleven customers, characterised by sustainability criteria for 2.4 billion euro. In particular, the services provided for these mandates concern the choice of ad hoc benchmarks, support in the engagement and corporate governance activities, the formation of exclusion lists in the selection of investments. The significant development in the level of managed mandates derives from a heightened sensitivity towards issues of sustainability by institutional traders who have prepared calls in which Eurizon has performed well and won three of them (two of considerable size and with SRI characteristics).

Eurizon is also involved in the dissemination of topics, approaches and best practices relating to sustainability through public information events and also at an academic level. In 2017, Masters programmes were run at the Luigi Bocconi University (MAGER - Master in Green Management, Energy and Corporate Social Responsibility) and at the Milan Polytechnic (Master RIDEF 2.0 Reinventare l'energia), partly financed with Eurizon study grants.

In 2017, Eurizon also became part of the Green Finance Task Force of the European Banking Federation and contributes as joint head of the ESG business simulation within the Executive Master in Finance of the SDA Bocconi. Fideuram Intesa Sanpaolo Private Banking is specialized in offering advisory services to meet the financial, pension and insurance needs of Private customers and High Net Worth Individuals. In the field of socially responsible investments, it offers the opportunity of Fonditalia Ethical Investment, a solution which integrates income objectives with financial sustainability and social value aspects. The fund invests in the bonds of those States that stand out for the special focus on social and environmental issues, in bonds issued by Supranational Bodies that support developing economies and in units of funds specialised in microfinance, in fair trade funds and in equity funds and shares which have a positive impact on a social and/or environmental level. The task of ensuring consistency between the actual composition of the fund's portfolio and the ethical principles it aspires to is entrusted to an Ethics Committee consisting of managers and qualified experts from different academic and professional areas. A further element characterising the ethics behind the fund is given by its commitment to supporting scientific research, through the placement of share units in favour of AISM and its Foundation (FISM) with the recognition of a donation, whose amount is proportional to the fund fees.

In terms of funding, the ethical funds sector registered significant growth in managed assets (+32% from 39 million euro in 2016 to nearly 52 million euro in 2017), as a result of a growing interest from customers including Italian customers. The return was slightly higher than that of 2016 as a result of a more significant positive impact of the equity component.

Also regarding the lines of asset management, Fideuram has developed new individual investment solutions taking advantage of expert advice on the selection of underlying instruments that fulfil the criteria of ethics. In April 2017 a new line of asset management called Mix Sustainable was introduced, which provides for a process of investment based on a fundamental and economic analysis and with specific assessments on sustainability so as to aim towards goals that are compatible through financial, social and environmental results.

## **PENSION FUND WITH DEFINED CONTRIBUTION OF THE INTESA SANPAOLO GROUP**

The defined contribution Pension Fund of the Intesa Sanpaolo Group adopted selection criteria consistent with the Principles for Responsible Investment and its investment policies statutorily aspire to these principles of responsibility. In 2017, an engagement procedure initiated in 2015 by a pool of investors came to an end, mostly made up of pension funds, called "Engagement Child Labor", a continuation of the initiative which involved 101 companies in exploring respect for the rights of children and young people on the subject of child labor.

## INSURANCE SECTOR WITH SOCIAL IMPACT

The Insurance Division of Intesa Sanpaolo, consisting of Intesa Sanpaolo Vita S.p.A., Intesa Sanpaolo Assicura S.p.A., Fideuram Vita S.p.A. and Intesa Sanpaolo Life D.A.C. (Designated Activity Company), has the mission of synergically developing an insurance product mix aimed at Group customers. Being a bank means being repositories of a relationship of trust with its customers; being an insurance company means being able to guarantee security to families. Insurance and pension products and those relating to asset protection and management also have the aim of responding to the needs of a more significant social impact, such as protecting more vulnerable people like children, the disabled or those who are placed under the responsibility of a guardianship judge.

The "Mi Curo dei Miei" policy, for example, is dedicated to the protection of the nuclear family, in the event that the insured dies before the other family members. It ensures a capital sum to support the family, representing a real help at a difficult time, ensuring the beneficiaries greater stability, at least economically, in a very short time. It is intended for young heads of families, parents of young children, for those who care not only about current needs but want to secure the future of their loved ones. In 2017, 7,297 policies were issued.

The "Penso a Te" policy enables users to provide a child or a young person with a secure capital amount which they can use on the date set by the customer who subscribes the product, which shall nevertheless be within a range when the beneficiary is between the age of 18 and 35. "Penso a Te" represents a concrete gesture of affection and a safe investment and is a perfect solution for grandparents who want to do something important for their grandchildren, but can also appeal to parents, close relatives and friends of the family who care for the future of a child or a young person. In 2017, 4,801 policies were issued.

"Base Sicura Tutelati" is a product that provides an insurance investment solution dedicated exclusively to minors and/or wards who have a capital sum they can use and require the prior authorisation from a guardianship judge. The policy is signed by a legal representative, who acts on behalf of the minor and/or ward by virtue of an earlier measure issued by the guardianship judge. In 2017, 753 policies were issued.

The ISV "Tu Dopo di noi" policy is, on the other hand, an insurance product designed to protect a disabled beneficiary on the death of the insured. This product is aimed at families with people with disabilities who want to protect their loved ones by accumulating a secure capital for their future, guaranteeing the disabled person a reliable source of income they can count on at the delicate time when their family is no longer around. The policy allows the customer to choose whether to allocate the capital in one lump sum to the beneficiary or whether to opt for a programmed plan involving the liquidation of the capital in six-monthly instalments for 5, 10, 15 or 20 years. In 2017, 242 policies were issued.

Lastly, the insurance solutions that protect people from the unexpected that can compromise their style of living include the product called ProteggiConMe, a policy that protects the insured from unforeseen events that could affect its ability to cope with the expenses normally incurred in the context of everyday life because of an injury, disability or loss of employment. In 2017, 201 policies were issued.



## Relations with the community

### COMPANY POLICIES

The Group plays an active role in respect of the areas in which it operates on the basis of the Code of Ethics that draws attention to the requirements and needs of the community: this commitment is expressed in various activities, such as participating in processes aimed at achieving sustainable development goals at the global level, supporting the growth of the non-profit sector, promoting solidarity initiatives through donations, sponsoring important cultural and social initiatives, preserving and developing the historical, artistic and cultural heritage of the country and of the Group so that it can also be enjoyed by the public. Projects and activities are undertaken voluntarily and are selected by the Group in order to respond effectively to the most important needs felt by the communities, taking into account the objectives of the major international and national, public and private institutions that contribute to the determination of social policies. The actions are increasingly implemented in synergy with local entities and institutions, aiming thus to have positive social repercussions. In line with the Group's reference values, the action procedures were carried out according to transparent and accountable methods and through processes and procedures that aimed to avoid any possible conflicts of personal or business interests.

### CONTRIBUTION TO THE COMMUNITY

Total contributions to the community by type [thousands of euro]	2017	2016	2015
Cash contribution to the community	49,637	46,412	53,031
Goods and services donated to the community	---	27	2
Contributions in terms of time	218	146	70
Operating costs	3,569	3,682	3,550
<b>Total</b>	<b>53,424</b>	<b>50,267</b>	<b>56,653</b>

In 2017, cash contributions were classified based on the reason and broken down as follows:

- About 54.8% consists of investments in the community: contributions characterised by long-term plans and/or strategic partnerships and/or of sizeable amounts. This is a growing portion compared to 2016, which represents the most important part of the monetary donations, demonstrating the strategic nature of the Group's activities, geared towards long-term partnerships that can guarantee real benefits and value for the territory;
- 37.2% consists of business initiatives (sponsorships) that contribute to social causes while at the same time promoting Intesa Sanpaolo's brand and business;
- the remaining 8.0% consists of charitable gifts, of an occasional nature and for small amounts, including match giving initiatives (donations by the Bank during fund raising campaigns, combined with the donations of employees or customers).

The main action areas to which monetary contributions were directed in 2017 were for the support of art and culture amounting to 28.3 million euro, social solidarity for 5.5 million euro, economic development for 4.7 million euro and education and research for 4.7 million euro (see page [143](#)).

### DONATIONS

Parent Company donations are managed through the Fund for charitable, social and cultural donations provided for by the Articles of Association of Intesa Sanpaolo and entrusted to the direct responsibility of the Chairman of the Board of Directors who submits biennial Guidelines to the approval of the Board, which define the objectives, strategic priorities and theme-based policies including an annual Plan for allocating resources. Regulations govern the management of the Fund and define the precise mechanisms for the selection of the proposed entities and projects, maintaining the principle of absolute separation of the initiatives regarding donations from the pursuit of commercial interests. With regard to the entities, the Regulations provide for the exclusion as beneficiaries of those organisations involved in legal disputes, in matters relating to organised crime and the failure to respect human rights, peaceful coexistence and environmental protection. Only requests for specific projects with a clear social

impact are assessed and the ability of the institutions to achieve the stated objectives in the project are preliminarily analysed on the basis of their previous direct experiences or that of similar bodies in terms of size and activity (track record). A rotation mechanism is also used to ensure the widest and most flexible use of the Fund with a maximum limit of three consecutive years in support of the same project. In addition, initiatives that receive sponsorship cannot simultaneously be beneficiaries of donations.

An extract of the Regulations and biennial Guidelines are available on the Group's website.

As regards the risks of this activity, the Group has deemed that the area of donations is one of the potential areas that could lead to corruption. The Fund Regulations and the Group's Anti-corruption Guidelines have laid down precise rules to be followed in order to prevent such risks, which have been incorporated into the Fund's Operating Guidelines and into the donation application IT procedure.

### THE CHARITY FUND IN 2017

In 2017, the Fund for charitable, social and cultural donations of Intesa Sanpaolo has disbursed approximately 9.5 million euro in support of over 900 projects carried out by non-profit organisations.

The objective of allocating a high share of resources (> 80%) for central donations supporting projects in favour of weaker segments of the population, operating according to an increasingly more stringent selection mechanism in relation to project and counterparty quality, has been exceeded by a considerable amount, reaching 88%. Also as regards locally-based donations, the level of contributions benefiting vulnerable groups was 69%, well above the target of 60%.

In the 2017-2018 Guidelines for the Charity Fund approved by the Board of Directors, the privileged Areas for intervention are the Social and Environmental areas, which have been allocated most of the available funds (72% of the total allocated in 2017), whereas a smaller percentage is scheduled to be provided in favour of Cultural and educational actions, Religious and charitable projects and lastly to Research. In particular, the social and environmental projects are selected on the basis of priority themes deemed relevant and urgent: activities in support of the earthquake victims of Central Italy and the social and economic inclusion of migrants and immigrants. The Fund is open to actions that also support other topic areas, such as: employment; housing deprivation; health poverty, disease prevention, support, care and welfare of patients and their families; social inclusion (first priority level); the fight against educational poverty and educational drop-outs, support for those with physical and intellectual disabilities; preventing and combating violence (second level); protecting the environment and biodiversity and recreational sport, the latter only for locally-based donations (third level).

In line with the 2017-2018 Guidelines, the most significant projects supported by the Fund have included support for earthquake victims of Central Italy and social and economic inclusion of migrants and immigrants which have been granted a total of 2.8 million euro.

In 2017, in collaboration with the International Subsidiary Banks Division, some specific initiatives were identified in support of the communities and areas in which the Group operates. Starting with a survey of the most urgent problems and needs of the various countries, certain local areas were selected and then attention was focused on those institutions and projects that could meet the identified needs in those areas. At the end of the assessment process, support was given to a project run by VIS (Volontariato Internazionale per lo Sviluppo - International Voluntary Service for Development) on vocational training in Egypt (200,000 euro) and an action organised by CESVI (Cooperazione e Sviluppo per il sostegno all'occupazione giovanile - Cooperation and Development for supporting Youth Employment) in particular in the tourism sector, in Albania (106,000 euro). The collaboration aims to disseminate among the International Subsidiary Banks new procedures for the selection and monitoring of projects, following the example of the initiatives taken by the Parent Company. The projects were given visibility through internal communication activities.

### IMPORTANT SOCIAL INITIATIVES FOR THE GROUP

Childhood is an area of particular importance for the Group which in recent years has created some significant inclusion projects that were initiated and managed directly by the CEO's staff.

#### **Intesa Sanpaolo's Educational Programme for children who are long-term patients**

With the Intesa Sanpaolo Educational Programme for children who are long-term patients, the Bank offers free crèches for children of the age group 0-3 years admitted to first-rate hospital oncology departments, aiming to help them overcome the social and psychological isolation resulting from their illness. Cognitive and affective development is promoted through appropriate programmes, provided by qualified educators in a setting that is as serene and fruitful as possible.

The project also allows families to be offered real help in coping with their new organisation of life and living with the illness. The Educational Programme provides mothers with significant support as, in most cases, they take direct care of the child during the period of hospitalisation. The Programme has been activated:

- in Turin at the Paediatric Oncohaematology Ward of the Regina Margherita Children's Hospital in the Città della Salute (January);
- in Naples at the Paediatric Cancer Ward of the Azienda Ospedaliera di Rilievo Nazionale Santobono Pausilipon (July);
- in Monza at the Paediatric Haematology Ward of the "Fondazione Monza e Brianza per il Bambino e la sua Mamma" inside the San Gerardo Hospital in Monza (October).

Since the service was launched, 100% of the children of pre-school age in the partner hospitals involved in the project have been included in the long-term patient programme with positive results: the healthcare and educational staff have noted a considerable level of psychological and behavioural recovery in the children.

#### **Intesa Sanpaolo programme for inclusive education of children and teenagers - the Webecome platform**

Intesa Sanpaolo has launched an innovative project, the Programme for inclusive education aimed at children of primary and secondary schools to promote their inclusion and the development of positive behaviour, responding to the need to address the critical issues emerging in terms of juvenile unease. The first test phase of the Programme involved almost 400 pupils, 55 teachers and head teachers and about 50 parents throughout the country from the North and South. The heart of the project is the Webecome platform that is in the process of being launched, which addresses issues such as bullying, diversity, violence, addictions, but also food and nutrition (with great attention paid to obesity and malnutrition), innovation and development of the individual potential.

Parents are offered sets of useful information to learn more about and to fight against juvenile unease and on developing children's potential.

#### **QuBì Programme – Quanto Basta**

To counter a dramatic phenomenon such as child poverty, which concerns about 20,000 minors and 10,000 families solely in Milan, Intesa Sanpaolo together with the Fondazione Cariplo and the partners Fondazione Vismara and Fondazione Fiera Milano has undertaken commitments, in addition to a donation of 3 million euro over the next three years, by placing the privileged relationship with its customers at the service of the project. So it has involved the community, with specific tools to facilitate fundraising, such as the network of branches, ATMs, the For Funding online platform and 900 Social Ambassadors.

In addition, through the Webecome platform, a specific module on nutrition is in the process of being launched in order to create correct child nutrition.

### **BUSINESS INITIATIVES IN THE COMMUNITY**

Sponsorship initiatives were consistent with the (ethical, cultural and social) principles and values of the Group; particular attention is paid to the selection of projects capable of conveying messages in line with the image and reputation of the Bank and Group, with particular reference to:

- the dissemination of culture through the support of cultural and musical initiatives made accessible to a wide and differentiated public;
- the support for research to promote new opportunities for economic and social development through partnerships with leading foundations and institutions;
- the promotion of sustainability as a value for businesses and a confidence factor for customers through participation in initiatives within the scope of Corporate Social Responsibility;
- the development of training opportunities for young people and for the inclusion of women in the world of work;
- the creation of initiatives aimed at curbing social hardship;
- the dissemination of the values of sport, mainly among young people, highlighting the importance of the universal values represented by sporting practices, such as commitment and respect of rules.

## FOOD COLLECTION INITIATIVES IN FAVOR OF NEEDS AND AGAINST FOOD WASTAGE

CIB Bank was the main sponsor of the Christmas food collection project of the Hungarian Food Bank Association (HFBA): 5,000 volunteers and 190 employees of CIB Bank collected 236 tons of non-perishable food during the project conducted at national level in nearly 120 cities and 200 major retail outlets over the weekend between 24 and 26 November 2017. Thanks to this collection, the HFBA was able to prepare more than 39,000 grocery baskets and distribute them to needy people before Christmas with the help of charitable organisations.

Commitment against food wastage also characterised the participation of Intesa Sanpaolo Bank Albania in the first edition of the Local Food Bank day which saw the involvement of employees and top management approaching about 20% of total staff. The results were significant with the collection of 3.7 tons of food.

## PROMOTION OF CULTURE FOR SOCIAL COHESION

Intesa Sanpaolo interprets its own commitment in this sector as an assumption of social responsibility, believing that leading national banks must contribute towards economic growth and also to the cultural and civil growth of the country. In this sense, the Bank's Articles of Association entrust to the Chairman of the Board of Directors, after consultation with the Managing Director and according to the Guidelines approved by the Board, the planning and management of the Company and Group's cultural initiatives, with particular reference to the enhancement of the historic, archaeological and artistic heritage; in this role, the Chairman enjoys cooperation from the Chairman Emeritus.

The Guidelines approved by the Board of Directors became effectively active in 2009 with the Progetto Cultura (Culture Project), the Bank's strategic container for cultural activities.

On the one hand, Progetto Cultura aims to encourage use by a growing number of people from the public of its important artistic, architectural, publishing and documentary heritage, coming from the financial institutions that have become part of the Group. On the other, it aims to contribute to safeguarding Italian cultural heritage. Promotion of the Bank's artistic heritage is implemented along various lines: study and scientific cataloguing of the works; restoration activity; museum projects creating permanent displays of a part of the collections (Gallerie d'Italia in Milan, Naples and Vicenza); planning and organisation of temporary exhibitions; support of scholarships for training opportunities and the search for youth in collaboration with the universities; loan of works to temporary exhibitions.

As regards cultural activities, in accordance with the provisions of Legislative Decree 231/2001, the Intesa Sanpaolo Group's rules for the protection of archaeological, historical and artistic heritage have been reviewed and updated, particularly with regard to the implementation of its Guidelines governing the forms of conduct to be adopted regarding the ordinary and extraordinary protection of the company's heritage works (in the event of theft, loss or damage).

The activities promoted in the cultural sphere are subject to constant monitoring, also through market research conducted regularly to assess their compliance with the objectives, including those concerning reputational risk. Particular attention is given to activities that allow these assets to be enjoyed by special audiences through numerous projects dedicated to persons who have some form of fragility (people with sensory and cognitive disabilities, foreign communities of immigrants, people living in difficult and marginal situations) with the aim of supporting full accessibility to cultural heritage and the enjoyment of the museum as a space for participation and social integration. In particular, a main focus of the activities of the Gallerie is the ongoing commitment towards eliminating physical and mental barriers that hinder the enjoyment of their collections and of art in general, and combating social exclusion with a view to serving the community.

In 2017, a number of initiatives by the Gallerie d'Italia were also devoted to disadvantaged and vulnerable categories. The most significant ones are detailed below:

Projects	Category	Description	Partner Entities	Meetings and Users involved
<b>Gallerie d'Italia – Piazza alla Scala - Milan</b>				
Centri Diurni Disabili (Disability Day Centres)	People with motor and/or cognitive disabilities attending centres	Educational activities	13 disability day centres coordinated by the Municipality of Milan	Cycles of meetings (about 70 in total, with the participation of about 120 people)
Due passi nei Musei di Milano (A walk inside Milan's Museums)	People suffering from Alzheimer's and their caregivers	Art Therapy	Fondazione Manuli Onlus	42 meetings with around 30 people
Per altri occhi (For other eyes)	Partially-sighted people	Enjoyment of museum collections for special audiences	<ul style="list-style-type: none"> <li>■ IRCCS Fondazione S. Maugeri Pavia</li> <li>■ Museo Omero di Ancona</li> <li>■ Istituto Ciechi of Milan</li> </ul>	1 guided visit with 12 people
Affetti - Effetti dell'arte (Affection-Effects of Art)	People suffering from some form of mental distress	Vocational training course for access to culture and welfare	Third sector Families, Coordination of the Milan Association for Mental Health, Innovative Regional Project promoted by ALA Sacco	12 appointments for 12 participants
Arte: un ponte tra le culture Incontri interculturali. (Art: a bridge between cultures. Intercultural Meetings)	Citizens coming from abroad	Dissemination of culture	Fai and Amici del Fai, Association for social development and support Connecting Culture and Comunità Nuova Onlus	31 guided visits conducted by cultural mediators (for about 675 people)
Accoglienza rifugiati politici (Welcoming political refugees)	Guests of reception centres for refugees	Social integration	Associazione Farsi Prossimo	20 guided visits

#### Gallerie d'Italia – Palazzo Leoni Montanari, Vicenza

Estate alle Gallerie. Un arcobaleno di colori (Summer at the Galleries. A rainbow of colours); Laboratori espressivi per alunni disabili (Expressive workshops for disabled pupils); Un lessico sconosciuto - cultura e arte russa (An unknown language - Russian culture and art)	Children, younger generations and employment (also aimed at people with disabilities or foreigners)	Educational activities and expressive workshop	Municipality of Vicenza, IPAB per i minori di Vicenza, Associazione AsterTre - Vicenza - Associazione Interculturale Italo-russa Centro Betula Alba	61 activities activated with around 1,300 people
Un museo si racconta... (A Museum tells its story...)	Citizens from foreign countries, people in difficult situations (due to mental or food problems, traumatised and disabled people)	Special museum visits	Municipality of Vicenza, ULSS 8 Berica, Centro diurno San Felice, Cooperativa Easy, Associazione Italiana Sclerosi Multipla - Padova, ANFFAS	13 activities with 145 people
L'arte e la memoria Albero d'argento (Art and memory The Silver Tree)	Residents of homes for the elderly and geriatric patients with psychiatric disorders	Special museum visits and art therapy	Homes for the elderly IPAB and IPARK Vicenza ULSS 8 Berica - Psycho - Geriatric Department	16 activities with 205 people

Projects	Category	Description	Partner Entities	Meetings and Users involved
Musica oltre le barriere (Music beyond the barriers) Musica che danza (Dancing Music) Un museo incontra la scuola in ospedale (A museum meets the school at the hospital)	Patients in the hospital, residents in homes for the elderly or detainees; patients with Parkinson's disease	Artistic and musical workshops in the hospital	Ensemble Musagète and IPAB San Giuliano (VI), Casa Circondariale S. Pio X (Prison), Wards for Cancer, Paediatrics, Surgery, Digestive System ailments at the ULSS 8 Berica di Vicenza and S. Bonifacio Hospital (VR), DanceWell - Ricerca e Movimento per Parkinson, Teatro Civico di Schio (VI)	10 activities with 415 people
Idee in cammino (Ideas to make progress)	People suffering from some form of mental distress	Special museum visits	Gli Stati della mente/Arka Associazione Culturale	4 activities with 40 people
Accessibilità (Accessibility)	People with partial sight or partial hearing	Enjoyment of museum collections for special audiences	Università IUAV Venezia, Associazione Pastorale dei Sordi di Treviso; Associazione Effeta Vicenza	2 activities with 85 people

### Gallerie d'Italia – Palazzo Zevallos Stigliano, Naples

Arte e Integrazione (Art and Integration) Il libro tattile per manine curiose (A tactile book for curious little hands) – Girando per Napoli! Guardare con le mani (Walking around Naples! Watch with your hand) - Mani Sensibili (Sensitive Hands) - Sentire in modo diverso (Feeling in a different way)	People with partial sight or partial hearing	Special museum visits and educational and expressive workshops	Coop. Sociale Counselis, Schools and didactic circles	27 activities with 536 people
Incontri d'arte... Incontriamoci al museo (Art Meetings...Let's meet in the museum!) Diversa...mente (Different...Mind) Siamo alla pari (We're the same) Mi racconto in una scatola (I tell my story in a box) La bellezza dei margini (The beauty of the margins) La natura in posa sull'isola pancreatica che non c'è (Nature resting on the pancreatic island that's not there)	People with pathological addictions or suffering from some form of mental distress	Special museum visits and educational and expressive workshops	Associazione Il Pioppo Onlus, Cooperativa Sociale ERA, Centro Diurno Lilliput ASL Napoli 1 Centro, Centro Diurno Riabilitativo Gattablu, Schools and didactic circles, Centro A.I.A.S. Nola (NA), Centro Regionale Diabetologia Pediatrica G.Stoppoloni	36 activities with 630 people
Decorando con la dimora... dell'anima! (Decorating with the dwelling...of your soul!) E Je so quadro Mi riconosco... nella mia città (I know myself...in my city) R...estate al museo! (Summer at the museum!) Volontari Flegrei La scena delle donne a Palazzo Zevallos Stigliano Piani d'arte (Flegrei Volunteers The women's scene at Palazzo Zevallos Stigliano Plans of art) Paese che vai usanza che trovi! Piani d'arte (When in Rome, do as the Romans do! Plans of art) Progetto Lara (Lara Project)	Women and children at risk of exclusion; citizens from foreign countries	Special museum visits and educational and expressive workshops	Associazione f.p. femminile plurale, Associazione Piano Terra Onlus, Associazione Quartieri Spagnoli Onlus - LAEFFE TV, Punto Luce Sanità, Consorzio Gesco, Associazione Campi Flegrei, Cooperativa Dedalus, Associazione L.E.S.S. Onlus	60 activities with 1,820 people

Total visitors to the Galleria d'Italia museum complex in 2017 numbered about 486,000, including over 31,000 people admitted to the exhibition space of the Intesa Sanpaolo skyscraper in Turin during Progetto Cultura events and the exhibition with works from the Intesa Sanpaolo collection in co-production with the Pinacoteca Giovanni e Marella Agnelli. It should be highlighted that more than 84,000 visitors are children and teenagers from local schools, all admitted for free to the Gallerie d'Italia as part of their education.

In recognition of its important cultural and social role, Intesa Sanpaolo received the "Mecenate del XXI Secolo" award in Rome, in November 2017, as part of the Corporate Art Awards announced by the Minister of Heritage, Culture and Tourism. The special non-category award was presented to the Chairman Emeritus of Intesa Sanpaolo by the President of the Republic for the breadth and quality of Intesa Sanpaolo's artistic initiatives, that are unparalleled in the world.

## INTESA SANPAOLO FOR CULTURE

Gallerie d'Italia is Intesa Sanpaolo's network of galleries, museums and cultural attractions in Milan, Naples and Vicenza. Historic buildings located in the centres of the three cities have been transformed into exhibition venues to ensure public enjoyment of its major art collections.

The Gallerie di Piazza Scala in Milan are dedicated to collections from the nineteenth century belonging to the Bank and the Fondazione Cariplo and Intesa Sanpaolo's works from the twentieth century. The Gallerie di Palazzo Zevallos Stigliano in Naples host the masterpiece of its collections, Caravaggio's painting depicting the martyrdom of Saint Ursula, and a selection of Neapolitan works from between the seventeenth and twentieth centuries. The Gallerie di Palazzo Leoni Montanari in Vicenza have a display of collections of Attic and Magno-Greek ceramics, eighteenth century Venetian art and Russian icons.

In addition to their permanent exhibitions of works, the Gallerie d'Italia offer frequent exhibitions of works from national and foreign museums and collections and also from the Bank's collections, with the aim of contributing to the progress of scientific research into art and history, with a view to providing information and attracting a wider general public. In addition to the large exhibitions, there are a number of personal exhibitions such as "L'Ospite Illustre" (The Distinguished Guest) – single-subject exhibitions which aim to present to the public a work of great importance coming from prestigious Italian and foreign collections – or "Il Tempo dell'Antico" (Ancient Times), dedicated to Intesa Sanpaolo's collection of Attic and Magno-Greek pottery. These exhibitions at the Gallerie d'Italia are enhanced by planned events, often organised in partnership with other cultural institutions: study days, concerts, drama workshops, poetry readings.

In addition to the valuable fruition of its historical and artistic heritage, the Intesa Sanpaolo Group Historical Archive organises several activities aimed at providing access, also online, to its enormous documentary heritage and to share its historical knowledge with the public, not only concerning the history of the Group, but also that of the Italian economy, which is closely related to. Two reading rooms are open to the public in Milan and Rome, with publications, meetings, original research on primary sources, lessons and workshops aimed at secondary school pupils and university students that help to make this immense cultural heritage a community asset.

Another priority guideline of Intesa Sanpaolo concerns its contribution to the preservation and enhancement of the national heritage, which is realized through the project called Restituzioni (Restorations), one of the Bank's most significant activities launched in 1989 and now in its 18th edition. This is a proven programme of restoration of the country's artistic and architectural heritage promoted, supported and maintained by Intesa Sanpaolo and run in cooperation with the ministerial entities responsible for conservation – Heritage Authorities, Regional Offices and autonomous museums – within the context of a virtuous synergy between public and private sectors. To date, Restituzioni has allowed the recovery of over a thousand works of art.

The publishing projects promoted by the Bank are also important: these aim to provide further in-depth study into art, music, history and economy, always with a view to spreading knowledge and use of the Group's heritage and Italy's heritage, thus contributing to the sharing of that sense of belonging and identity. All the publications were distributed for free to cultural institutions, civic and religious authorities, music colleges, secondary schools, universities, audio and video stores, Italian cultural institutes abroad, researchers and ministerial entities, in addition to public reading facilities and libraries.

Another objective of Progetto Cultura is to facilitate links between scientific research, cultural innovation and social needs through the project called "Officina delle Idee" (Workshop of Ideas), which aims to offer young people educational and expressive opportunities through partnerships with public and private institutions of excellence and through the funding of scholarships. With respect to this area, it is worth mentioning the participation in the "Festival della Cultura creativa" sponsored by ABI and the "Careers in Art" project, a programme fostering closer relations between the world of work in the areas of art, craftsmanship and the creative economy, and high school pupils in Milan, Naples and Vicenza.

# Responsibility towards the supply chain

## COMPANY POLICIES

Intesa Sanpaolo is aware that the quality of supplier relations and the procurement policies can create the necessary conditions for fostering economic development focusing on the protection of the environment and the respect for human rights. To this end, in compliance with the principles of listening, transparency, equal opportunities and fairness enshrined in the Code of Ethics, it has adopted Group Procurement Guidelines and Purchasing Rules which supplement, across the board, the criteria of social and environmental responsibility and define the principles which all the business functions involved in the process must comply with.

## MANAGING THE SUPPLY CHAIN

The Procurement Department, that is responsible for procurement as specified in the Group Procurement Guidelines, launched a project in 2016 which led to the replacement of the supplier portal in use with a new e-sourcing solution called Supplier Gate.

This project allowed the purchasing process to be redefined based on business procedures that are increasingly geared to ethical negotiations and competitive comparisons of technical and economic characteristics in the offers submitted by suppliers and subcontractors.

The selection of suppliers already takes place during the process of registration to the gate by means of an assessment that takes into account not only the economic and financial but also organisational and technical characteristics of each supplier, and also includes analyses of their business ethics, respect for human rights, labor rights and the environment. If the result of this assessment is positive, the suppliers are registered in the Group Suppliers' Register and can be invited to the procurement events. At the end of 2017, about 1,950 suppliers had completed the registration procedure at the gate.

In order to ensure objectivity and transparency in the subsequent phase of awarding the contract, it was decided that it was appropriate to continue comparing a range of offers impartially, differentiating the assessment of the technical and/or administrative part from the purely financial aspects.

In this way, through a system of network negotiations, products and services that meet specific requirements for functionality, quality, safety and respect for the environment are purchased at the best market conditions, in full compliance with applicable laws and regulations, also taking into consideration ethical implications and social/environmental impact assessments within the scope of relations with the entire supply chain.

The new application made it possible to optimise the performance of certain activities and to strengthen quality assurance over the entire supply chain.

## QUESTIONNAIRE, REPORTING, CONTROLS

With regard to the checks carried out on the suppliers, the qualification process involves suppliers, as they register, in filling in a compulsory questionnaire in the Supplier Gate concerning issues regarding the company's social and environmental responsibility and agreeing to upload the documentation required to certify the fulfilment of the declared commitments that must be updated at least once a year. This procedure allows the entire supply chain to be monitored in order to obtain a rating for each supplier that is consistent with the types of calculated risk. Furthermore, in order to ensure an assessment of the entire supply chain, a decision was taken to ensure the functions involved in purchasing the right to carry out direct checks and inspections, also through specific reporting procedures, in order to plan appropriate courses of action, in the event of unsatisfactory ratings. For example, in 2017, the Real Estate Department conducted 1,341 checks on suppliers. If assessed suppliers win a service contract, the contract terms force them to abide by the principles contained in the Code of Ethics of the Intesa Sanpaolo Group and to submit, upon request, all the documentation proving their obligations in social and environmental matters.





Employees

## RELEVANT ISSUES

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## WHY THESE ISSUES ARE RELEVANT

Thanks to their professionalism, their range of expertise and their growth paths, Intesa Sanpaolo people guarantee top quality customer service and the full implementation of the company strategy. In fact, the 2014-2017 Business Plan identified the company's employees as key to achieving its results. Their importance is reflected by the company's complete protection of workers' rights (in terms of the development of labor relations and employment protection), its staff development activities (with particular focus on training and merit) and its creation of a modern and integrated company welfare system. Intesa Sanpaolo has also adopted an Occupational Health and Safety Management System which is compliant with the most advanced international standards.

The solutions identified, also thanks to the numerous agreements signed with the Trade Unions, allowed not only to protect jobs but also to introduce innovative contractual tools that are able to foster the development of an effective company welfare system and establish a better work-life balance.

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Indicators	2017 results and cumulative value 2014-2017	2017 objectives (or cumulative value 2014-2017)
Human resources reabsorbed in the professional reallocation plan	4,500 cumulative figure for 2014-2017	4,500
Percentage of employees belonging to a union	In Italy 77.6%; abroad 33.1%	Trade Unions representation
Training days*	0.8 million 4.6 million cumulative figure 2014-2017	5 million
Managerial assessments**	808 people 3,690 cumulative figure 2014-2017	Career advancement paths for employees destined for managerial roles
Flexible Work	over 8,200 employees	
Intesa Sanpaolo Employees' Association	approx. 130,000 members over 4.5 million to support free time initiatives	Promote work-life balance for greater cohesion among people, innovation development and service excellence
Group health fund	188 million intermediate healthcare services over 200,000 people assisted	
Company pension	approx. 105,000 subscribers to all Group Funds (Defined Contribution and Benefit) approx. 10 billion of assets	
Accidents	inside the workplace: 257 (269 in 2016) outside the workplace: 551 (598 in 2016) % accidents for employees: 0.92% (0.98 % in 2016)	Protect employee health and safety

\* Includes classroom training, mentoring, distance learning and Web TV training activities.

\*\* In Italy.

# Employment protection

## COMPANY POLICIES

The company's approach to managing issues relating to the protection of workers' rights is outlined in the Code of Ethics, which recognises the principles established by the fundamental conventions of the ILO (International Labor Organization) and in particular the right to freedom of association and collective bargaining, the abolition of forced and child labor, and non-discrimination in employment.

The applied collective bargaining system works on two separate and complementary levels; the first at national level and the second at Group level (second-level contractual structure). It was recently modernised and extended, for the majority of its content, to employees from the former Venetian Banks (Banca Popolare di Vicenza Group and Veneto Banca Group).

The labor relations model that the Group has constantly promoted together with the Trade Unions is focused on dialogue between company members as a way of identifying the most suitable solutions for addressing and managing the various growth, development and reorganisation phases that have distinguished the company's affairs over the years, also regarding the implementation of the 2014-2017 Business Plan.

Concrete evidence of the way in which union relations are structured and promoted at Intesa Sanpaolo can be seen in the creation of bilateral Company/Union bodies, formed with the aim of analysing, identifying and proposing positive actions, solutions and tools in the areas of equal opportunities, welfare, safety and sustainable development.

## JOB PROTECTION

For Intesa Sanpaolo job protection is a priority issue in the context of mid- to long-term financial solidity and one of the key topics of the 2014-2017 Business Plan. In fact, one of its goals was the reassignment of the excess production capacity of 4,500 people over the period. This goal was achieved with the development of new business areas, the creation of new roles, the signing of union agreements, internal recruitment processes and large-scale training activities. Tools that preserved the complete employability of staff through the professional reconversion of the employees involved and permitted the departure of personnel who qualified for retirement with the consequent creation of new jobs.

The development of labor policies is entrusted to a specific Human Resources department which has the task of defining union agreements and monitoring their implementation. The Guidelines adopted as part of the 4-year Plan are also shaping the integration process of employees of the former Venetian Banks.

The various Protocols signed<sup>1</sup> defined the methods of managing the repercussions of the reorganisation and restructuring processes and the employment tension deriving from the operation on employees, safeguarding jobs also through the adoption of active policies aimed at hiring new permanent staff and avoiding far more serious social consequences. Even though the regulatory framework imposes a reduction in the workforce of around 4,000 people and their integration in the Group necessitates a major reorganisation process, these repercussions are managed with the emphasis on social sustainability and the importance of people. In this context, the aforementioned protocols permit the voluntary recourse to the Solidarity Fund for income, employment and professional requalification support for bank personnel, regulate the legal and contractual harmonisation process following the integration of staff from the former Venetian Banks in the Intesa Sanpaolo Group, and provide for the hiring for at least 1,650 new resources in the 2018-2021 period on permanent contracts.

In this context, in 2017 the Intragroup Mobility Service consolidated its processes and examined further ways of matching supply and demand in the domestic labor market, guaranteeing the development of expertise in new roles.

In 2017 recruitment activities also took place via the LinkedIn channel (+44.8% visits to the Careers page) and a new editorial plan was created for the Facebook, Twitter and Instagram platforms with the launch of new Talent Acquisition and Employer Branding social campaigns.

With almost 4,000 new people hired the turnover rate in 2017 was -1.01, largely unchanged compared to the 2016 figure (-1.14).

<sup>1</sup> Protocols of 13 July, 12 October, 15 November and 21 December 2017.

## LABOR RELATIONS

As well as by the industry outlook, relations with the Trade Unions are also regulated by the Labor Relations Protocol which has made it possible to develop a specific union relations model in the Intesa Sanpaolo Group. Dialogue and interaction with the Trade Unions regarding company projects is constant, prompt and aimed at identifying shared solutions to the various requirements that come to the attention of the Parties. This also takes place in accordance with the union representation in Italy (77.6% of current employees), a percentage in line with national figures in the sector.

In terms of numbers, at Intesa Sanpaolo the constant dialogue between the Company and the Trade Unions resulted in the signing of 46 agreements in 2017 (and over 230 between 2014 and 2017) which dedicated plenty of space to defining an integrated welfare system characterised by heavy investment and innovative initiatives in the area of work-life balance, inclusion and non-discrimination, and sustainable development.

This was also possible thanks to the activities of the Welfare, Safety and Sustainable Development Committee set up following the Labor Relations Protocol. This bilateral body, which adequately represents both the company and the Trade Unions, is supplemented each time by technical experts that are able to offer specific expertise on the issues in question. In 2014-2017, in accordance with and in support of the Business Plan, the Committee promoted a series of measures and actions that were subsequently enacted by specific union agreements. Examples include the agreements over the introduction of Flexible Work and the Time Bank, the Protocol on inclusion and equal opportunities, and the measures in favour of active ageing.

## Employee growth and development

### COMPANY POLICIES

The enhancement of human resources and the principle of excellence based on the recognition of merit are defined in the Group Code of Ethics and Remuneration Policies.

Dedicated platforms make it possible to implement structured performance assessment processes and to map skills and professional growth paths. Specific Guidelines define the performance assessment system for employees in Italy and abroad, which is characterised by indicators that express the quality of working performances and contribute to the creation of a management dashboard available to managers which is used to accurately and specifically guide managerial actions as regards the growth and development of employees. The Group Remuneration Policies and Guidelines regulate the remuneration and incentive systems and are inspired by the principles of merit, fairness, sustainability and proportionality based on the role covered. More specifically, for employees that work in branches the 2014-2017 Business Plan defines rules for promoting their professional growth as a key factor in achieving results, and training is identified as one of the priority tools for helping them to meet their goals.

In terms of diversity, the Code of Ethics promotes the specific qualities of each employee, recognising their key contribution towards innovation and the growth of the Group. At the same time it guarantees equal opportunities in terms of professional growth and development and access to training courses and refresher and role assignment initiatives. In order to recognise the diversity of everyone's lifestyle choices and gender identity, specific company policies have been introduced to define the framework for the extension of company benefits to same-sex unions.

## ASSESSMENT AND INCENTIVE SYSTEMS

Performer 2.0 is the performance assessment system adopted by the Intesa Sanpaolo Group. The Performance Systems Office of the Human Resources Head Office Department is dedicated to managing this process which, using the feedback received from the human resources departments of the Divisions and the Group Companies, monitors and coordinates the completion of all activities involved in each phase of the process. The activity involves a comparison between the contribution of each employee in their role and the Company's expectations. At the start of this process employees are asked to carry out a self-assessment, focusing on the effectiveness of their performances throughout the year. The assessment forms contain qualitative performance indicators which provide a concrete evaluation of working performances and are therefore easy for employees to understand. The process concludes with an assessment by the manager and an interview with the employee aimed at sharing this evaluation and professional development goals. Another tool used by managers when interacting with employees is the People Portfolio Management, which precisely and specifically shapes the actions of managers in the area of personal development issues.

Performer 2.0 has been used since January 2016 throughout Italy while the international subsidiary banks use the Global Performance System, which will be replaced in 2018 with a new tool (new Pat).

In terms of employee development, the extension of the scope of application of the On Air platform continued and it is now available to all employees in Italy. This platform seeks to motivate staff via a structured system whereby employees state their own experiences and expertise and put their names forward for professional growth and development processes (there were 19,346 candidates in 2017, of which 9,978 women and 9,368 men). The assessment activities involved 808 employees in 2017, 322 women and 486 men. Another way of driving professional development is the Job Posting system, which enables all employees to apply for vacant positions in the various Group companies; 750 applications were made in 2017.

### ON AIR DEVELOPMENT PLATFORM

Makes it possible to:

- constantly dialogue with the Company with regard to personal experiences, aspirations and motivations;
- embark on a development path aimed at expanding and strengthening expertise and improving the ability to confront change;
- take advantage of new professional opportunities for old and new roles;
- aid the development of the managerial skills of future managers and those already in positions of responsibility.

There are two sections through which employees can express themselves:

- Professional ID Card, to enrich their professional profile, mapping their specialist and professional knowledge of their role or area and inserting other information on experiences or skills they deem to be relevant, also acquired in different companies or outside the workplace;
- I Want to Apply, through which they can freely express their desire to embark on a development path and explore new professional opportunities in the Group.

The Feedback 180 process has also continued through which the managerial performances of the heads of departments in the Banca dei Territori Division are analysed on the basis of questionnaires filled out by employees. The evidence collected is cross-checked against the perceptions of the managers, making it possible to delineate a plan aimed at improving managerial actions. 456 managers took part in 2017, comprising 351 men and 105 women.

The survey of the core skills in the various companies is performed using the skill inventory method, which makes it possible to map the specific qualities of the various Group companies using co-design workshops with the department in question. Four Skill up workshops were held in 2017 involving 68 people.

The professional roles and figures and relative development paths in Banca dei Territori and Intesa Sanpaolo Group Services are regulated by specific agreements with the Trade Unions and form part of the second-level contractual structure. Guidelines are developed according to the specific nature of the production context/service model, on the basis of which roles, figures, paths and relative indemnities are adapted in compliance with the indications in the Business Plan. Personnel assigned to the roles, on the basis of the level of complexity managed, are given an entry-level contract and assigned to a growth path in which training activities play a key role.

As regards the incentive schemes, the initiatives of the 2014-2017 Business Plan aimed at motivating and involving staff include the Employee Share Ownership that the Group implements in innovative ways: the LECOIP (Leveraged Employee Co-Investment Plan), which makes it possible to invest the shares received with the Employee Share

Ownership Plan in the relative certificates. All employees were given the chance to participate, from the outset, in the value growth expected with the implementation of the Plan through the individual and voluntary co-investment in shares. 79% of eligible employees subscribed for an exchange value of around 150 million euro.

Following the agreements reached in 2015 and 2016, with the aim of rewarding the contributions, made by all employees to achieving the goals of the 2014-2017 Business Plan, as part of the second-level collective labor agreement, a union agreement was also signed in 2017 which replaced the Company Bonus and Incentive System with a Variable Results Bonus for personnel that work in the Professional Areas and belong to the Middle Managers category.

This mechanism involves increasing bonuses as different goals are achieved according to the relevant company level (Group, Division etc.) and the type of result achieved in terms of specifically identified economic and financial parameters.

The Variable Results Bonus comprises three amounts:

- The base bonus, designed to reward all Group employees for their collective contribution to achieving the results outlined in the Business Plan, as well as to support those with lower salaries as part of an internal equality criterion. Given its “participatory” nature, the base bonus is independent of the contractual agreement and the professional role held or the seniority accrued;
- The additional bonus that recognises the contribution made to the results of the relevant department and varies according to role or seniority and professional category;
- The excellence bonus, which rewards individual merit and the distinctive contribution made to achieving the team’s results.

Confirming the importance that the issues of assistance and services for families and work-life balance have in the Group’s policies, employees have the option of requesting that all or part of their Variable Results Bonus be recognised in the form of welfare services, e.g. contributions to education and teaching services for pre-school children, taking advantage of the opportunities that the tax regulations in the area of the remuneration of workplace productivity offer employees year by year.

The definition of the union agreements that underlie the creation of the Variable Results Bonus is overseen by the Employment Policies functions; the process is managed by the central and nationwide HR departments to guarantee the fairness of the assigned objectives and the correct recognition of the identified bonuses.

### SERVICE QUALITY AND EMPLOYEE INCENTIVES

The incentive system for employees of the Intesa Sanpaolo network is strongly connected with customer service quality and confirms the importance of the Synthetic Performance Indicator, made up of seven key measurable elements: profitability, expandability, credit quality, sustainable growth, service quality, co-responsibility and multichannel approach (see page 59).

The service quality indicator (Branch Excellence Indicator, to which the Net Promoter Score also contributes) takes on particular importance in the determination of the Synthetic Performance Indicator, accounting for 25% of the final score. The Excellence Bonus is awarded to up to 20% of the best branches and to up to 30% of the best-performing Areas in each Business Area on condition that the following parameters are met:

- minimum Synthetic Performance Indicator score (100);
- 100% of the Operational Excellence KPI target assigned;
- 100% of the Credit Excellence KPI target assigned.

## TRAINING

In 2017 the Training, Management Development and School of Managers structure devised and implemented training and development actions that were accessible to all Group people anywhere and at any time, fine-tuning innovative multichannel methods that maximise the accessibility and flexibility of learning.

The training offer is based on key skills for each role/position and prioritises digital channels with quick, simple and interactive engagement methods supporting all learning and development approaches, particularly with regard to the acquisition of new knowledge and skills in the context of the major transformations taking place in terms of the service model and the roles of the Group.

On the whole, the training activities provided:

- over 2.6 million training hours (1.1 million of classroom training and 1.5 million of distance training);
- an average of 30 hours of training per person (28 in Italy and 32 abroad).

In 2017 there was a reduction in classroom activities due to the launch of the training digitalisation project which prioritises remote channels over traditional ones. This reduction in overall activities compared with the previous year was above all due to the end of the Free 18 initiative (300,000 man/days fewer).

The focus on digital training was confirmed with the creation of a new digital training platform, Appendo, which offers a wide array of content in different formats and in different ways. The new digital platform provides its content anywhere and anytime, also on non-company devices outside of working hours.

A specific department supports and provides employees with guidance on the digital offer with targeted communication campaigns for different audiences. Guidelines and editorial plans for each role transform learning into an integrated experience. Since its launch in April the platform has supplied over 1,700 learning objects, registering over 43,000 users for a total of 10 million accesses.

The new School of Managers was launched in 2017. Outlined in the Business Plan, its role is to promote a common identity between the Bank's managers and talents with shared leadership characteristics, offering the opportunity to supplement and update the skills that evolve over the years. It offers learning, training, listening, meeting and dialogue content as well as a summary of each professional development plan. It also plans personalised one-to-one development sessions, tailored as necessary, providing mentoring, external and internal coaching and a digital trainer, in classrooms with an increasingly *phigital* (a cross between the physical and the digital) feel. The School of Managers is organised in a similar way to the portal for the professional world in which the digital component takes the form of an App which is used to provide management training content but also updates on topics like organisational agility, digital banking, innovation, risk culture, scenario analysis and corporate social responsibility. Launched in February, the App has registered over 4,360 users and over 200,000 views with an average rating of 4.2 (scale from 1 to 5).

The Intesa Sanpaolo digital learning project – Portal and Smartphone App to Learn Anytime, Anywhere – won the EFMA-Accenture Distribution and Marketing Innovation Award for the Workforce Empowerment and Behaviour category. Particular attention was focused on risk management with the Risk Culture programme seeking to foster a widespread understanding and awareness of emerging risks. The training programme is structured into two parts: issues connected with specific risk content and managerial approaches to governing risk.

So far there have been initiatives aimed at the Board of Directors and Top Managers on ground-breaking themes also with the contribution of international experts. Digital content has also been developed on the themes of conduct risk and cyber security and made available on the Managers' School App.

The Big Data Academy, an advanced training course designed to provide Group-level specialists with training in the area of Big Data, has continued. The aim is to develop specialist skills and expertise in new roles typical of the digital era (Data Scientist and Data Owner). There were 16 training initiatives for almost 750 participants and over 7,400 training hours were provided.

Flexible Smart Learning training also began, enabling all Branch Managers, Coordinators and Managers of the Retail and Corporate Areas (over 29,000 employees enabled) to dedicate exclusive time to their professional training during working hours, also from home, with the support of shared branch tablets (8,000 tablets distributed for a total of 1,615 days of training provided during working hours).

## WORK-BASED LEARNING

Z LAB is the 3-year ongoing work-based learning course that third-year secondary school pupils attend until they are in the fifth year. The project covers all of the hours established by the Buona Scuola law (200 hours for high schools, 400 hours for technical and professional schools). Pupils spend every single hour in the Bank with weekly modules (10 or 15 consecutive working days). As host company, Intesa Sanpaolo provides the students with a reference environment with interactive dynamics, experiential workshops, project-work and digital culture so they can discover and think about the world of work. Pupils work according to the flipped classroom method and are assisted by 70 specially trained internal collaborators who act as tutors during the workshop activities. Meanwhile, relations with the schools are managed by 27 staff from the Personnel departments of the 8 Regional Governance Centres who act as company tutors. All of the topics covered are contextualised in business activities, also with visits to the head office departments and talks with internal "spokespersons". The first two years of the Z LAB project (2016/2017 and 2017/2018 academic years) have involved around 1,500 students from 70 schools, hosted by Intesa Sanpaolo in 111 workshops, which overall have provided over 29,000 man/days (203,000 hours) of work-based learning activities. Z LAB workshops were organised in 15 different Italian cities.

## TALENT DEVELOPMENT

Promoting talent and leadership and strengthening the motivation and sense of belonging of employees were the goals that inspired the development of the International Talent Program, the project dedicated to internal talent within the Group that was launched in 2017.

The project revolves around 3-5 year personalised development paths with three distinctive dimensions: they are inter-divisional, inter-functional and international.

All participants in the programme are involved in specialist and management training, in the production of project-work strongly connected with the Group's various businesses, and in international training-experiential events.

For the duration of the course, each Talent receives sponsorship with the direct involvement of senior managers of the Group.

The selection process took place between January and April 2017 and involved over 1,000 employees, leading to the identification of 100 Talents, the first class of the International Talent Program. The project was officially launched in July with a corporate event involving all of the Talents and the Group's first-level managers, as well as Human Resources managers from the various macro-units. The first job rotations began in September and will be fully operational by March 2018.

Additional recruiting formats have also been developed for the hiring and recruitment of young talent. Make it Real is the brand with which Intesa Sanpaolo has reached out to millennials, proposing company business game experiences supported by internal tutors and managers. The project concluded with the hiring of the best talents.

## VALUE OF DIVERSITY

In terms of diversity and inclusion, Intesa Sanpaolo seeks to introduce personal development and management policies based on fairness and free of all kinds of discrimination. Inclusion and non-discrimination are values that underpin all corporate projects and instruments aimed at improving the company's performances, cultivating internal talent and contributing to the work-life balance of all employees. The theme is far-reaching and therefore involves various structures both in terms of the assessment of ongoing projects and the planning of new activities.

Promoting diversity is first and foremost a managerial and organisational issue with ad hoc initiatives to reward merit, assist the work-life balance and support the return of employees after maternity/paternity leave and long absences.

The company population is balanced between male and female employees (46% men and 54% women). There are over 13,600 female managers (executives and middle managers) in the Group, representing 28.9% of all personnel (28.0% in 2016). Women account for 39.6% of all managerial staff.

Union agreements have also taken account of this issue since July 2014. The Framework Agreement on inclusion and equal opportunities had already outlined the Bank's commitment to actively involving all of the structures, each in their own area, in promoting the many existing diversities. This commitment involves promoting measures aimed at removing any existing obstacles and defining specific actions to help foster the culture of inclusion.

Back in 2015 Intesa Sanpaolo was presented with the *Diversity & Inclusion Award* Diversitalavoro for the care it takes in managing inclusion practices for people with disabilities. This provided renewed impetus for the proposals that were developed by the Welfare, Safety and Sustainable Development Committee in 2016. In particular, close



attention was focused on the management of age diversity and the problems that the lengthening of our working lives may create in terms of professional development and integrated welfare policies.

In 2017 Intesa Sanpaolo once again received the "Diversity & Inclusion Award", which is given to companies that promote job placement policies for disadvantaged persons that focus on promoting their talent and skills.

On the basis of the analyses, investigations and proposals formulated by the Committee, in 2017 Intesa Sanpaolo and the Trade Unions signed the Sustainable Development Protocol which defines positive actions aimed at providing an additional work-life balance tool for employees with serious illnesses and/or over 60 years of age. In addition, in order to provide a further solution to better reconcile personal needs with those of the work environment, through the progressive and gradual management of the flexibility of working hours, employees that are going to meet the legal requirements for early retirement or an old-age pension between 31 December 2018 and 31 December 2020 were able to request the transformation of their employment relationship into a part-time position with a reduction in their salary and the continuation of the mandatory social security contributions recognised for full time positions. For employees that are over 60 or that suffer from serious illness, the same Protocol also introduces trial counselling measures, flexible work according to individual needs and priority consideration in the event of requests for transfers for distances over 70 km from the employee's home.

There was a new intake of people with disabilities, who are guaranteed a starting position that reflects their skills and needs as well as a professional development plan for the future. Four training courses were held in 2017 involving 132 employees for a total of over 730 hours provided.

### **DSA (LEARNING DISABILITIES) PROGRESS FOR WORK**

This project was launched in collaboration with the Italian Dyslexia Foundation. The goals are the recruitment, positive integration and promotion of people with dyslexia and other learning disabilities in the working world. The activity comprises various phases.

Following the environmental analysis, with the collection of information on the business processes that characterise the Bank, the training phase dedicated to employees in the various structures involved began. The first step in creating a dyslexia-friendly working environment is without doubt understanding and awareness. The meetings provide an overview on dyslexia: strengths and weaknesses, impact in the work environment, strategies and useful tips for compensating for difficulties and enabling the real talent of people to emerge.

The process will continue in 2018 with the definition of best practices and the release of the pocket guides, and will finish with the final compliance audit that recognises the company official dyslexia-friendly status. The DSA Progress for Work project is inspired by activities and practices that are already consolidated in the English-speaking world and is the first concrete effort in Italy to support companies and dyslexic people in the interests of both.

Among the international subsidiary banks, Privredna Banka Zagreb, together with other Croatian organisations, has signed the Diversity Charter, a European Commission initiative that sees 19 nations committed to promoting and reporting initiatives to support diversity and non-discrimination in the workplace.

As well as promoting internal projects in the area of inclusion and gender diversity, Intesa Sanpaolo is also particularly active in supporting external initiatives.

The Group is one of the founding members and supporters of the Valore D Association, the association of businesses to promote female diversity, talent and leadership for the growth of companies and the country, which this year launched the Manifesto for Female Employment in addition to organising numerous other training sessions on the topic that were attended by various Group managers.

In collaboration with Valore D, Intesa Sanpaolo supports Inspiring Girls Italy, an initiative of great educational and cultural value that aims to help young women understand their talent and potential before embarking on fulfilling training paths also in traditionally male-dominated areas. Another project carried out together with the City of Milan, in synergy with Inspiring Girls Italy, is STEM in the City (Science Technology Engineering Mathematics), an educational initiative that promotes the sciences among adolescents and which is endorsed by, amongst others, the United Nations, the Prime Minister's Office – Equal Opportunities Department, and the Ministry of Education, University and Research (MIUR).

# Employee well-being

## COMPANY POLICIES

In terms of relationships with its employees, the Intesa Sanpaolo Code of Ethics promotes policies that help foster a better work-life balance; the concrete implementation of this principle takes the form of specific rules in the area of reconciliation.

Welfare is a priority area with actions designed to foster motivation and involvement, placing people at the centre with the aim of meeting their needs and those of their families.

Accordingly, the meetings between the company and the Trade Unions have often centred on policies to strengthen and fine-tune the instruments that make up the company's welfare package and significantly contribute to improving the work-life balance of employees and, as such, also their well-being.

Well-being that is also protected through the safeguarding of health and safety in the workplace via increasingly effective measures, as outlined in the Group's Health and Safety Policy and Code of Ethics. The internal regulations establish a System of Roles and Responsibilities - in the shape of company rules and operating guidelines affecting many different parties - with regard to particular professional skills, i.e. specific company departments.

## WELFARE AND QUALITY OF LIFE IN THE COMPANY

Intesa Sanpaolo has chosen a corporate welfare model that operates within an integrated system and includes: the supplementary pension, supplementary health care, the cultural, recreation and sports association for Intesa Sanpaolo Group employees (ALI) and the Fondazione Intesa Sanpaolo Onlus (Intesa Sanpaolo Foundation NPO), as well as mobility management activities (see page 109) and activities focused on the needs of people and the work-life balance.

The company welfare system seeks to address the key issues in order to establish the best possible work-life balance for employees and their families. It does this by promoting sustainable solutions and projects consistent with their expectations. The activities are managed and monitored by the Employment Policy Department.

During meetings of the Welfare, Safety and Sustainable Development Committee, a bilateral body set up also with the aim of further improving the wellbeing of employees, representatives of the company and the workers dedicate specific sessions to analysing and examining issues relating to assistance, services for families and the more balanced use of time, identifying suitable improvement and awareness initiatives with the aim of reconciling the company's organisational requirements with the personal lives of its employees.

With the trial having finished at the end of 2015, the Flexible Work project continued in 2017 involving an increasing number of structures and people across the Group (over 8,200 employees) and offering the possibility of working from home, from different company sites and from the customer's premises. In 2015 the project received the Smart Working Award of Milan Polytechnic and in 2016 won the SMAU Innovation award, also receiving an honourable mention at the AIFIN Cerchio d'Oro awards for Financial Innovation. Since 2017 it has also been possible to carry out flexible training at home.

In addition, the extension of Flexible Work in the International Subsidiary Banks Division is under evaluation: the feasibility analysis began with three pilot banks at the end of 2017; in the event of a positive outcome, Flexible Work will be introduced in these Banks by 2018.

Another innovative instrument is the Time Bank, introduced with the trade union agreement of October 2015 in the area of the work-life balance and fully implemented in the following 2-year period, 2016-2017. This reserve of time is made available by the company and employees so they can provide greater support for people in difficulty, even for brief periods, and give them more time. It is also an initiative that appeals to our generosity and spirit of comradeship because, in addition to the hours made available by the company, with an initial reserve of 50,000 hours, every employee has the possibility of donating a little of their leave or holidays to the bank, which the company will then match, up to a maximum of another 50,000 hours.

In 2017 employees donated 6,400 hours, which were topped up with the same number of hours by the company, for an overall total of 63,000 hours. As part of the same Time Bank initiative, a corporate volunteering project was promoted that enabled 253 people in 2017 to carry out volunteer work, on work days, on behalf of external associations and bodies chosen by the Group. A total of 1,850 hours of leave were granted.

Maternity and paternity support is provided through an excellent company crèche service in Florence, Milan, Moncalieri, Naples and Turin which looks after 255 children, and a network of partner crèches right across Italy. Making the benefits of the company's significant welfare experience available to the community, this year

crèches were also opened for children who are long-term patients at hospitals in Monza and Naples, following the one opened in Turin in 2016 (see page 82). Furthermore, following the October 2015 agreement on the work-life balance, facilitation is available to fathers in the form of additional leave in the event of the birth of a child. This amounts to a 10% increase in the compensation due if they take parental leave. Additional leave is also granted in the case of parents that provide assistance to children with learning difficulties.

As regards the supplementary pension plan, following the conclusion of the first phase, launched by the collective agreements of October 2015 with the institution and the introduction of the Intesa Sanpaolo Group defined contribution Pension Fund (5 billion euro and 65,000 subscribers at the end of 2017), work continued to expand the offer and streamline the financial structure of the Fund, which currently comprises 5 financial segments and 1 insurance segment. Subscribers can therefore make their own investment choices, distributing their capital in one or more of the available areas. Gradual increase plans involving up to 3.5% of company contributions are also available, particularly in favour of young employees, i.e. newly-hired permanent staff, as well as employees that until now have not subscribed to any form of supplementary pension. It is also possible to subscribe dependent family members, take out additional insurance coverage and continue to subscribe to the Fund having reached retirement age. In 2017 agreements were signed with the Trade Unions which also involved the pension funds of the former Venetian Banks, whose subscribers will be transferred to the Intesa Sanpaolo Pension Fund in 2018.

### SUPPLEMENTARY GROUP HEALTH FUND

As regards healthcare, the Group Health Fund, an NPO whose actions are inspired by cooperative and social solidarity values, offers subscribers and their families supplementary and replacement services for those provided by the National Health Service. In 2017 it provided services worth 147 million euro, net of excesses. Following the 2016 campaign dedicated to cardiovascular prevention, this year saw the conclusion of the osteoporosis prevention campaign, which involved the participation of 10,800 women, and the start of work on the 2018 campaign to combat skin tumours. Major risk coverage was extended to the 23,000 employees of the international subsidiary Banks and the approved dentists' network was expanded to improve the proximity of the service to subscribers and the sustainability of the Fund.

For the International Subsidiary Banks Division the International Healthcare Programme was launched, an initiative that seeks to offer employees of the Division on permanent contracts an healthcare benefit. The initiative makes it possible to access a network of "second opinion" services that include cutting-edge medical consultations and healthcare treatments in top-level health facilities in different countries to those where employees live and/or work, as well as a series of complementary services (visa assistance, hospitalisation, accommodation for accompanying persons, travel etc.). The service is activated in the event that serious illnesses (cancer, transplants, highly complex surgery etc.) are diagnosed and covers all necessary expenses to travel to the chosen facility, stay in the foreign country, perform the medical treatment/surgery required by the employee and meet the related medical costs that will have to be borne when they return home. The programme was launched in all International Subsidiary Banks in December 2017.

Another form of corporate welfare is represented by the Associazione Lavoratori Intesa Sanpaolo – ALI (Intesa Sanpaolo Workers Association), which seeks to bring people together, also using innovative methods, and to promote personal services and initiatives to improve the work-life balance.

ALI adopts programmes with a strategic vision while taking an executive approach to identify actions that can really help workers reconcile their working lives with their private lives (for example, Junior campus and Welcare family, a multi-channel system that offers services for the family and administrative consultancy [i]). In collaboration with the Intesa Sanpaolo Innovation Center, ALI carried out an innovative sharing economy initiative with the creation of the ALI Group community on the TimeRepublik portal which enables members to exchange their free time and share their skills and passions. In October 2017 the project received the Innovation in Human Capital prize at the BAI (Bank Administration Institute) Global Innovation Awards in Atlanta, in the US.

Through the Fondazione Intesa Sanpaolo Onlus (Intesa Sanpaolo Foundation NPO), efforts to combat financial and social hardship have continued and this has translated into support for employees, former employees and retired employees in difficulty following the recent earthquakes, the promotion of art and culture with the issuing of university study grants and, on a trial basis, PhD study grants for disadvantaged students. Last but not least, financial support was provided for entities which operate directly in the field of solidarity and social

welfare with targeted projects. The overall sum set aside by the Board of Directors in 2017 came to around 3 million euro and included the allocation for canteens and dormitories for the poor and needy. The activities carried out by the Fondazione Intesa Sanpaolo Onlus are outlined in detail on the corporate website [i].

## EMPLOYEE ENGAGEMENT

The Internal Communications Service is responsible for developing a common culture based on corporate values and fostering the sense of belonging of employees. An integrated system which, as well as the structured consultation of employees, is made up of instruments like the Intranet, Corporate TV and the House organ which foster the continuous sharing of information, engagement, the sharing of objectives and active participation in changes.

Many activities were carried out in 2017: employees were asked to submit their ideas for the new Business Plan (13,000 employees involved, of which 10,000 in Italy and 3,000 abroad), Il Codice della Bellezza ('The Beauty Code') was published to mark the first ten years of the Intesa Sanpaolo Group, an engagement and information activity carried out to foster the integration of employees from the former Venetian Banks.

In addition, Mosaico International was launched in July, making it possible to extend the Group's internal communications globally in English (over 100 articles published with a total of 9,000 accesses).

Structured listening is a tool that can provide support to the top management and the company structures with regard to issues and specific requirements or project activities. To this end, during the year there was an increase in the number of initiatives in this area (feedback, surveys, focus groups, web focus etc.) in Italy and abroad. Over 60 listening activities, 35% more compared with 2016, with the involvement of almost 40,000 people from the Group Divisions and Intesa Sanpaolo Group Services.

One example was the survey on CSR issues carried out on a sample of 1,500 employees in order to contribute to the stakeholder engagement process (see page 123).

## HEALTH AND SAFETY

The Safety and Protection Department is responsible within the Group for overseeing health and safety activities. Intesa Sanpaolo has adopted and successfully implemented an Occupational Health and Safety Management System identifying, within its organisational structure, responsibilities, procedures, processes and resources for implementing the company policy on the protection of employees. The risks to the health and safety of employees are evaluated according to a multidisciplinary approach, considering the combined effect of the working environment, processes and equipment as well as the subjective conditions of workers.

The health and safety risk management process comprises the following phases:

- identification of dangers and their classification;
- risk assessment;
- identification and preparation of prevention and protection measures and procedures;
- definition of an action plan as part of a programme to guarantee the improvement of safety levels over time, with the identification of the competent company structures;
- realisation of the planned measures as part of the programme;
- definition of worker information and training programmes;
- monitoring of the implementation of the programmes and checks on the application and effectiveness of the measures adopted;
- management of residual risks.

Intesa Sanpaolo (as Employer) – with the collaboration of the Head of the Prevention and Protection Service and the Qualified Physicians and following the consultation of the Workers' Representatives in charge of Safety - drafts and updates the Risk Assessment Document which contains, among other things:

- the report on the assessment of all health and safety risks during working activities, which also specifies the criteria adopted for the assessment;
- an indication of the prevention and protection measures implemented and the individual protection equipment adopted following the assessment;
- the programme of measures regarded as suitable for guaranteeing an improvement in safety levels over time;
- an outline of the procedures for the implementation of the measures to carry out, as well as the responsible company roles.

The assessment and the relative document are updated on the basis of technical developments as well as significant changes to the production process and organisational structure of the company that may impact on the risk exposure of workers. This commitment was fulfilled in 2017 by making the updated document available to all personnel.

The process for managing risks at the Group's sites, implemented in close collaboration with the competent company functions, resulted in an overall reduction in risks of 22% between December 2016 and November 2017. In September 2017 a process began to update the risk assessment for all branches and sites of the former Venetian Banks. This was completed in December and the new risk factor survey will therefore form part of the 2018 action plan.

The post-robbery support programme continued in 2017, providing medical and psychological support - according to the seriousness of the trauma suffered - to employees that have been victims of such incidents. The programme involved all branches where robberies or attempted robberies have taken place. Thirty activities were organised involving over 100 employees.

Since 2017 this initiative has also been extended to include incidents of verbal or physical violence and all traumatic events (e.g. natural disasters) brought to the attention of the Prevention and Protection Service. Due to the uniqueness of such events, the Traumatic Events Management team provided employees with specific assistance programmes according to the gravity of the situation and the state of health of the employees involved.

### WORK-RELATED STRESS RISK ASSESSMENT

In 2017 the work-related stress risk assessment for staff of the Intesa Sanpaolo Head Office Departments was updated, thus continuing the work begun at the end of 2016 with Intesa Sanpaolo Group Services: a total of 52 meetings were held for the issuing of specific data collection questionnaires.

The work-related stress risk assessment was also updated for the Group Banks in Italy, particularly with regard to the branches with the new layouts (see page 65). For these, in addition to the so-called preliminary assessment requested by the INAIL method, 10 focus groups were organised in Milan, Turin, Rome and Naples with the collaboration of the Department of Clinical and Community Sciences of the University of Milan. A number of managers, coordinators and directors from this new type of branch had been invited to take part. The analyses carried out did not highlight any critical issues. All the results of the assessment updates are documented in the Risk Assessment Document which is available to all employees.

Other important initiatives were held throughout the year including the updating of the assessment of the amount of time spent at video terminals for personnel that work in branches with the new layout. The method used was work sampling which, already employed in the Group for several years, is based on a statistical mathematical model which, following a significant number of samples, makes it possible to determine how much time a homogeneous group of workers spends at the video terminal. 19 work sampling days were held for branches with the new layout.

This assessment was also updated for personnel that work in the Intesa Sanpaolo Head Office Departments using the job analysis method.

All of assessments carried out defined the list of homogenous groups of workers exposed to video terminal risks. Currently over 17,000 employees undergo health surveillance for this risk.

In addition to the work-related stress and video terminal usage times already described, further job analysis was carried out in relation to the network's new branch organisational model. This entailed collecting the ergonomic perceptions of employees that work in this type of branch through the issuing of specific questionnaires and the analysis of the ensuing results in order to examine the following aspects in each of the types of workstation used: comfort (satisfaction due to the absence of discomfort); ease of use (satisfaction due to effectiveness and efficiency of use); microclimate.

Given the gradual ageing of the population, the working population included, and the speed of technological and digital advancement, it is essential to understand how aging workers perceive the technological innovations and to define models for integrating the resources and skills of workers and the company's digital technologies. To this end, a trial project was set up to evaluate the physical and psychological state of health of personnel that work in this type of branch. The project gave employees the opportunity to sign up, on a voluntary basis, to a programme of medical check-ups performed by local qualified physicians. The results were used to produce a specific epidemiological report, also with the use of standardised scales and measurements like the Work Ability Index. 85 branches with the new layout took part in the project as well as over 900 employees.

With the aim of strengthening its supervision of occupational health and safety in the international subsidiary banks of the Intesa Sanpaolo Group, a project was launched which involved gap analysis audits based on the OHSAS 18001 standard in 2016 and the analysis of the evidence collected in 2017. Generally speaking a good level of compliance with the requirements of the law was identified, which in some cases represent the main drivers of the activities. Taking account of the need to harmonise the approach of the international subsidiaries also around the issue of health and safety, the Safety and Protection Department and the International Subsidiary Banks Division have defined a strengthening plan inspired by Group best practices and focused on continuous improvement. The plan is based on four pillars: organisational clarity, the sharing of common methodologies through Guidelines for the health and safety systems, the development of the expertise of the specialist teams, and the involvement of the top management.

More specifically, in 2017 a meeting was organised with the top management with the goal of sharing approaches and considerations on the project and an analysis of the current state of monitoring was launched in order to identify a target profile which, in 2018, will lead to the standardisation of practices among international branches.

### **BRITISH OHSAS 18001:2007 CERTIFICATION FOR OHSMS**

In 2017 the Intesa Sanpaolo Occupational Health and Safety Management System (OHSMS) was certified as compliant with the British OHSAS 18001:2007 standard. The verification process, carried out by an independent third-party body, involved the direct assessment of activities by way of audits in the various organisational structures (21 branches and the Turin skyscraper), interviews with staff (at all levels, including supplier personnel), the analysis of documents and records, and the evaluation of the effectiveness of actions implemented in response to the findings of internal audits.

As well as respect for laws, regulations and signed agreements, the Occupational Health and Safety Management System aims to monitor and carry out activities aimed at identifying and mitigating the effects of the dangers that can lead to accidents and professional diseases. To further minimise residual risks, continuous improvement actions are performed. Another goal is effective communications between the Bank and its employees with meetings and training on Health and Safety issues.

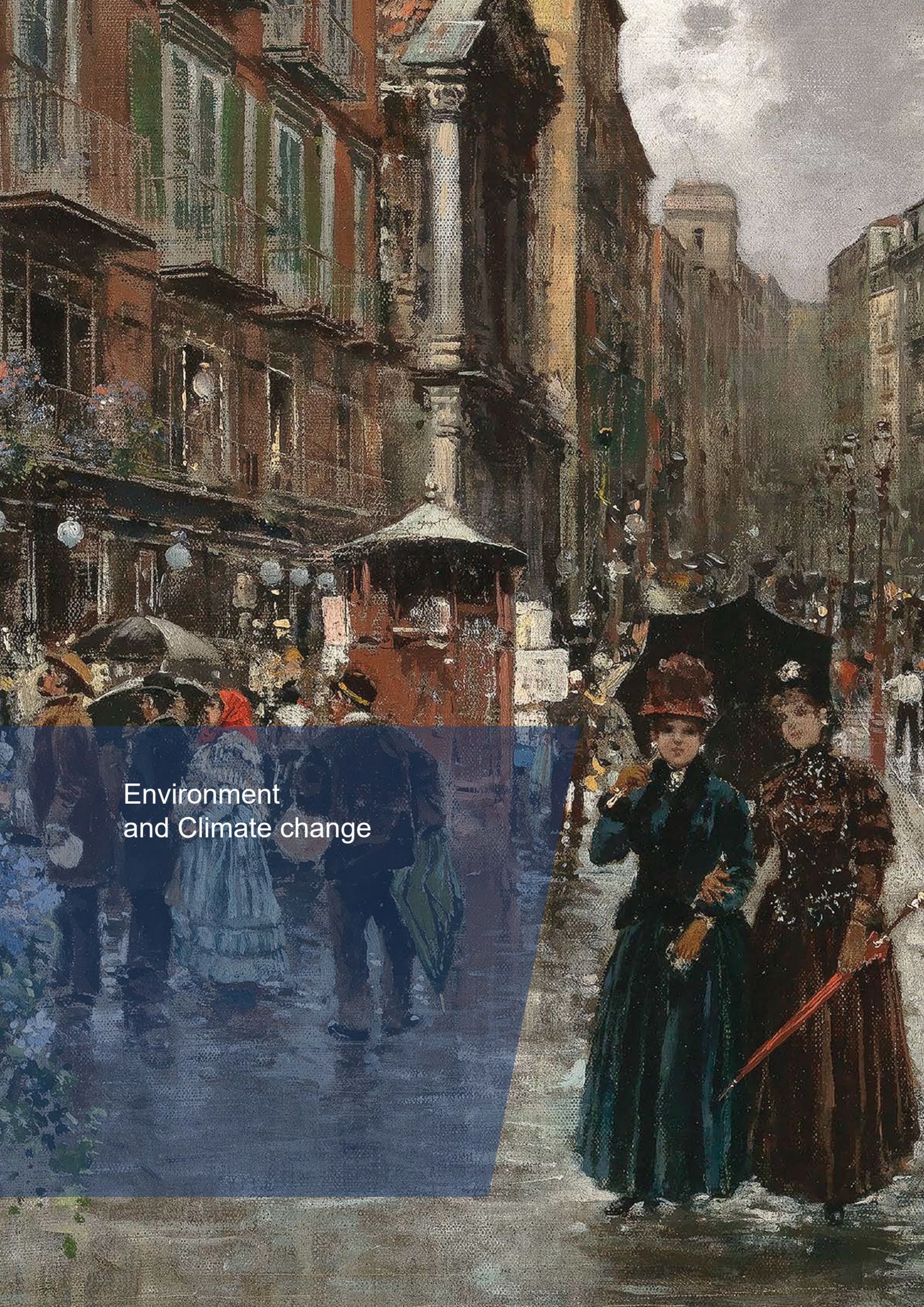
### **WORKER SAFETY REPRESENTATIVES (WSR)**

Following a 2016 union agreement the Group's Worker Safety Representatives (WSR) were elected. Their areas of responsibility are defined on a geographical basis.

In 2017 the names of the elected Representatives were communicated on the company intranet; their number later increased following the operation to acquire the former Venetian Banks and currently comprises 128 employees.

A programme of dedicated training activities was carried out between June and October 2017.

Thanks to this series of activities it was possible to make the procedures for consultation and participation in the overall health and safety management system fully operative, as established by the regulations.



Environment  
and Climate change

## RELEVANT ISSUES

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### WHY THESE ISSUES ARE RELEVANT

Climate change is an extremely relevant phenomenon whose consequences are not only limited to the environment but have major repercussions also for the social dynamics of the present and future generations.

This is clearly borne out by the recent Climate Change Conferences, the initiatives of the European Commission and the high-profile working groups that are gradually being formed to gather the contributions of international experts from the areas of civil society, the finance industry and the academic world, as well as representatives of European and international institutions and associations from the finance industry. The Task Force on Climate-related Financial Disclosures and the High Level Expert Group on Sustainable Finance appointed by the European Commission, for example, stand out for their contribution in terms of accelerating the transition towards a low-carbon economy through the drafting of Guidelines for the development of a sustainable finance strategy. The National Energy Strategy, the 10-year plan developed by the Italian Government with the aim of making the domestic energy industry more competitive, safer and more sustainable, moves in the same direction, contributing to decarbonisation as per the commitments made under the Paris Agreement.

In this context, Intesa Sanpaolo is a financial institution that assists this transition both through its actions to mitigate its direct emissions and through its support for the business community.

### PERFORMANCE INDICATORS AND RESULTS ACHIEVED

In 2017 the Group continued its commitment to reducing its environmental footprint also through the development of projects aimed at promoting the efficient use of natural resources, support for research and innovation in the area of improving energy performances, and the analysis of the risks and opportunities that derive from climate change.

In terms of green loans, around 1.3 billion euro was disbursed in favour of renewable energy, energy efficiency and environmental protection. In addition, in June 2017 Intesa Sanpaolo became the first Italian bank to issue a Green Bond of 500 million euro.



Summary table of Group environmental data	Unit of measurement	2017	2016	2015
<b>Greenhouse gas emissions*</b>				
Scope1	tCO <sub>2</sub> eq	40,749	40,226	43,930
Scope2 Market-based**	tCO <sub>2</sub> eq	38,235	35,857	40,225
Scope1 + 2 Market-based**	tCO <sub>2</sub> eq	78,985	76,082	84,154
vs. previous year	%	+3.8	-9.6	-8.0
vs 2008	%	-53.6	-55.3	-50.6
Scope3 (annual data not comparable due to the expansion of the reporting boundary)	tCO <sub>2</sub> eq	80,425	27,868	27,297
Scope1 + 2 Market-based**	tCO <sub>2</sub> eq/m <sup>2</sup>	0.023	0.021	0.023
	tCO <sub>2</sub> eq/staff member	0.863	0.825	0.923
<b>Consumption</b>				
Electricity	MWh	449,474	445,754	467,845
vs. previous year	%	+0.8	-4.7	-0.3
Thermal energy	MWh	197,858	195,756	219,714
vs. previous year	%	+1.1	-10.9	-4.4
Electricity + thermal energy	%	+0.9	-6.7	-1.6
Paper purchased	t	6,574	7,493	7,992
Environmentally friendly paper purchased vs. total	%	88.8	89.1	90.2
Paper saved (digitisation)	t	3,776	2,756	3,331
Water	m <sup>3</sup>	1,757,122	2,359,444	2,381,310
Waste	t	3,132	3,456	3,534
Business travel	mIn km	170	161	150
<b>Renewable energy</b>				
Electricity produced from renewable sources	MWh	1,156	1,067	1,050
Renewable electricity consumption vs. total	%	82.3	80.2	79.2
<b>Green loans and services</b>				
Loans for environmental purposes amount disbursed	mIn	1,256	1,730	1,495
Loans for environmental purposes (out of all loans)	%	2.0	3.1	3.0

\* Emission factors for the calculation of CO<sub>2</sub> established by Intesa Sanpaolo, in accordance with the Guidelines on the Application in Banks of the GRI Environmental Indicators (ABI Energia) and on the basis of the main 2017 publications (UNFCCC, IEA, IPCC, etc.).

\*\* Market-based: for purchased electricity the Scope2 data considers the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions.

# Direct environmental impacts

## COMPANY POLICIES

Intesa Sanpaolo's commitment to the environment takes the form of self-regulated environmental and energy instruments that define the strategic and operational guidelines which underpin the Group's environmental protection initiatives and its efforts to reduce its environmental footprint. The Group's Code of Ethics and the Rules for environmental and energy policy, approved by the top management, define the principles and guidelines that regulate the environmental responsibility of the Group and the monitoring of the direct and indirect impact of its activities. With reference to the direct environmental impacts of the Bank's operations, an ISO-certified Environmental and Energy Management System has been implemented and the positions of Energy Manager and Mobility Manager have been introduced. The Group also monitors the indirect impact of the activities of its customers and suppliers in the knowledge that the granting of loans and purchasing choices can encourage them to take environmental responsibility. The Intesa Sanpaolo Group also closely manages the risks connected with climate change in order to promote adaptive behaviour or conduct designed to mitigate them and, at the same time, to develop a culture centred on prevention. The monitoring of these risks is based on the processes established for the governance and implementation of the Group Code of Ethics, the Environmental and Energy Management System and the sustainability reporting, which make it possible to identify goals and action plans aimed at guaranteeing effective risk monitoring (see page 53).

A dedicated structure – the Corporate Social Responsibility Sub-Department (CSR) – has the task of overseeing the areas that fall under the Group's social and environmental responsibility, including the more specific issue of climate change, through the planning, management and monitoring of sustainability policies and instruments. The CSR Sub-Department reports to the Managing Director, CEO and Board of Directors through the Chief Governance Officer and collaborates with a network of Delegates in the various Group structures, in Italy and abroad. Furthermore, the Safety and Protection Head Office Department, which reports directly to the Managing Director and CEO, is responsible for governing the Environmental and Energy Management System adopted by the Group and promoting improvement objectives, guaranteeing the maintenance of international ISO certification in collaboration with the competent structures.

## CLIMATE CHANGE ACTION PLAN

In accordance with the environmental responsibility commitments undertaken by the Group, since 2009 Intesa Sanpaolo has set itself mid- to long-term goals through the creation of specific Action Plans. The first Intesa Sanpaolo Environmental Plan covered the four-year period 2009-2013, and was followed by the plan relating to 2013-2016. Both Plans set themselves measurable goals in the areas of energy savings, economic savings and the reduction of CO<sub>2</sub> emissions. The scope of the plans, limited to Italy in the first Plan, has gradually increased with the inclusion of various International Subsidiary Banks.

Given the positive experience of these Plans, in 2017 the CSR Sub-Department, in association with the Real Estate and Logistics, Procurement, Human Resources, Information Systems, Safety and Protection Head Office Departments and the International Subsidiary Banks Division, drafted a new Environmental Plan - the Climate Change Action Plan - with targets for 2022 and 2037. This Plan was reviewed by the Risks Committee and approved by the CEO. In the new Plan the Intesa Sanpaolo Group outlines its goals as regards reducing the CO<sub>2</sub> emissions connected with its activities, taking 2012 as its reference year, also for the emission factors, in order to put its results in their historical context. The CSR Sub-Department will monitor the achievement of the targets on an annual basis, with any variations in scope taken into account, and the results will be analysed with the relative competent structures. The goals for 2022 include a reduction in absolute emissions connected with energy consumption (direct and indirect) of 37% compared with 2012 (a 31% reduction was recorded in the period 2012-2016).

The Plan also includes goals related to consumption and energy production from renewable sources, and more specifically:

- an increase in the use of renewable energy sources, from 76% at the end of 2012 to 81% by the end of 2022;
- the maintenance of electricity production levels from photovoltaic energy (over 1,000 MWh in 2016), taking account of the restrictions and characteristics of the real estate assets.

Finally, in accordance with the international climate change agreements, long-term targets for 2037 have been set which will be monitored and eventually reviewed at 5-year intervals.

## ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

The Environmental and Energy Management System (EEMS) adopted by Intesa Sanpaolo in Italy is subject to a certification and surveillance process by an independent body that periodically assesses its management and operational procedures. In particular, the certification scope covers a sample of operating units (over 220) which, also in 2017, were awarded compliance certification pursuant to the ISO 14001 (new version) and ISO 50001 international standards. The System monitors all activities and operations carried out in the above operating units which have, or may have, an effect on the surrounding environment, and is subject to periodic controls and internal audits aimed at guaranteeing the compliance of the System with the requirements of the reference standards and the principles of the continuous improvement of environmental and energy performances.

The top management of Intesa Sanpaolo is committed to the development and application of the EEMS through an annual plan that includes the review of all significant environmental and energy aspects and the definition of annual objectives that are consistent with the Rules for the environmental and energy policy. Various company functions are involved in applying the Management System: Safety and Protection Head Office Department, Real Estate and Logistics Head Office Department, CSR Sub-Department and Training Department. In addition, there is an EEMS Delegate in every operating unit with whom the various structures interface for aspects in their remit.

With the extension of the certification scope to another 25 operating units in 2017, every Bank in the Banca dei Territori Division of the Intesa Sanpaolo Group is represented in the Management System by a variable number of operating units which altogether, in terms of systems, climate zone, size and organisational characteristics, ensure that the sample is representative. The goals pursued, through the attentive monitoring of environmental aspects and energy use, have made it possible to improve performances in terms of the supervision of environmental risks, the reduction and optimisation of consumption, the awareness of employees and the involvement of internal departments asked to contribute to the functioning of the System in various ways. For all of these reasons and in the context of continuous improvement, as per the reference regulations, the gradual extension of the certification scope is foreseen.

CIB Bank (Hungary) has also maintained its certification according to the UNI CEI EN ISO 50001 standard. At the end of 2017 the Bank renewed the certification of its properties (83) and services thanks also to the installation of data loggers in some branches, improving the management of the data centres and replacing old systems with highly energy-efficient systems. The efficiency measures also regarded office machinery with more advanced models purchased and around 700 items of equipment donated to the Order of Malta.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

The mitigation and containment of CO<sub>2</sub> emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. This in the context of the continuous improvement of its environmental performance which has already seen major reductions in the electricity and thermal energy consumption, and the subsequent emissions, over the last decade (53.6% reduction in Scope1 + Scope2 Market-based emissions compared to 2008).

2017 saw an increase in electricity and thermal energy consumption (+0.9% compared to 2016) mainly due to the more rigid weather conditions recorded in some months of the year and the extension of the organisational reporting boundary.

Scope1 + Scope2 Market-based greenhouse gas emissions were also up by 3.8%, primarily because of the higher emission factors compared with 2016. The Intesa Sanpaolo Group also calculates Scope1 + Scope2 emissions using the Location-based method (201,813 tonnes +5.9%), which does not take account of the benefits deriving from the purchase of certified energy from renewable sources.

In general, the Intesa Sanpaolo Group's greenhouse gas emissions are reported in CO<sub>2</sub> equivalent in accordance with the international GHG Protocol (Greenhouse Gas Protocol), in the form of:

- Scope1 direct emissions, relating to the use of fuel for heating and the fleet;
- Scope2 indirect emissions for centralised air-conditioning and electricity;
- Scope3 indirect emissions deriving from activities connected with the company but not directly controlled by it (paper, waste, office machinery etc.).

With the goal of continuous improvement, there was also an expansion in the reporting of Scope3 indirect emissions in 2017, which included emissions generated by energy carriers in the natural gas supply chain, in the production of the energy sources used in the electricity mix and in the distribution and transformation of electricity itself.

On an annual basis Intesa Sanpaolo also drafts a Greenhouse Gas Emissions Inventory in which it provides a detailed report of the emissions generated by the operating units included in the certification scope of the Environmental and Energy Management System (EEMS).

These emissions derive from the production and consumption of thermal energy, electricity consumption, air conditioning systems, paper consumption and fuel consumption by the company fleet of vehicles. Drafted in accordance with the UNI EN ISO 14064 standard, the Inventory undergoes an annual certification audit by an external body. The reference scope has gradually and continuously expanded; for this reason the emissions generated by the new Turin Headquarters were also added to the Inventory in 2017. This expansion resulted in a slight increase in emissions (under 3%) mainly due to the Turin skyscraper's paper consumption and company fleet.

## EFFICIENCY AND OPTIMISATION OF ENERGY CONSUMPTION

In accordance with the multi-year plan, the actions and measures to reduce electricity and thermal energy consumption continued in 2017 in both Italy and the International Subsidiary Banks, where there is an increasing awareness of energy efficiency issues. The actions undertaken confirm that the Intesa Sanpaolo Group also assesses the potential risks connected with climate change that may influence the future management costs of the properties (see page 53).

Below are some of the initiatives:

Project	Description	Forecast annual savings
Measurement of electricity consumption (Italy) Investment: 137,000 euro	Around 60 new datalogger were installed. Managed online, they make it possible to turn the lighting and air conditioning systems on and off	Energy saving: 1,390,000 kWh Economic saving: 257,000 euro Reduction in potential CO <sub>2</sub> emissions: 460 t
Replacement of lighting systems (Hungary, Croatia and Ukraine) Investment: 40,000 euro	Traditional or low energy lamps were replaced with new LED technologies in various branches and central offices	Energy saving: 116,000 kWh Economic saving: 11,500 euro Reduction in potential CO <sub>2</sub> emissions: 31 t
Replacement of air conditioning systems (Italy, Croatia, Hungary, Albania) Investment: 5,891,000 euro	The replacement of winter and summer air conditioning systems continued. Furthermore, in line with the regulatory obligations, in Italy 56 systems containing R22 were replaced with refrigeration units containing R410A gas	Energy saving: 1,980,000 kWh Economic saving: 314,000 euro Reduction in potential CO <sub>2</sub> emissions: 548 t
Renovations according to energy efficiency criteria (Slovenia and Serbia) Investment: 714,000 euro	Renovation work was carried out on sites with the replacement of fixtures and the improvement of the exterior insulation system	Energy saving: 300,000 kWh Economic saving: 30,000 euro Reduction in potential CO <sub>2</sub> emissions: 79 t

Finally, in line with the Rules of environmental sustainability for the development of sustainable branches, the site renovations or the development of new branches are carried out in accordance with criteria for the improvement of energy and management efficiency: since 2008 around 1,000 Group buildings have undergone energy certification processes.

Thanks to the measures introduced in recent years, in Italy the Group was able to claim tax deductions of around 6 million euro in 2014-2017, around 1.75 million euro of which relative to 2017.

## RENEWABLE ENERGY

One important measure for reducing the Intesa Sanpaolo Group's carbon footprint is the purchase and production of energy from renewable sources.

As regards the purchase of electricity from renewable sources, in 2017 the Group reached an overall consumption percentage of around 82.3%. Notwithstanding the use of self-produced energy from cogeneration at the Parma site (incidence of around 1% with economic savings of around 192,000 euro), in Italy the purchase of energy from traditional sources has been almost completely eliminated. The situation in the International Subsidiary Banks is different with national legislation imposing various limits in some cases. In any case, Intesa Sanpaolo Bank (Slovenia) has eliminated its emissions by using 100% hydroelectric energy while Privredna Banka Zagreb (Croatia) purchases over 50% of its electricity from renewable sources. Additionally, despite market restrictions, part of the electricity used by Intesa Sanpaolo Bank Albania, VÚB Banka (Slovakia), Intesa Sanpaolo Bank Romania and CIB Bank (Hungary) comes from renewable sources thanks to the national energy mix.

Although limited by the type of property, the self-production of renewable photovoltaic energy rose by 8.3% in the 14 Italian and 2 Slovenian sites in 2017 with total annual production exceeding 1,156 MWh.

Thanks to the government incentive and the economic savings stemming from the fact that no energy was purchased at the three main photovoltaic plants (Moncalieri, Settimo Torinese and Sarmedola di Rubano), the financial return in Italy in 2017 came to around 290,000 euro.

Finally, in line with Italian Legislative Decree 28/11, consideration was given to the thermal energy produced in Italy using heat pump air conditioning systems with around 2,800 tonnes of CO<sub>2</sub> emissions avoided as a result.

## MOBILITY

Forming part of the Human Resources Department, the Mobility Management function is dedicated to assisting with the commutes of employees to improve their quality but also to promote sustainable modes of transport. The goal is to translate the feedback from employees into concrete actions in order to provide a structured range of options for daily commutes and implement the actions of the Home-Work Commuting Plans. In 2017 a questionnaire was prepared to get a better understanding of the demand for home-work mobility among employees, how their behaviour has changed and which areas of improvement to focus on in the near future.

The main goals pursued by the Intesa Sanpaolo Group are: the reduction in the use of private individual transport, as requested by the so-called Italian Decreto Ronchi, the improvement of road safety, as established by the international ISO 39001:2012 standard, and the reduction of the Group's CO<sub>2</sub> emissions.

As regards the last of these objectives and taking account of the union agreement signed on the work-life balance (which also introduced measures to help people that work a long way away and that have specific personal needs to move closer to their residence or home), below is a summary of the most important initiatives:

- the spread of Flexible Work, which innovatively combines the management of people's private lives with the company's organisational requirements (see page 98);
- the Mobility Office platform which promotes the use of public transport, enabling employees to request annual season tickets directly from their workstation and also to take advantage of discounted rates with the option of paying in instalments (the service is active in the cities of Bologna, Florence, Milan, Naples, Padua, Rome, Turin and Venice and will gradually be extended to other cities);
- company shuttle service available in Turin, Milan, Naples, Padua, Venice and Vicenza, which has a positive impact on the environment (an estimated 397 tonnes of CO<sub>2</sub> avoided) as well as on people's quality of life;
- development of car and bike sharing services. In Italy ALI (Associazione Lavoratori di Intesa Sanpaolo) has formed partnerships with the main networks in Bologna, Florence, Milan, Naples, Padua, Rome, Turin and Venice. Similar solutions are also available at Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Bank Albania with bicycles owned by the Bank. At Privredna Banka Zagreb (Croatia) and CIB Bank (Hungary) employees can take advantage of special parking facilities and services (changing rooms and showers) and the application of discounts on purchases of bicycles and accessories;
- management of the company fleet through precise choice criteria and usage guidelines that promote respect for the environment. In this context the process of updating the company fleet has continued with Euro 4 and 5 vehicles replaced by Euro 6 vehicles, which have more than doubled in number since last year;
- remote communications developed for both listening activities (internal communications web focus groups managed online) and work activities with the gradual increase in the use of Skype for Business (instant messaging, voice over IP or online meetings) instead of business trips/transfers.

## COMPANY CAR POOLING

With the aim of inverting the findings of internal investigations, which suggest that a large number of employees go to work in their own car, a pilot company car pooling project was launched in November 2017 involving around 90 employees from the Milan-Bisceglie site. Car pooling is a mode of transport based on the sharing of private cars by multiple people with compatible routes and timetables. The aim is to share the car for commutes in order to improve the quality of transfers, make savings on transport expenses, and reduce traffic, pollution and road accidents. Using an app, created for the specific needs of Intesa Sanpaolo, a trial initiative was developed that facilitates the matching of travel supply and demand and the sharing of the relative costs, with the possibility of managing the disbursement of incentives, in the form of fuel and parking vouchers, and forming a network of users.

Car pooling is already active at the Intesa Sanpaolo Bank Albania, CIB Bank (Hungary) and Banca Intesa Beograd (Serbia) with positive results.

## RESPONSIBLE MANAGEMENT OF RESOURCES

According to the Code of Ethics and the Rules for the environmental and energy policy, the Group's responsibilities include the close evaluation of the consequences of its activities on ecosystems and the reduction of its environmental footprint. For this reason the responsible management of resources is a priority issue for the Intesa Sanpaolo Group in its attempts to mitigate its impact on the environment.

### PAPER

In accordance with the Sustainability rules for the purchase and use of paper and derivative materials, the reduction in paper consumption continued in 2017, falling by around 919 tonnes compared with 2016 (-12.3%). In 2017, the Group's work in Italy focused on the implementation of various paperless initiatives, which involved the reduction of data sheets, the consultation of information sheets on screens, online statements, the Zero Carta project in training initiatives and, above all, the project for the digitisations of contracts and accounts. Thanks to these actions, it was possible to avoid the use of about 3,720 tonnes of paper, corresponding to a reduction in CO<sub>2</sub> emissions of over 7,680 tonnes with cost savings of about 4.3 million euro.

As regards the International Subsidiary Banks, the Paperless Branches project, launched in 2014 at Privredna Banka Zagreb (Croatia) and extended in 2017 to CIB Bank (Hungary), made it possible to save over 50 tonnes of paper in 2017.

An important contribution to the reduction of paper consumption is made by the multichannel projects in Italy and the Digital project for the Group's International Subsidiary Banks (see page 64).

### OTHER GREEN PURCHASES

In 2017, around 42 tonnes of environmentally-friendly stationery was purchased in Italy.

In line with the Sustainability rules for the purchase of office machines, the Bank assesses the environmental impact connected with the purchase and responsible use of the following equipment: photocopiers, printers, desktop computers, computer monitors and standalone computers, notebooks. In 2017 the environmental criteria were also used for the purchase of ATMs/MTAs.

In the promotion of sustainability aspects due consideration is given both to legislation and relevant compliance requirements in force, as well as to specific environmental evaluation criteria.

### WATER

In the Intesa Sanpaolo Group water is predominantly used for hygiene purposes and, to a lesser extent, for the generation of cold air for air-conditioning.

In 2017 the Group's per capita water consumption fell by around 25% compared with 2016, coming to around 19 cubic meters per employee on the basis of the invoices paid during the year.

In Italy the New Headquarters is an excellent example of efficient water management: in 2017 water consumption was again well below the Group average at around 7 cubic meters per employee. Thanks to the drinking water dispensers it was possible to avoid the use of 192,000 half-litre plastic bottles, which correspond to a 3,840-tonne reduction in plastic consumption and an 18-tonne reduction in CO<sub>2</sub> emissions.

## HAZARDOUS WASTE MANAGEMENT

The Intesa Sanpaolo Group focuses particular attention on the monitoring and management of hazardous waste for the environment, including radon and asbestos.

Radon is a gas normally present in the subsoil which can however penetrate into closed environments due to the presence of cracks or the permeability of the foundations of buildings, for example; in such cases it can accumulate and reach concentrations that are harmful to human health if inhaled. In line with current legislation, which for underground work spaces fixes thresholds of attention and action depending on the concentration level, the Safety and Protection Head Office Department carries out campaigns for the measurement of the average annual concentration in order to protect the health of employees. Where necessary, a communication on the topic is issued so workers and their representatives are suitably informed on the matter. The campaigns concluded in 2017 did not highlight any significant risk situations. During the year new measurement campaigns were also launched in the Region of Puglia, which with a specific ruling fixed lower concentration limits than the national average for non-residential buildings open to the public.

In the same way, although the activities carried out by Intesa Sanpaolo employees do not in any way expose workers to dust and materials containing asbestos, in 2017 the Safety and Protection Head Office Department once again carried out a specific risk assessment for all workspaces. The measurements, carried out by an external consultant responsible for storing materials containing asbestos which performs periodic checks according to the timeframes established by law, confirmed that there is no contamination: all of the values measured are lower than the threshold established by the laws in force and similar to those present in the external environment.

## CORRECT WASTE MANAGEMENT

The handling of all waste produced at the Group's sites has been entrusted to outside companies that operate in the local area, have the necessary permits for transporting and/or disposing of waste, and use specifically authorised vehicles. These companies have been appointed to oversee the collection, sorting, correct temporary deposit and disposal of the waste. As for waste that is collected separately (e.g. paper, glass, plastic etc.), the management methods used are those indicated by the municipal regulations.

In 2017 the amount of waste produced by the Group came to 3,132 tonnes (34.2 kg per employee), 9.4% down compared with 2016. More specifically, there was a 27.8% reduction in Italy and an increase in the International Subsidiary Banks mainly due to the disposal of equipment and material as part of energy efficiency measures.

Only 3.6% of waste is disposed of in landfills, 1.6% is incinerated with energy recovery and the remaining 94.8% is recycled or reused/recovered.

In 2017 the regenerated toner project was launched in Italy which involves the partial replacement of black ink cartridges with regenerated cartridges: around 33% of the toner cartridges purchased during the year for printing in black and white are regenerated.

# Green economy

## COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for environmental and energy policy, the Intesa Sanpaolo Group has always paid particular attention to the portfolio of green products and services it offers to all of its customer segments, also with the goal of contributing to combating climate change.

As widely demonstrated by international studies and research, climate change can also be regarded as a business opportunity and an economic development lever. With this in mind, Intesa Sanpaolo is very active in supporting individuals and businesses committed to reducing their environmental footprints through the promotion of green products and services. This takes place through the bank branches of the Banca dei Territori Division and Banca Prossima, the Mediocredito Italiano Energy Desk for business loans, the support of the Chief Innovation Officer Area for the Circular Economy and innovation and the direct investment of Equiter in green businesses.

In addition, particular importance is given to training and study and research initiatives, as well as to events on environmental issues held by Intesa Sanpaolo and/or its partners.

## LOANS AND SERVICES FOR THE GREEN ECONOMY

In 2017 the Group allocated 1,256 million euro to the green economy, corresponding to 2.0% of all Group loans. The offer involves all customer segments: retail customers (8.4%), businesses and Third sector (19.8%), leasing (0.5%), corporate & public finance (7.1%) and project finance (64.2%).

Total disbursements between 2010 and 2017 came to over 16 billion euro with an inconsistent trend also due to different incentive policies.

### RETAIL CUSTOMERS

With regard to retail customers, the Bank continued to provide loans and mortgages for environmental purposes in 2017. These loans regarded the replacement of fixtures and high-performance boilers, the renovation of buildings from an energy efficiency perspective, the purchase of environmentally-friendly vehicles and the installation of solar and photovoltaic panels. In addition, Mutuo Case prefabbricate in legno (loan for prefabricated timber-frame houses), meets the needs of customers that are more sensitive to environmental issues, channelling resources into the purchase of wooden buildings that respect specific safety and construction standards.

During the year the new Servizio Valorizzazione Immobiliare (Real Estate Enhancement Service), an additional loan service, became fully operational. It is designed to support customers who intend to invest in their homes through energy redevelopment and restructuring works, providing free information on tax benefits and savings on energy bills, as well as to support the best loan and home protection solutions. Customers can also take advantage of discounts on the services of partners of the initiative which operate in the energy savings and redevelopment sectors.

### BUSINESSES CUSTOMERS

2017 also saw the ongoing disbursement of short and medium/long-term loans in support of projects for the use of photovoltaic panels, biomass plants, hydroelectric plants and energy efficiency works for professionals and businesses. With regards to start-ups (see page 77) as part of the Start up Initiative project three editions dedicated to the Circular Economy were held in Milan and London in 2017. In total around 20 start-ups were involved and presented to an audience of over 100 institutional investors and businesses.

Businesses can continue to use the Finanziamento Energia Imprese (Businesses Energy Loan), which is designed to support investment plans focused on the development of efficient energy production plants and diversifying energy sources and/or streamlining consumption, as well as the Finanziamento Energie Rinnovabili (Renewable Energies Loan), created for the construction of new plants for the production of renewable energies other than photovoltaic energy, such as biomass and small-scale wind energy.

Mediocredito Italiano's contribution was once again quite significant this year: the Bank continued to support businesses that invest in renewable energy production plants and the energy efficiency of their production processes, providing dedicated financial solutions and specialist advisory services. During the year loans were granted to support projects mainly in the photovoltaic, wind and hydroelectric sectors. At the end of 2017 Mediocredito Italiano's portfolio in the green sector came to over 1.5 billion euro, equal to around 10% of all medium and long-term credit. All of the financed projects were carried out in Italy and regarded: photovoltaic



plants (79.7%), biomass or biogas plants (6.5%), hydroelectric plants (6.5%), energy efficiency measures (2.4%) and wind energy plants (4.9%).

The financed projects also included energy efficiency measures carried out by energy intensive manufacturing companies through the installation of cogeneration plants. In order to regulate energy efficiency investments made directly by businesses, or rather indirectly through the intervention of an ESCo (Energy Service Company), credit guidelines have been developed for this type of project.

All loans, overseen step by step by the specialist Energy Desk, are always preceded by an examination in support of the Bank's credit assessment. Customers can count on a comprehensive service that ranges from risk assessment to the structuring of the most appropriate financial solutions, and from consultancy on new technology trends to new market opportunities.

In the lease area, 6 new Leasenergy product contracts of a value of 6.2 million euro were signed in 2017, in line with the trends of the energy lease sector in Italy. The new lease contracts will result in annual emission savings of around 4,400 tonnes of CO<sub>2</sub>. There are around 1,400 existing lease contracts, which have contributed to the construction of plants for the production of over 1.7 Gigawatts of energy from renewable sources.

The Intesa Sanpaolo Group also continued to pursue its Circular Economy project thanks to which numerous initiatives and actions were carried out in 2017 to promote the awareness and adoption of this model in various domestic and international locations. During the year around 40 Italian businesses were subjected to the Circular Economy Standard, created to verify and analyse the level of circularity of businesses along their value chain, i.e. the innovation of their business model according to the principles of the circular economy. In addition, the Italian Manifesto for the Circular Economy was signed which, fruit of a partnership developed during the year with ENEL, involved major Italian businesses also at international level.

Finally, the Insurance Division proposes supplementary insurance coverage for the loans provided for the purchase and installation of a photovoltaic plant. Polizza Business Fotovoltaico (Photovoltaic Business Insurance policy) protects the photovoltaic plant from material and unforeseen damage accidentally caused to third parties, protecting the plant from damage caused by fire, atmospheric events, vandalism, theft, malfunctions or electrical problems, and covering losses in profits due to the interruption or fall in the production of clean electricity as a result of the insured events.

### THIRD SECTOR

Banca Prossima continues to support Third sector businesses that intend to invest in energy efficiency projects with solutions that make it possible to save on energy costs and increase the overall sustainability of the social activity. At the end of 2017 total loans relative to the agreement with Federesco (National Federation of ESCo's) came to 1.5 million euro. These initiatives generated savings of around 545 toe (tonnes of oil equivalent) in 2017, corresponding to around 1,167 tonnes of CO<sub>2</sub> avoided.

### DIRECT INVESTMENTS

The subsidiary companies that for several years now have responded to the environmental challenge include Equiter, in which Intesa Sanpaolo has a 33.7% stake, Compagnia di San Paolo, Fondazione Cassa di Risparmio di Torino and Fondazione Cassa di Risparmio di Cuneo. As well as investing its venture capital in the sectors of the environment, infrastructure and energy with the aim of promoting the socio-economic development of the territory, Equiter also provides advisory on third-party funds.

More specifically, with assets of around 190 million euro, Equiter is the leading operator in Italy in terms of funds managed as part of the JESSICA programme (Joint European Support for Sustainable Investment in City Areas). JESSICA is a European Commission initiative in collaboration with the European Investment Bank that allows the Regions to use part of their structural funds to make sustainable urban development investments, including projects on energy efficiency and the production of energy from renewable sources, through financial engineering instruments like the Urban Development Funds. These funds invest by purchasing shares or making loans to profitable projects, which are therefore able to generate a sufficient enough cash flow to guarantee a return on the capital invested. In Italy, the JESSICA initiative has been implemented by the Regions of Sicily, Campania and Sardinia. Equiter completed the investment of the resources it manages in the three Regions in 2016, financing 41 projects, 29 of which relating to energy efficiency projects in Sardinia (of a total value of 37 million euro) and 12 of which relating to urban development in Sicily (90 million euro) and Campania (63 million euro). In 2017 it monitored the progress of the financed works.

Equiter is also an advisor, as well as a direct investor with a 26.8% stake, in the first closed-end fund in Italy completely dedicated to Public-Private Partnership infrastructure. With a size of 120 million euro, the PPP Italian Fund has invested in the development of 10 projects in the green sector for the annual production of around 130 GWh of electricity from renewable sources, which have made it possible to avoid 42,000 tonnes of CO<sub>2</sub> emissions. Finally, as regards direct investments, Equiter is the sole shareholder of Equiter Energia, an investment vehicle with a portfolio of plants in the photovoltaic and wind energy sectors with an overall capacity of 13 MWh and an annual production level of around 28.5 GWh.

## GREEN BOND

In June 2017 Intesa Sanpaolo issued a 500 million euro Green Bond connected with environmental sustainability projects. First issued in 2007 by the EIB (European Investment Bank), Green Bonds are traditional bonds – in terms of their structure and contractual terms – that must respect specific requirements in terms of the use of funds (they must be used for green projects), transparency, reporting and the use of proceeds.

The commitments undertaken by Intesa Sanpaolo are defined in a set of guidelines (Green Bond Framework) inspired by the Green Bond Principles, a voluntary protocol that favours the transparency of the operation and involves the close monitoring of the environmental projects that receive the funds. The compliance of the framework with these principles was verified by an external ESG research and analysis company.

The projects financed by the bond must belong to the following three categories:

- infrastructures for the generation and transmission of energy from renewable sources (solar, photovoltaic, wind, biomass and hydroelectric);
- investments in infrastructure or processes for reducing the use of energy and fostering greater energy efficiency;
- construction of new buildings or the redevelopment of existing buildings according to the best environmental standards.

The Bond is designed to cover the financial requirements of projects – already part of the Mediocredito Italiano portfolio or new – which will be selected by a dedicated working group. The Bank also pledges to draft an annual Green Bond Report which will be certified by a third-party company and published on the company website. The Report will provide information on the use of the net proceeds of the security and the environmental benefits stemming from refinanced or newly-financed projects.

Lastly, in 2017 Banca IMI, as part of the Intesa Sanpaolo Group, participated in six Green Bond issuances, becoming Italy's market leader.

## GREEN CULTURE AND INITIATIVES

One of the goals of the Intesa Sanpaolo Rules for environmental and energy policy is the spread of the culture of sustainability among both its employees and its customers. This paragraph outlines the main initiatives launched in 2017.

### TRAINING

The internal training programme gives all employees in Italy the chance to use the Ambientiamo multimedia platform which in 2017 provided over 900 hours of training on climate change, renewable energies and correct waste management. In addition, for those that work in operating units covered by Environmental and Energy Management System certification or in central offices involved in the activities of the EEMS, a specific course on the issue was also provided in 2017, as established also by the international reference standards: in 2017 around 200 employees were able to access the online course, joining the 1,800 employees previously trained. In the same way, subsidiary CIB Bank (Hungary) trained around 1,870 employees on the obligations relating to the ISO 50001 standard via the online platform. Finally, six meetings were organised with the participation of Federesco at the Regional Governance Centres of the Banca dei Territori Division: the initiatives, which involved around 30 employees, sought to raise the awareness of colleagues around the issues of energy efficiency and the possible savings solutions offered by the world of ESCO's. As regards the issue of socio-environmental risks in loans, in 2017 Banca Intesa Beograd (Serbia) trained around 30 employees from various operating units involved in the application of the procedures established by the European Bank for Reconstruction and Development.

As for customers, Intesa Sanpaolo Formazione continued to provide the Think Green course to 89 agricultural entrepreneurs who, focusing particularly on the protection of biodiversity, plan to innovate and develop their businesses. To spread the culture of innovation in the area of the Circular Economy, the promotion of the BioCircE Master (the first Italian Master's qualification in this area) continued, seven meetings were held with secondary schools as part of the Italian "Alternanza Scuola-Lavoro" project and the Intesa Sanpaolo Award for Innovation & Circular Economy in collaboration with ISSNAF (Italian Scientists and Scholars in North America Foundation) – which every year acknowledges the best Italian researchers working in the USA and Canada – was presented in New York.

## PARTICIPATION IN ASSOCIATIONS AND DEBATES ON ENVIRONMENTAL SUSTAINABILITY ISSUES

The Group made an important contribution to the international debate on the topic of environmental sustainability in 2017, which was also useful in preventing risks related to regulatory changes. In the area of green finance it collaborated in an ongoing manner with ABI in specific working groups, participating for example in the consultation stage regarding the National Energy Strategy. In terms of the European Commission's initiatives in the development of sustainable finance, the Intesa Sanpaolo Group joined the Support to Circular Economy Financing expert group of the European Commission. It also joined the Sustainable Finance Working Group of the European Banking Federation (EBF) and the Association for Financial Markets in Europe (AFME).

The Group contributed, directly or via trade associations, with observations during the public consultations on particularly important documents: "High Level Expert Group on sustainable finance interim report" with the aim of positively influencing the final report of the HLEG published in 2018, "Boosting Green Finance" (the European Banking Federation report) and the "Recommendations of the Task Force on Climate-related Financial Disclosures". It also participated in the MATT – MISE consultation on the circular economy, in the European-level discussion on the themes of the Green Lending Principles and the Green Supporting Factor, in the National Observatory on Sustainable Finance promoted by the Italian Ministry of the Environment and Protection of Land and Sea and UNEP-FI, and in the drafting of the "Sustainable Finance and Local Development" document promoted by the Italian Sustainable Finance Forum.

In addition, the Group company Studi e Ricerche per il Mezzogiorno (SRM) oversees the activities of the Maritime Economy Observatory, which aims to reduce road transport and use increasingly environmentally-friendly and high-performance ships with minimum environmental impact. SRM is also part of SOS LOG, the association for the development of sustainable logistics whose mission is the sharing of information, research and initiatives aimed at spreading the culture of transport and sustainable logistics.

## STUDIES

The Group's commitment to the development of study and research projects in the environmental field continued in 2017. Some of the most important publications:

- "Le risorse idriche nell'ambito della Circular Economy" (Water resources in the Circular Economy): to reduce the withdrawal of water resources, improve situations of water stress and minimise environmental impact, the study highlighted how the policies of the Circular Economy represent an important step that must supplement the adaptation of infrastructure and the improvement in management efficiency;
- "Terzo rapporto sulla bioeconomia" (Third report on bioeconomics): the opportunities and challenges connected with bioeconomics regard the use of renewable resources in production processes, limiting environmental pressure on ecosystems and reconciling economic development, environmental needs and changes in the social sphere;
- "Innovation Trend Report": a study that stems from the in-depth analysis of data and information collected from hundreds of national and international sources. An exploration of the main megatrends to understand what they are, what impact they have on consumers and how companies have interpreted them. The trends identified include the "sustainability" trend;
- "Circular Economy Overview" and "Smart Building Innovation Trend": two innovative studies in collaboration with Frost & Sullivan.

## GREEN EVENTS

In order to raise the awareness of customers and employees around green issues, the Intesa Sanpaolo Group participates in various initiatives aimed at spreading the culture of sustainability and good practices as widely as possible. The main international events in which the Group participated in 2017 were the World Environment Day promoted by UNEP (the United Nations Environment Programme) and the European Week for Waste Reduction promoted by the European Commission. In Italy Intesa Sanpaolo also took part in the Energy Saving Day (part of the "M'illumino di meno" campaign) while some International Subsidiary Banks take part in the WWF's Earth Hour.



Human  
rights

## RELEVANT ISSUES

The Intesa Sanpaolo Group has always been committed to protecting human rights, in accordance with the values of the Code of Ethics.

Aware that its activities have direct or indirect impacts on human rights, Intesa Sanpaolo has defined its areas of responsibility towards each of its stakeholders. In fact, it has considered its impact on its employees, customers, suppliers and the community. The environment is another theme closely related to the principles of human rights and the promotion of high environmental standards must therefore be regarded as key to respecting and enjoying these rights. As an issue that is relevant to all areas of the Group's operations, human rights is therefore touched upon throughout the Consolidated Non-Financial Statement, as summarised in the following table:

STAKEHOLDER	AREA OF IMPACT	SEE PAGE
Employees	Health and safety of workers in the workplace and combating conditions of discomfort and stress	page 100
Employees	Combating the harassment of employees	page 47
Employees	Freedom of association	page 92
Employees	Non-discrimination, equal opportunities and equal remuneration	page 96
Employees	Family life through work-life balance policies	page 98
Employees	Safeguarding social security with supplementary pensions	page 99
Customers	Policies and solutions for combating robberies	page 68
Customers/Employees	Privacy of personal and sensitive data	page 47
Customers	Financial inclusion of the most vulnerable social groups	page 69
Suppliers	Inclusion of criteria for respecting human rights in the supply chain	page 88
Communities	Right to life, to health, to a decent standard of living, to self-determination; respect for cultural heritage	page 52
Communities	Culture and charitable activities promoting the respect of human rights	page 81
Environment	All	page 104

## WHY THESE ISSUES ARE RELEVANT

According to the UN Guiding Principles for Business and Human Rights, approved in 2011, the State has a duty to protect human rights and businesses must respect them wherever they operate (regardless of the ability or desire of States to fulfil their obligations). Victims of abuse in the workplace must also be able to access appropriate and effective remedies more easily.

In fact, through their activities businesses can have various types of impact on human rights: positive impacts, through the supply of innovative services that improve people's quality of life; or negative impacts, through the exploitation of workers, for example, or the enforced transfer of people or entire communities. Businesses can also be indirectly involved in violations committed by other businesses or States.

In its role as an intermediary, a financial institution like Intesa Sanpaolo activates a value chain that involves many different individuals, entities, businesses and States. For this reason, as well as respecting the relevant legislation in force in all countries in which it operates, it is committed to identifying, mitigating and, where possible, preventing potential violations of human rights connected with its activities, as recommended by the UN Guiding Principles for Business and Human Rights.

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Approved by the Board of Directors in December 2017, the Group adopted a specific human rights policy which revisits the principles already outlined in the Code of Ethics and translates them into tangible commitments..

Indicators	2017	2016	2015
Accidents in the workplace and while travelling	808	867	909
of which accidents in the workplace	257	269	211
Employees belonging to a union (% of total)*	65.5%	64.1%	65.3%
Part-time employees (% of total)	11.5%	11.3%	11.2%
Reports of non-compliance with the Code of Ethics for alleged discriminations	3	6	5
Outstanding lawsuits for mobbing	0	0	0
Reports of non-compliance with the Code of Privacy (Italy) for alleged violations of privacy	101	155	198
Robberies - Number of events every 100 branches	0.51	0.54	1.33
Number of suppliers registered on Supplier Gate (Suppliers Portal** - Italy)	1,966	n/a	n/a
Number of projects subject to Equator Principles screening	11	14	19
Amount of loans subject to Equator Principles screening versus total amount of project finance loans (%)	8%	10%	15%
Donations for vulnerable and disadvantaged groups managed centrally versus total national donations (%)	88%	84%	84%

\* The industry National Collective Labor Agreement covers all employees in Italy.

\*\* All suppliers listed in the new portal, launched in 2017, are subject to checks in the areas of business ethics and respect for human rights, workers' rights and environmental rights.

## COMPANY POLICIES

Through the Group policy, Human Rights Principles, Intesa Sanpaolo pledges to:

- support the protection of human rights according to the principles established in the Universal Declaration of 1948 and subsequent international conventions on civil and political rights and economic, social and cultural rights;
- recognise the principles established by the fundamental conventions of the ILO (International Labor Organization) and in particular the right to freedom of association and the right to collective bargaining, the abolition of forced and child labor, and non-discrimination in employment;
- contribute to combating corruption, supporting the guidelines of the OECD (Organisation for Economic Co-operation and Development) and the anti-corruption principles established by the UN in 2003, and also by taking a "zero tolerance" approach to any eventual episodes of corruption.

## THE PROCESS OF MONITORING HUMAN RIGHTS

The implementation and gradual extension of the protection of human rights is monitored by the CSR Sub-Department in the Chief Governance Officer Area through:

- the monitoring of the implementation and governance of the Group Code of Ethics, also with third-party evaluation in line with the international UNI ISO 26000 standard, with specific evidence of the areas connected with human rights [i];
- the sustainability report, which involves stakeholders and defines improvement objectives and the relative metrics. It is subject to the certification of an independent auditor outside the Group;
- the analysis of potential risk areas in the sphere of human rights which, for every principle in the international conventions, outlines the possible impacts of the company's operations on its stakeholders and the relative company regulations.

Taking account of the results of the monitoring process, Intesa Sanpaolo pledges to:

- assess whether the policy needs updating;
- define intervention guidelines to prevent and mitigate possible negative impacts on its stakeholders;
- issue, if necessary, further documents on specific rights and activities.

As a further guarantee for all stakeholders, anyone that wishes to report an incident of non-compliance can write to the Code of Ethics email address ([codice.etico@intesasanpaolo.com](mailto:codice.etico@intesasanpaolo.com)), anonymously and without fear of reprisals.

As regards reports of human rights violations in 2017 and the relative actions undertaken, see pages [39-40](#).



Stakeholder  
engagement



## Relations With Stakeholders: Engagement And Listening

Intesa Sanpaolo carried out important direct stakeholder engagement actions in 2017. These activities were implemented in compliance with the AA1000 AccountAbility standard and the methods of engagement were chosen according to the specific type of stakeholder and in such a way as to guarantee the best possible representation.

The CSR Sub-Department carried out this process in close collaboration with the company functions responsible for communications and dialogue (e.g. customer experience, internal communications etc.), in line with its perception of sustainability as a value that is shared throughout the entire company.

All activities were managed by an independent third party, without any representatives of the Bank, to guarantee that all ideas were expressed freely and without any influence. As well as specific topics of interest to each group of stakeholders, other more indirectly-linked aspects were covered, encouraging dialogue and the consideration of different points of view.

### STAKEHOLDER MAP

The stakeholder map represents the Bank's network of relations and the results of the engagement activities in 2017 are presented as summaries in order to highlight the priority topics that emerged in terms of materiality analysis.



## ENGAGEMENT INITIATIVES AND ISSUES COVERED

The stakeholders involved in listening activities are: retail and public customers, involved both directly and through consumer associations; environmental associations and the area of the press interested in social and environmental sustainability issues; local communities, by listening to non-governmental associations, social media and institution representatives; investors; employees, listened to directly and via the trade union associations; suppliers.

The following table outlines the features of the stakeholder engagement activities targeted at individual categories of stakeholders and the issues covered.

Stakeholder category	Stakeholders	Listening method	Issues covered
Customers	Consumer associations	Questionnaire emailed to 5 representatives of important associations	<ul style="list-style-type: none"> <li>■ Protection of savings</li> <li>■ Financial education</li> <li>■ Surveillance</li> <li>■ Transparent business practices</li> <li>■ Actions to support customers in temporary difficulty: unemployed, victims of natural disasters etc.</li> <li>■ Actions for the training and financial support of young people</li> <li>■ "Green" loans for energy savings and the use of renewable energies</li> <li>■ Effective communication of social and environmental responsibility themes</li> </ul>
	Retail customers	Telephone interviews carried out on a sample of 2,000 retail customers	<ul style="list-style-type: none"> <li>■ Environmental protection and combating climate change</li> <li>■ Social inclusion of specific categories (e.g. young and old people, immigrants...)</li> <li>■ Ethical and responsible asset management</li> </ul>
	Corporate customers	Telephone interviews carried out on a sample of 2,000 corporate customers as part of the NPS calculation project <sup>1</sup>	<ul style="list-style-type: none"> <li>■ Environmental protection and combating climate change</li> <li>■ Offer of products that facilitate access to credit and the development of employment</li> </ul>
Environment	NGOs and representative figures	Telephone interviews with 5 representatives of environmental associations, the world of journalism and the institutions	<ul style="list-style-type: none"> <li>■ Use of renewable sources at Intesa Sanpaolo</li> <li>■ Management of environmental emergencies</li> <li>■ Loans for the green economy</li> <li>■ Expectations and suggestions for the application of the Sustainable Development Goals of a primarily environmental nature by a bank</li> </ul>
Communities	NGOs and representative figures	Telephone interviews with 5 representatives of environmental associations, the world of journalism and the institutions	<ul style="list-style-type: none"> <li>■ Access to credit for disadvantaged social groups</li> <li>■ Corruption and money laundering prevention</li> <li>■ Expectations and suggestions for the application of the Sustainable Development Goals of a primarily social nature by a bank</li> </ul>
Investors	Small shareholders	1 focus group	<ul style="list-style-type: none"> <li>■ Environmental issues (pollution, energy, waste, direct and indirect greenhouse gas emissions, development of green products and services etc.)</li> <li>■ Employee management issues (ILO conventions, diversity, employment, labor-management relations etc.)</li> <li>■ Social issues (health and safety, vulnerable consumers, responsible marketing and R&amp;D, relations with consumers and the community)</li> <li>■ Respect for human rights</li> <li>■ Combating active and passive corruption</li> <li>■ Supply chain</li> </ul>
	Investors	Analysis of the content of the most recent meetings	<ul style="list-style-type: none"> <li>■ Company value and solidity</li> <li>■ Direct and indirect environmental impacts (Green Bonds)</li> <li>■ Development, well-being and protection of employees</li> <li>■ Quality and innovation in customer relations</li> <li>■ Access to credit and financial inclusion</li> <li>■ Responsible asset management</li> <li>■ Relations with the community</li> <li>■ Integrity in corporate conduct</li> </ul>

Stakeholder category	Stakeholders	Listening method	Issues covered
Employees	Trade unions	1 focus group with 7 representatives of 5 trade unions	<ul style="list-style-type: none"> <li>■ Environmental issues (energy, emissions)</li> <li>■ Social issues (respect for human rights, combating corruption)</li> <li>■ Issues relating to HR management (implementation of ILO conventions, diversity, employment, union rights, management of human capital, health and safety, relations with consumers and repercussions on vulnerable consumers, responsible marketing and research, relations with the community)</li> </ul>
	Employees	Questionnaire emailed to a sample of 1,500 employees	<p>Implementation of the principles of the Code of Ethics in relations with:</p> <ul style="list-style-type: none"> <li>■ Customers (dialogue tools, clear communications, financial inclusion, responsible investments, creditworthiness assessment on the basis of ESG parameters<sup>2</sup>)</li> <li>■ Employees (equal opportunities, professional growth, work-life balance, training, development, solidarity projects)</li> <li>■ Community (support for the non-profit world and solidarity initiatives, promotion of cultural heritage, transparent behaviour)</li> <li>■ Environment (search for effective solutions in the environmental field aimed at customers, reduction of environmental impact and raising awareness of employees)</li> </ul> <p>Understanding of sustainability reporting</p>
Suppliers	Suppliers	Questionnaires on the environment, CSR and human rights on the new suppliers' portal filled out by 1,087 companies	<ul style="list-style-type: none"> <li>■ company value and solidity</li> <li>■ direct environmental impacts</li> <li>■ issues connected with development, well-being and protection of employees</li> <li>■ relations with the community</li> <li>■ integrity in corporate conduct</li> </ul>

<sup>1</sup> Net Promoter Score (NPS) makes it possible to evaluate to what degree the customer would recommend the bank to other companies.

<sup>2</sup> Environmental Social Governance (ESG): environmental, social and governance risks.

A total of two focus groups were held together with over 4,000 telephone interviews, which regarded four different categories of stakeholders. There were also 2 questionnaires, which involved over 2,500 people all in all. Direct listening actions were supplemented with indirect actions in the form of document analysis.

## SUMMARY OF ISSUES EMERGING FROM THE STAKEHOLDER ENGAGEMENT PROCESS

The results deriving from the engagement of the individual stakeholder groups were classified on the basis of Intesa Sanpaolo's priority issues. The main results are reported for each topic.

**Company value and solidity:** this issue emerged when listening to almost all stakeholder categories and was always given maximum priority, constituting an element on which the credibility of CSR actions and policies depends. The most cross-cutting topic in this area is risk management, not just financial in nature but also socio-environmental, connected in particular with loans and investments.

**Integrity in corporate conduct:** the theme of correct corporate conduct is a priority not only for customers but also for employees, particularly with regard to the Code of Ethics, highlighting the increasing level of responsibility assumed around CSR issues. Surveillance, especially in relation to risks connected with corruption, is a topic that was highlighted by almost all stakeholder categories consulted (during the activities), even if it cannot be deemed to be critical. These high visibility issues are of great interest to the world of communications and have a clear impact on the Bank's reputation not only with regard to the financial community but also the social sphere.

**Employee growth and development:** as expected, the biggest contribution to the theme of the development of employees comes from the same category of stakeholders. The most relevant issues for employees are: transparency in career advancement and production bonus criteria, the spread of initiatives throughout the network and the greater involvement of workers in company governance. However, other types of stakeholders, such as Investors and Suppliers, also showed a lot of interest in issues connected with staff development, particularly in terms of the application of ESG criteria for performance assessments and promoting diversity.

**Employee well-being:** it is once again employee stakeholders that attribute the greatest significance to the well-being of workers inside and outside the workplace with the business and welfare policies implemented by the Bank being the two most important areas. This issue has also been raised by Suppliers, particularly as regards the monitoring of employee health and safety. The importance attached to this topic shows how the majority of stakeholders expect the Bank to play a wide-reaching and influential role (also in the areas of welfare and working environment).

**Employment protection:** Employees rated this issue as very important, suggesting the development of an organic employment plan, for example. Investors also placed major emphasis on this topic. Highlighting the importance of the spread of CSR criteria right along the supply chain, the engagement of Suppliers had the highest score in this area.

**Quality and innovation in customer relations:** the topic that places the emphasis on the need for quality relations with the customer is addressed across the board by the various stakeholder categories and reflects the importance of reviewing the Bank's business practices from a CSR perspective. Customers are the stakeholders that place the greatest importance on this theme, followed immediately by the Community. The main feedback relates to the need for transparency and closer ties with the territory, also through the development of financial instruments suitable for individual contexts. Issues regarding digitalisation and cyber security are still considered important.

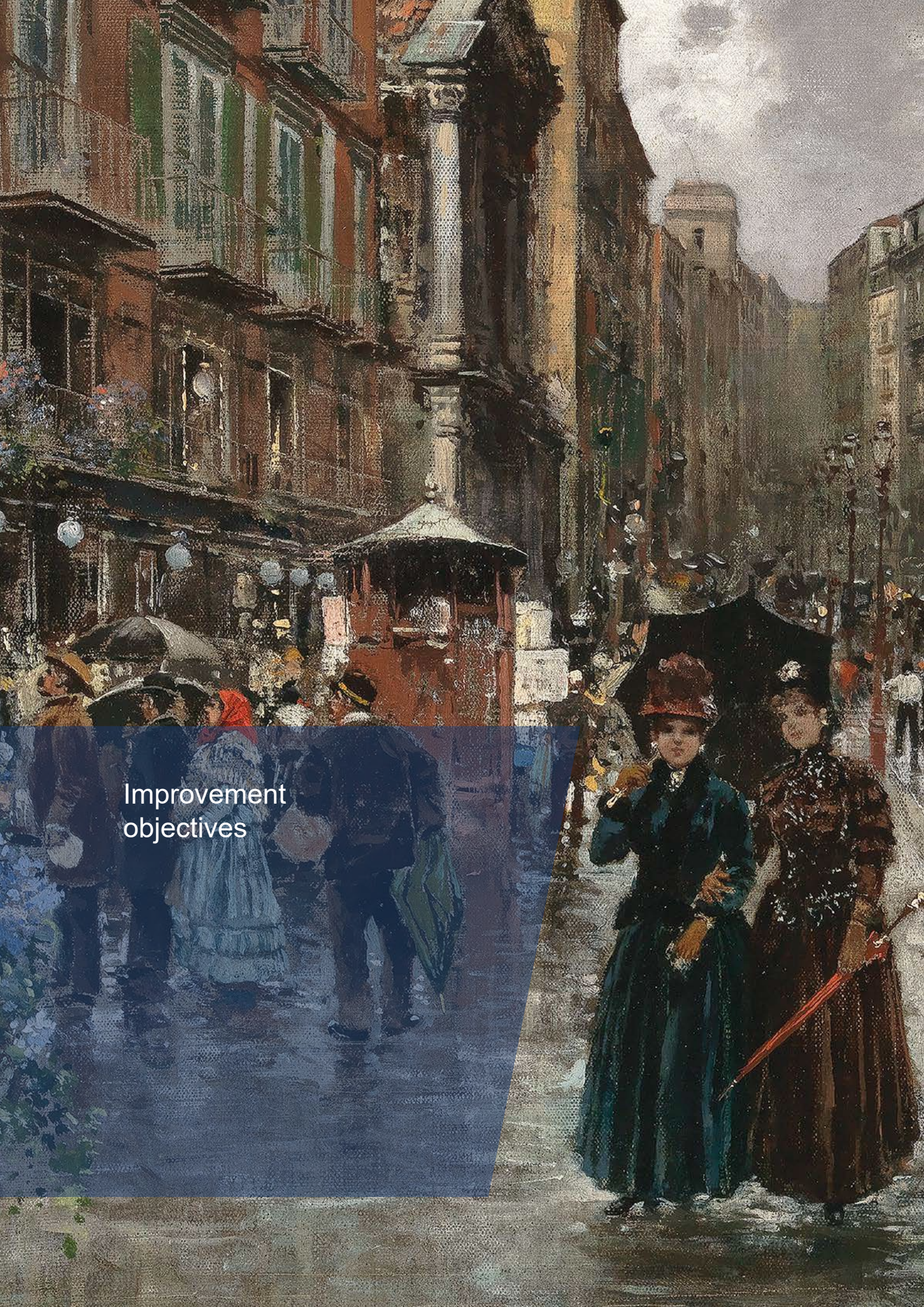
**Access to credit and financial inclusion:** the theme of access to credit was strongly emphasised by Investors, proof of the rise in popularity of more economically sustainable forms of investment. Enabling disadvantaged people to access credit more easily and financial education were also important themes for Customers, as they were for the Community, which mainly highlighted aspects connected with microcredit activities. Employees gave this issue a lower score.

**Responsible asset management:** one of the issues to receive most emphasis during the 2017 Intesa Sanpaolo stakeholder engagement activities was the responsible asset management. As well as the great significance attached to it by Customers, stakeholders representing the interests of the Environment and the Community also demonstrated great awareness of this issue, particularly with regard to the introduction of environmental and social criteria in the evaluation of investments. The importance attributed to this topic highlights how the Bank is requested to create sustainable and widespread economic value in society through responsible investment management based on ESG criteria.

**Direct environmental impact:** this topic is typically of great interest to Environment stakeholders. In fact, it is widely mentioned in the category even if it is never given priority status. It is interesting to note how other categories (Investors, Employees and Suppliers) also show an interest, proof of how the culture of sustainability is widespread throughout the company. The area in which the Bank could seemingly do more in terms of direct environmental impacts is that of energy savings, even if stakeholders are undoubtedly more interested in the indirect impact of its activities.

**Green economy:** indirect environmental impact was a key issue when interviewing almost all categories of stakeholders, always receiving above-average scores. This result shows that the biggest contributions that banks can make to environmental sustainability lie in their financial activities: loans that allow customers to adopt energy saving and environmental protection systems, the promotion of the circular economy, the introduction of ESG criteria when evaluating the granting of loans, the issuing of Green Bonds. This perception on the part of stakeholders confirms their level of maturity and understanding as, despite the reduced impact of sites and activities, the consequences of credit and investment actions can significantly influence the path towards sustainability.

**Relations with the community:** relations with the community are also scored very highly by customers, highlighting the growing interest in broadening the horizons of the repercussions of the Bank's activities. In fact, customers want increasing levels of transparency and communication not only in terms of the products and services offered but also as regards ethical conduct. The other stakeholders also show strong interest in this theme, which is therefore across the board. It only falls slightly in significance for Suppliers and Employees.



Improvement  
objectives


# IMPROVEMENT OBJECTIVES

## 2018-2021 BUSINESS PLAN

In the 2018-2021 Intesa Sanpaolo Group Business Plan, strong and sustainable value creation and distribution will remain a priority, while maintaining a very solid capital position and significantly reducing the risk profile at no extraordinary cost to shareholders.

The Plan confirms the role of Intesa Sanpaolo as a real economy Bank, with sustainable profitability creating value for all stakeholders, with over 300 billion euro contributed to the economy over the four-year period.

The Group also aims to strengthen its leadership in Corporate Social Responsibility and aspires to become a world-class reference model on social and cultural responsibility, while increasing the internal commitment to inclusion.

<b>Shareholders</b>		Cash dividends with a payout ratio of 85% for 2018, 80% for 2019, 75% for 2020 and 70% for 2021	
<b>Society</b>	Households and businesses	<p>Medium/long-term new lending disbursed to the real economy and totalling around 250 billion euro (~500,000 new investments financed)</p> <p>Focus on a multi-channel platform aimed at offering all customers a cutting-edge digital offer; 70% of activities digitalised in 2021, compared with 10% in 2017; ~2.8 billion euro in investments to complete the digital transformation, reinforcement of cyber-security practices</p> <p>Launch of a new fund (Intesa Sanpaolo Fund for Impact, allocating 0.5% of shareholder's equity by 2021, which may be estimated as ~250 million euro) enabling the disbursement of credit with a social impact of around ~1.2 billion euro to categories that would otherwise have difficulties to access credit despite their potential (new families, university students, researchers and new entrepreneurs), thus making the world's first Impact Bank</p> <p>Reinforcement of leadership in responsible investments available to customers</p>	 
	Community	<p>Scale-up the "Cibo e Riparo per i bisognosi" (Food and Shelter for people in need) initiative by allocating funds for 10,000 meals a day, 6,000 dormitory beds a month and 3,000 medicines and clothes a month</p> <p>Medium/long-term new lending to support social ventures, totalling approximately 0.7 billion euro, thus confirming its position as the largest Third sector lender in Italy</p> <p>Set-up a specialised unit focused on enhancement and proactive management of Art, Culture and Historical Heritage (~20,000 artworks) to promote art and culture in Italy and abroad</p>	
	Suppliers	Purchases and investments of around 11 billion euro	
	Public sector	Taxes (direct and indirect) of around 13 billion euro	

## Employees

Personnel expenses of around 24 billion euro (to over 90,000 households)

Investment in training of around 1 billion euro and ~46 million training hours during the 2018-2021 period, with around 11.9 million training hours in 2021, from 6.6 million hours in 2017

Redeployment of excess capacity (~5,000 people) into new high added value initiatives (Proactive HR In-Placement)

Hiring of at least 1,650 people to support the growth of the core business and facilitate generational change

New long-term incentives programmes linked to main Business Plan KPIs with the participation of all employees to Intesa Sanpaolo's capital fostering alignment with long-term value creation for all stakeholders

Development of innovative best-in-class training programs to foster a distinctive leadership identity for today's and tomorrow's managers of the Group ("International Management Academy" ~7,000 managers)

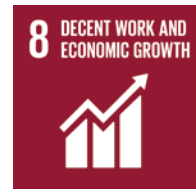
International talent for around 500 people enhancing the international 'middle management' community through tailored training programs and career paths

Implementation of a new international Human Resources platform aimed at maximising internal fairness and meritocracy by mapping ~2,400 managerial roles

Continuous open listening to the Group people to support their well-being and contribution to organisational improvements, in line with Intesa Sanpaolo's values and culture (Process and People Care)

Launch of dedicated initiatives to fully value diversity and inclusion

Focus on flexibility programmes (including smart working extended to around 24,000 people by 2021, from 8,000 in 2017, to improve employee productivity and satisfaction and optimise space usage, part-time work and mixed work contracts)



## Environment

37% reduction in CO<sub>2</sub> emissions over the 2012-2022 period (Climate Change Action Plan)

Allocation of a specific funding ceiling and launch of an investment fund dedicated to the Circular Economy



# Indicators





# Governance Indicators

## GOVERNANCE BODIES

### BOARD OF DIRECTORS

	2017
Men	12
Women	7
<=30	0
30-50	1
>50	18
Independent*	14
Meetings	28
Attendance rate [%]	99.2

\* Independence requirements pursuant to applicable laws and the Articles of Association.

### MANAGEMENT CONTROL COMMITTEE

	Members	Independent*	Meetings	Attendance rate [%]
Management Control Committee	5	5	51	98.8

\* Independence requirements in accordance with the regulations in force and the Articles of Association.

### COMMITTEES OF THE BOARD OF DIRECTORS

Committees	Members	Independent*	Meetings	Attendance rate [%]
Remuneration Committee	5	3	22	99.1
Nomination Committee	5	3	3	100.0
Risks Committee	5	3	37	99.5
Related Party Transactions Committee	5	5	15	98.7

\* Independence requirements pursuant to applicable laws and the Articles of Association.

## COMMUNICATION TO THE MARKET

Presentations, roadshows and meetings	2017	2016	2015
Group institutional presentations	56	60	58
Public financial disclosures	190	213	233
Roadshows	82	82	68
Europe	62	63	63
United States	20	18	4
Asia	0	1	1
Meetings with investors and analysts	589	600	539
Meetings with investors and analysts on ESG issues*	26	20	31
Requests received and resolved by the shareholders' help desk	12,000	12,000	12,000

\* ESG: Environmental, social and governance issues.

2017 figure does not include 1 Global Call and 6 calls one-to-one, in occasion of the launch of the Green Bond, regarding in total 46 investors.

## CSR GOVERNANCE

Code of Ethics: reports of alleged non-compliance	2017	2016	2015
Customers	93	67	54
Employees	8	13	8
Suppliers	0	1	0
Community	0	1	4
<b>Total</b>	<b>101</b>	<b>82</b>	<b>66</b>

## INTEGRITY IN CORPORATE CONDUCT

Whistleblowing	2017	2016
Reports received	16	22
Reports identified as not relevant	6	3
Reports with specific investigations	10	19

The whistleblowing mailbox is available starting from 2016.

Specific training for the prevention of corruption and anti-money laundering	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants [No.]	35,807	14,713	50,520	22,914	14,355	37,269	31,234	7,572	38,806
Hours of specific training [No.]	71,873	57,089	128,962	116,960	47,366	164,326	128,170	29,829	158,000
Executives [%]	10.5	18.8	13.4	17.6	11.6	15.5	25.4	6.8	18.6
Middle managers [%]	53.2	62.4	54.7	32.3	56.1	36.4	49.6	33.3	46.8
Professional areas [%]	59.5	63.0	60.7	38.8	60.3	46.1	48.5	32.8	43.4
Participants [%]	56.1	61.9	57.7	35.7	58.4	42.0	48.6	32.3	44.3
Hours of specific training/total hours of training [%]	3.9	7.4	4.9	3.6	7.0	4.2	3.7	4.7	3.8

Training for the protection of free competition	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	2,057	176	2,233	2,442	569	3,011	5,920	209	6,129
Hours of training provided (classroom + remote learning)	2,324	97	2,421	3,014	1,739	4,753	5,610	304	5,914

Training for consumer protection	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	4,710	5,622	10,332	12,845	3,558	16,403	36,533	5,605	42,138
Hours of training provided (classroom + remote learning)	5,470	13,471	18,941	14,540	7,036	21,576	33,019	12,212	45,231

Training for privacy protection	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	7,725	5,410	13,135	8,783	3,854	12,637	5,301	4,399	9,700
Hours of training provided (classroom + remote learning)	3,205	12,713	15,918	3,603	6,856	10,459	5,017	5,654	10,671

## SANCTIONS AND DISPUTES REGARDING ENVIRONMENTAL AND SOCIAL ISSUES

Sanctions for non-compliance with environmental regulations	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Sanctions	10	1	11	14	0	14	0	0	0
Amount [K euro]	1.0	1.4	2.4	2.9	0.0	2.9	0.0	0.0	0.0

Sanctions for non-compliance with employee health and safety regulations	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Sanctions	5	0	5	17	0	17	13	0	13
Amount [K euro]	4.6	0.0	4.6	16.8	0.0	16.8	25.0	0.0	25.0

## PROCEEDINGS AND DISCIPLINARY MEASURES TAKEN AGAINST EMPLOYEES

Proceedings pending with staff	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Termination of employment	7	138	145	5	103	108	23	125	148
Establishment and performance of employment	72	1	73	102	6	108	120	3	123
Duties and qualifications	24	24	48	36	25	61	48	33	81
Welfare and assistance	0	6	6	1	5	6	3	2	5
Remuneration	169	38	207	178	51	229	165	47	212
Anti-trade union behaviour	0	0	0	0	0	0	0	0	0
Active (promoted by the bank vis-à-vis staff)	4	181	185	2	109	111	3	198	201
Causes due to mobbing	0	0	0	0	0	0	0	0	0
Miscellaneous	9	43	52	9	44	53	16	46	62
Request from the Provincial Directorate of Labor	0	0	0	1	0	1	1	0	1

Disciplinary measures taken against staff	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Written censure and verbal or written reprimand	284	187	471	333	207	540	310	166	476
Reduction in remuneration	0	58	58	0	118	118	0	238	238
Suspension from work with subtraction of remuneration (from 1 to 10 days)	161	0	161	153	0	153	223	2	225
Dismissal for just cause or justified reason	26	113	139	23	211	234	37	215	252
Disciplinary sanctions due to staff corruption	0	0	0	0	0	0	0	0	0
Dismissal due to corruption	0	22	22	0	10	10	0	3	3

In Italy, collective bargaining requires prior information and consultation with workers' representatives in the case of major restructuring, with a procedure for companies lasting 45 days, and a procedure for the Group lasting 50 days.

# Company value and solidity

## MAIN ECONOMIC AND FINANCIAL RATIOS<sup>1</sup>

Personnel efficiency indexes [m euro]	2017	2016	2015
Loans to customers / Number of employees	4.24	4.09	3.85
Operating income / Number of employees	0.18	0.19	0.19
Financial assets of customers <sup>2</sup> / Number of employees	9.74	9.69	9.34

Capital ratios	2017	2016	2015
Shareholders' equity / Loans to customers	13.7%	13.4%	13.8%
Shareholders' equity / Financial assets of customers <sup>2</sup>	6.0%	5.7%	5.7%

Solvency coefficients	2017	2016	2015
Common Equity Tier 1 capital net of regulatory adjustments / Risk weighted assets (CET 1 ratio)	13.3%	12.7%	13.0%
Tier 1 Capital / Risk-weighted assets	15.2%	13.9%	13.8%
Total own funds / Risk-weighted assets	17.9%	17.0%	16.6%

Income ratios	2017	2016	2015
Income for the year <sup>3</sup> / Average shareholders' equity <sup>3</sup>	7.9%	6.4%	5.9%
Operating costs <sup>4</sup> / Operating income <sup>4</sup> (Cost income Ratio)	50.9%	51.2%	50.8%

Risk ratios	2017	2016	2015
Net bad loans / Loans to customers	3.1%	4.1%	4.3%
Cumulated adjustments on bad loans / Gross bad loans to customers	63.1%	60.6%	61.8%

1. Ratios calculated with reference to reclassified statements and figures published in the Intesa Sanpaolo Group's consolidated financial statements in each of their respective annual report (2017, 2016, 2015). 2017 figures are inclusive of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca unless otherwise stated.

2. Customer financial assets: direct deposits from banking business, direct deposits from insurance business and technical reserves and indirect deposits, after netting, referred to components of indirect deposits which are also included in direct deposits.

3. For 2017, net income does not take into account the public contribution received to offset the impact on the capital ratios resulting from the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca (the Aggregate Set), while shareholders' equity does not take into account the AT 1 capital instruments and net income, but includes the public contribution previously mentioned.

4. For 2017, the figure is net of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca.

## CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

FINANCIAL STATEMENT ITEMS		[M EURO]		
		2017	2016	2015
10.	Interest income and similar	12,398	12,865	14,148
20.	Interest expense and similar	-3,871	-4,250	-4,910
40.	Commission income	9,544	8,465	8,735
50.	Commission expense <sup>1</sup>	-1,468	-1,149	-1,049
70.	Dividends and similar income	344	461	378
80.	Net Profit on Trading	511	527	285
90.	Net Profit on hedging	-15	-34	-68
100.	Profits (Losses) on disposal or repurchase of:	818	990	1,205
	a) loans	-8	-34	-44
	b) available-for-sale financial assets	860	990	1,452
	c) financial assets held to maturity	1	0	0
	d) financial liabilities	-35	34	-203
110.	Net profit on financial assets and liabilities designated at fair value	1,258	1,051	977
130.	Net losses/recoveries on impairment of:	-3,162	-3,288	-2,824
	a) loans	-2,717	-3,026	-2,751
	b) available-for-sale financial assets	-509	-314	-203
	c) financial assets held to maturity	0	0	0
	d) other financial operations	64	52	130
150.	Net insurance premiums	6,817	8,433	12,418
160.	Other net insurance income (expense)	-9,012	-10,508	-14,680
220.	Other operating expenses (income)	5,902	430	934
240. (partial)	Profits (Losses) on investments in associates and companies subject to joint control (realised gains/losses) <sup>2</sup>	833	37	-1
270.	Profits (Losses) on disposal of investments	106	356	103
310.	Income (Loss) after tax from discontinued operations	0	987	-2
<b>A</b>	<b>Total economic value generated</b>	<b>21,003</b>	<b>15,373</b>	<b>15,649</b>

1. The figures differ from those of the income statement in the Financial Statements as remuneration to the financial advisors networks was reclassified to "Personnel expenses".

2. The figures differ from those of the income statement in the Financial Statements due to the exclusion of unrealised gains/losses, now recognised in a separate caption.

FINANCIAL STATEMENT ITEMS		[M EURO]		
		2017	2016	2015
180.b (partial)	Other administrative expenses (net of indirect taxes and donations and charges for resolution funds and deposit guarantee) <sup>3</sup>	-2,667	-2,555	-2,676
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	-2,667	-2,555	-2,676
180.a	Personnel expenses <sup>4</sup>	-7,825	-6,075	-6,031
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	-7,825	-6,075	-6,031
330.	Income (loss) allocated to Third parties	-38	-89	-67
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	-38	-89	-67
340. (partial)	Parent Company net income (loss) - Share allocated to Shareholders <sup>5</sup>	-3,419	-2,999	-2,361
340. (partial)	Parent Company net income (loss) - Share allocated to holders of equity instruments <sup>6</sup>	-186	-111	-20
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS AND HOLDERS OF EQUITY INSTRUMENTS	-3,605	-3,110	-2,381
180.b (partial)	Other administrative expenses: indirect taxes	-917	-877	-919
180.b (partial)	Other administrative expenses: charges for resolution funds and deposit guarantee	-290	-578	-516
290. (partial)	Income taxes for the year (current taxes) <sup>7</sup>	-727	-818	-1,485
	ECONOMIC VALUE DISTRIBUTED TO GOVERNMENT, ORGANISATIONS AND INSTITUTIONS	-1,934	-2,273	-2,920
180.b (partial)	Other administrative expenses: donations <sup>8</sup>	-1	-1	-1
340. (partial)	Parent Company net income (loss) - Share allocated to charity funds <sup>9</sup>	-12	-1	-11
	ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT	-13	-2	-12
<b>B</b>	<b>Total economic value distributed</b>	<b>-16,082</b>	<b>-14,104</b>	<b>-14,087</b>
<b>C</b>	<b>Total economic value retained (withdrawn) by the corporate system*</b>	<b>4,921</b>	<b>1,269</b>	<b>1,562</b>

3. Data differ from figures in the income statement presented in the financial statements due to the exclusion of indirect duties and taxes and donations, levies and other expenses concerning the banking system, recognised under relative items.

4. Data differ from figures in the income statement presented in the financial statements as they include fees paid to financial advisor networks.

5. For 2017 and 2016 the economic value distributed to shareholders partly refers to parent company reserves.

6. Interest accrued on coupons on additional tier 1 (AT1) equity instruments, directly recognised as shareholders' equity.

7. Data differ from figures in the income statement presented in the financial statements due to the exclusion of deferred taxes, recognised under relative items.

8. Data differ from figures in the "Relations with the community" chapter because it only considers "charity funds" of the income statement.

9. Data include portions assigned to charity funds by Group banks.

\* Represented by adjustments/recoveries and provisions, deferred tax assets and liabilities, and by the consolidated profit net of dividends paid by the Parent Company. The government contribution received to offset the impact on the capital ratios resulting from the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca is included in 2017.

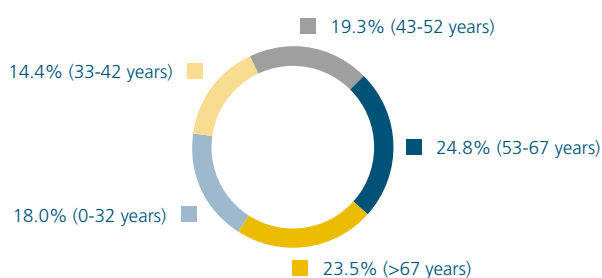
# Society

## CUSTOMERS

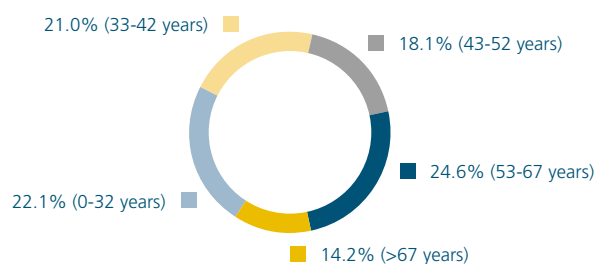
### CUSTOMER COMPOSITION

#### Retail customers by age bracket [% - years]

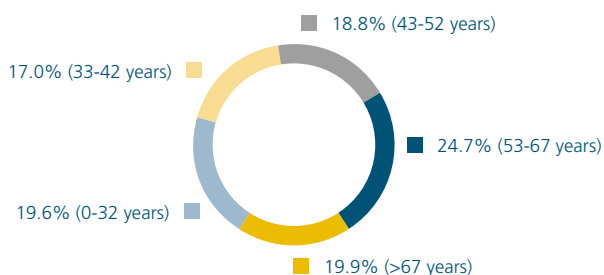
##### Italy



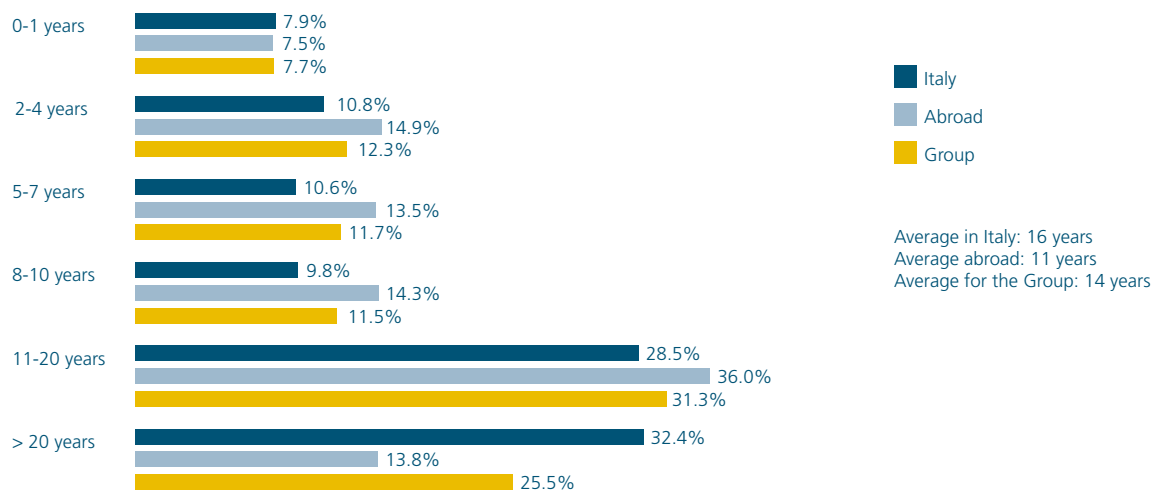
##### Abroad



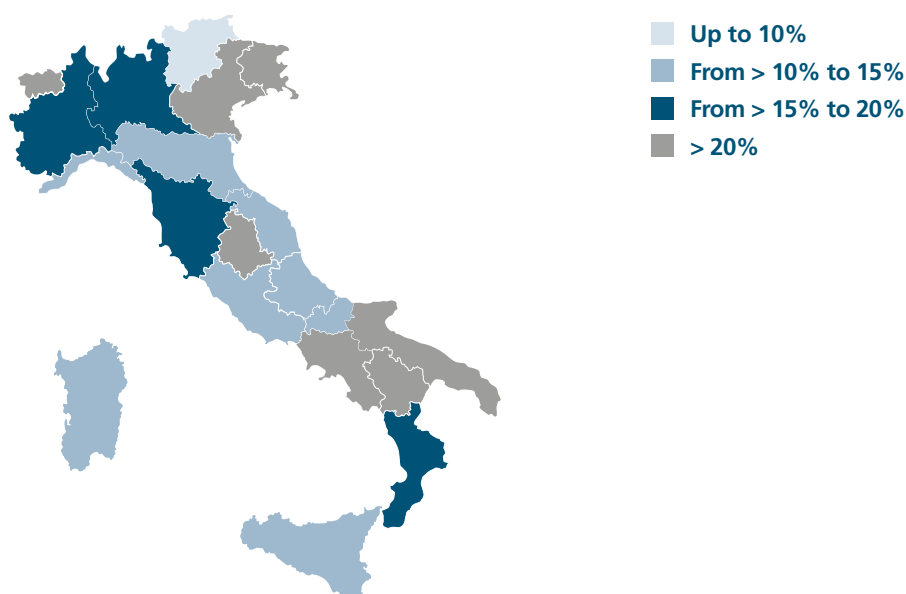
##### Group



#### Retail customers by years of relationship with the bank [years - %]



## Market share per region of branches in Italy



Last updated: September 2017

Presence in Italian regions with a low population density*	2017		2016		2015	
	Branches	Atm	Branches	Atm	Branches	Atm
Valle d'Aosta	21	46	23	46	23	47
Basilicata	46	36	24	36	24	30
Sardegna	86	151	87	152	88	153
Molise	16	24	15	23	16	24
Trentino Alto Adige	55	69	57	72	60	82

\* Source: ISTAT 2017 Yearbook, resident population at 31/12/2016 and relative area data. Regions considered have less than 100 inhabitants per square kilometre.

Intesa Sanpaolo Group banks abroad*	2017		2016		2015	
	Branches	Atm	Branches	Atm	Branches	Atm
Albania	32	49	32	49	32	49
Croatia	301	962	248	818	250	870
Romania	30	39	45	55	45	59
Serbia	158	289	166	267	170	260
Slovakia	231	577	234	575	231	572
Slovenia**	0	0	52	98	52	98
Ukraine**	50	172	190	216	0	0
Hungary	76	137	82	142	83	142
Egypt	172	366	172	348	170	332
Russian Federation	37	53	36	49	50	52

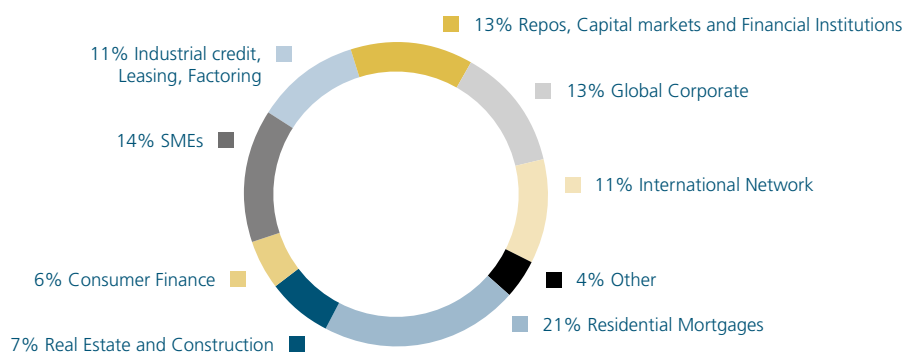
\* The breakdown by country is carried out on the basis of the head office of the Parent Company for the international banking groups (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).

\*\* In 2015 the Ukrainian subsidiary bank (Pravex) was not part of the reporting scope. Since 2017 the Slovenian subsidiary bank (Intesa Sanpaolo Bank), which has 52 branches and 100 ATMs, has been merged into the PBZ Group (Croatia).



## LOANS

### Loans to customers by business area



### Loans to customers by economic business sector

Breakdown by economic business sector	2017	2016	2015
<b>Loans of the Italian banks and companies of the Group</b>			
Households	25.5%	24.0%	26.3%
Public Administration	3.0%	4.2%	5.4%
Financial Companies	9.5%	7.9%	5.3%
<b>Non-Financial Companies</b> of which:	<b>33.8%</b>	<b>33.5%</b>	<b>40.8%</b>
Services	5.8%	5.8%	6.3%
Distribution	5.7%	5.3%	6.1%
Real Estate	3.7%	4.1%	5.4%
Utilities	2.9%	2.0%	3.3%
Construction	2.2%	2.4%	3.7%
Metals and metal products	1.9%	1.8%	2.4%
Agriculture	1.6%	1.6%	1.8%
Food and drink	1.4%	1.4%	1.4%
Transport	1.4%	1.6%	2.1%
Mechanical	1.0%	1.1%	1.2%
Intermediate industrial products	1.0%	1.0%	1.2%
Fashion	0.9%	0.9%	1.0%
Electrotechnical and electronic	0.6%	0.6%	0.6%
Transportation means	0.5%	0.6%	0.5%
Holding and other	0.5%	0.6%	0.6%
Energy and extraction	0.4%	0.5%	0.5%
Base and intermediate chemicals	0.4%	0.4%	0.4%
Infrastructure	0.3%	0.4%	0.5%
Material for construction	0.3%	0.3%	0.4%
Publishing and printing	0.3%	0.4%	0.4%
Furniture	0.2%	0.2%	0.2%
Pharmaceutical	0.2%	0.2%	0.2%
Other consumption goods	0.2%	0.2%	0.2%
Non-classified units	0.1%	0.1%	0.0%
Mass consumption goods	0.1%	0.1%	0.1%
White goods	0.1%	0.1%	0.1%
<b>Rest of the world</b>	<b>11.6%</b>	<b>12.9%</b>	<b>8.9%</b>
<b>Loans of international banks and companies of the Group</b>	<b>10.0%</b>	<b>9.2%</b>	<b>9.0%</b>
<b>Non-performing loans</b>	<b>6.2%</b>	<b>8.2%</b>	<b>4.3%</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: figures may not add up exactly due to rounding differences

## OPERATIONS SUBJECT TO EQUATOR PRINCIPLES SCREENING

Project Finance*	Category A	Category B	Category C
<b>Total</b>	1	8	1
<b>Sector</b>			
Oil and gas	1	1	-
Mining	-	-	-
Energy	-	4	-
Infrastructure	-	3	1
Other	-	-	-
<b>Region</b>			
Americas	-	2	1
Europe, Middle East and Africa (EMEA)	-	5	-
Asia and Oceania	1	1	-
<b>Type of country**</b>			
Designated	-	3	1
Not designated	1	5	-
<b>Independent audit</b>			
Yes	1	7	1
No	-	1	-

Business Loans Associated With Projects*	Category A	Category B	Category C
<b>Total</b>	1	-	-
<b>Sector</b>			
Oil and gas	-	-	-
Energy	1	-	-
<b>Region</b>			
Europe, Middle East and Africa (EMEA)	1	-	-
<b>Type of country**</b>			
Designated	-	-	-
Not designated	1	-	-
<b>Independent audit</b>			
Yes	1	-	-
No	-	-	-

\* The tables refer to the number of projects with financial closure in 2017.

\*\* Designated countries: countries considered as having solid environmental and social governance, legal systems and an institutional capacity conceived to protect the population and natural environment. The list of designated countries is available on the Equator Principles Internet site.

Projects closed during the year*	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Projects*	10	1	11	12	2	14	15	4	19
Economic Value [m euro]	603	9	612	2,007	33	2,040	1,579	118	1,697

\* Projects which reached financial closure in 2017.

## SOCIAL IMPACT LOANS\*

Type [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Micro-finance	29,905	34,886	64,791	35,708	38,328	74,036	12,104	46,523	58,627
Anti-usury loans	2,190	-	2,190	1,884	-	1,884	2,086	-	2,086
Loans to the Third sector**	334,908	-	334,908	254,928	-	254,928	221,630	-	221,630
Products for vulnerable social groups	3,415,712	570,924	3,986,636	3,214,815	528,276	3,743,091	2,065,591	405,321	2,470,912
Support for people hit by disastrous events	133,168	-	133,168	2,900	-	2,900	5,500	-	5,500
<b>Total</b>	<b>3,915,883</b>	<b>605,810</b>	<b>4,521,693</b>	<b>3,510,235</b>	<b>566,604</b>	<b>4,076,839</b>	<b>2,306,911</b>	<b>451,844</b>	<b>2,758,755</b>

\* The composition of these loans has been reviewed in order to improve the focus on people in vulnerable conditions.

\*\* It includes medium/long term loans provided by Banca Prossima and by Banks in Italy.

In 2017, loans with high social impact represented a total of 7.3% of the total new loans granted by the Group.

## RELATIONS WITH THE THIRD SECTOR

Banca Prossima	2017	2016	2015
Customers [No.]	61,837	58,376	55,132
Customers with loans [No.]	10,847	10,217	9,278
Loans [K euro]	1,796,311	1,680,733	1,595,065
Direct funding [K euro]	3,479,901	3,142,941	2,670,814
Indirect funding [K euro]	2,510,316	4,525,536	4,256,860

## SOCIALLY RESPONSIBLE INVESTMENTS

Eurizon SGR: Ethical Funds and ESG	2017	2016	2015
Ethical funds and ESG: assets [K euro]	3,965,237	901,491	823,000
Ethical funds: assets [K euro]	1,096,764	901,491	823,000
International ethical equity assets [K euro]	109,755	100,155	105,100
Ethical bonds assets [K euro]	480,648	437,862	401,800
Diversified ethical assets [K euro]	506,361	363,474	316,100
ESG funds*: assets [K euro]	2,868,473	-	-
ESG target 40 Fund (retail customers): assets [K euro]*	121,393	-	-
Sustainable Global Equity R Fund (professional customers): assets [K euro]*	3,887	-	-
Sustainable Global Equity Z Fund (professional customers): assets [K euro]*	285,854	-	-
Flexible Equity Fund: assets [K euro]*	2,457,339	-	-
Ethical International equity return [%]	8.5	3.9	13.7
Ethical bond return [%]	1.4	4.7	1.2
Ethical diversified return [%]	1.5	3.2	2.9
ESG target 40 Fund (retail customers) return [%]*	n/a	-	-
Sustainable Global Equity R Fund (professional customers): return [%]*	n/a	-	-
Sustainable Global Equity Z Fund (professional customers): return [%]*	n/a	-	-
Flexible Equity Fund return [%]*	7.0	-	-
Percentage of ethical and ESG funds in relation to total fund assets registered in Italy [%]	5.6	1.3	1.4
Total fund assets managed using ESG criteria for third parties (requested by Institutional investors) [K euro]	2,389,543	866,000	787,000

\*Funds offered to the public starting from 2017.

Eurizon SGR: share ownership*	2017	2016
Companies comprising the portfolios**	1,552	1,437
Companies for which engagement initiatives have been carried out	665	600
Companies for which ESG engagement initiatives have been carried out	135	50
% of the no. of companies included in the portfolios subject to ESG engagement	8.7	3.5

\* Data available since 2016.

The performance of the funds is gross. The Eurizon Ethical Funds have been established under Italian law.

Eurizon Azionario Internazionale Etico: over the year, the performance of the Fund was positive and slightly above the benchmark. The currency and shares components of the investment portfolio were kept in line with the impact recorded in the reference basket. As regards the sector, a pro-cyclical positioning was chosen, with more focus on technological, financial and raw materials securities, and less on typically defensive sectors, such as pharmaceuticals.

Eurizon Obbligazionario Etico: over the year, the performance of the Fund was positive, including with regard to the benchmark. The main positive contributions came from the constructive position of spread markets, the extra focus on the US dollar in the first part of the year, careful geographical allocation and the lower focus on duration, which was considerably accentuated during the second part of the year.

Eurizon Diversificato Etico: over the year, the performance of the Fund was marginally positive, in line with that on the reference markets. Equity exposure remained close to neutral with regard to the benchmark, with a pro-cyclical sectoral and geographical exposure. Over the year, there was less focus on duration, with a concentration on the long-term maturities of German and American curves. In terms of currency, investments at the start of the year were chiefly in the US dollar; this extra focus was financed by a lower focus on the Euro, Australian dollar and Renminbi.

ESG target 40: over the year, the performance of the Fund was slightly positive. There was a positive contribution from the trends on the reference share markets and the selection of securities with solid fundamentals and high ESG scores. The portfolio components invested in the capital market and liquidity had a negative impact on performance.

Sustainable Global Equity: over the year, the performance of the Fund was positive and exceeded the benchmark. In comparison with the reference parameter, there was a positive contribution from the selection of securities with solid fundamentals and high ESG scores.

Eurizon Flessibile Azionario: over the year, the performance of the Funds was positive. There was a positive contribution from the trends on the reference share markets and the selection of securities with solid fundamentals and high ESG scores. There was a negative impact from the portfolio components invested in the money markets and liquidity.

\*\*The overall number shown refers to the equity issuers held in funds established under Italian law.

Fideuram ethical funds	2017	2016	2015
Ethical funds: assets [K euro]	51,640	39,041	32,355
Fonditalia Ethical Investment Class R assets [K euro]	30,165	28,895	28,470
Fonditalia Ethical Investment Class T assets [K euro]	21,475	10,146	3,885
Fonditalia Ethical Investment Class R return [%]	2.9	2.3	0.8
Fonditalia Ethical Investment Class T return [%]	2.9	2.3	0.4
Total assets in funds managed directly by Fideuram and by independent organisations* [K euro]	56,653,000	48,263,000	48,759,000

The performance of the Funds is gross. The Fideuram Ethical Funds have been established under Luxembourg law.

The performance of the Ethical Funds benefited, in 2017, from defensive management of the bond component, whose average financial duration was kept generally within three years. The share component benefited, above all during the final part of the year, from the greater intensity of the upward movement on the market. However, global equity investment was adversely affected by currency exposure.

\* The term "independent organisations" means asset management companies other than those that belong to the Fideuram Group (Fideuram Investimenti and Fideuram Asset Management Ireland) which establish mutual funds which are then placed with customers.

## MULTI-CHANNEL

Distribution channels and automation of operations: Italy	2017	2016	2015
Multi-channel contracts (stock)*	7,515,941	6,929,604	6,322,350
Multi-channel contracts (stock)/no of customers	63.4	59.4	54.7
Bank transfers automation [%]	88.1	86.2	84.2
Securities automation [%]	74.9	78.8	73.6
Remote Banking: active contracts at date	164,220	157,667	159,719
Remote Banking: orders	134,771,167	126,451,505	142,950,382

Distribution channels: Abroad	2017	
	No. of multi-channel contracts (stock)	No. of multi-channel contracts (stock)/no. of customers
Albania	13,082	7
Croatia	516,339	27
Romania	12,563	25
Serbia	647,975	47
Slovakia	694,463	60
Ukraine	74,385	49
Hungary	305,595	81
Russian Federation	43,886	20

The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia e CIB Bank in Hungary).

## IT SECURITY

Training	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	28,846	7,194	36,040	1,289	8,010	9,299	929	9,048	9,977
Hours of training provided (classroom + remote learning)	6,716	10,510	17,226	2,538	15,512	18,050	111	21,628	21,739

## CUSTOMER EXPERIENCE\*

NPS performance by type of customer	2017	2016
Retail	13.2	8.3
Personal	2.7	0.4
SME	20.2	17.6

In 2015, the Net Promoter Scores were not recorded.

\* recorded from customers in the Banca dei Territori Division.

## CLAIMS, COMPLAINTS AND APPEALS

Type	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Loans	27,215	5,559	32,774	33,262	6,302	39,564	26,624	14,507	41,131
Payment systems	7,247	20,452	27,699	7,389	19,793	27,182	7,464	17,173	24,637
Organisational issues, Internet site, other	8,457	8,269	16,726	6,285	7,722	14,007	6,904	12,298	19,202
Insurance products	5,650	285	5,935	5,316	182	5,498	4,894	156	5,050
Current accounts, deposits and securities dossier	3,315	5,510	8,825	2,360	5,619	7,979	2,414	5,705	8,119
Investments	1,823	351	2,174	1,946	120	2,066	1,806	220	2,026
Total	53,707	40,426	94,133	56,558	39,738	96,296	50,106	50,059	100,165

With regard to customer requests in the area of the protection of personal data in Italy, 101 reports of presumed violations of the Privacy Code were received in 2017 (155 in 2016) together with 8 appeals from the Italian Data Protection Authority.

## COMMUNITY

### CONTRIBUTION TO THE COMMUNITY

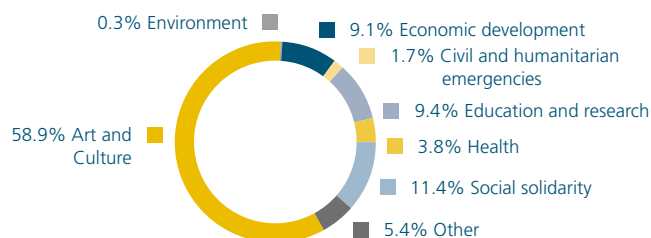
Contribution to the community by type [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Monetary contribution to the community	46,775	2,862	49,637	43,699	2,713	46,412	50,607	2,424	53,031
Goods and services donated to the community	0	0	0	10	17	27	2	0	2
Time contributions	56	162	218	16	130	146	0	70	70
Operating costs	3,414	155	3,569	3,429	253	3,682	3,526	24	3,550
<b>Overall contribution to the community</b>	<b>50,245</b>	<b>3,179</b>	<b>53,424</b>	<b>47,154</b>	<b>3,113</b>	<b>50,267</b>	<b>54,135</b>	<b>2,518</b>	<b>56,653</b>

Contribution to the community: geographic distribution [K euro]*	2017	2016	2015
European Union	52,006	48,635	55,718
Other European countries	671	610	560
Africa	724	1,022	375
South America**	23	-	-
<b>Total contribution to the community</b>	<b>53,424</b>	<b>50,267</b>	<b>56,653</b>

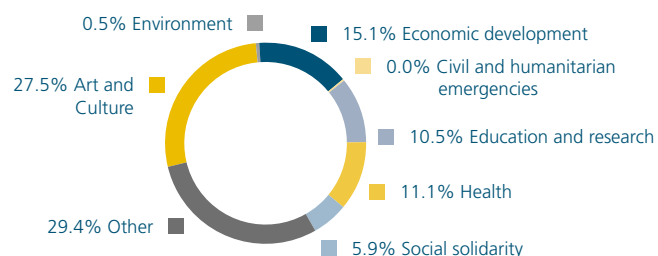
\* Data recorded based on the geographic area of the Group Bank making the contribution.  
 \*\* Data recorded since 2017.

### Monetary contribution to the community by area of activity [%]

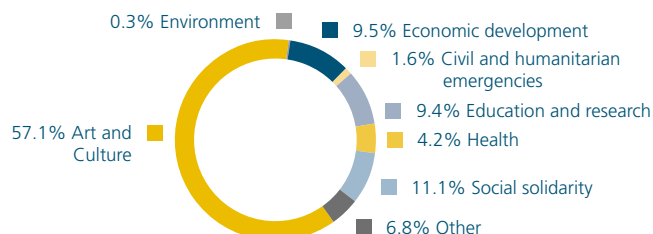
#### Italy



#### Abroad



#### Group

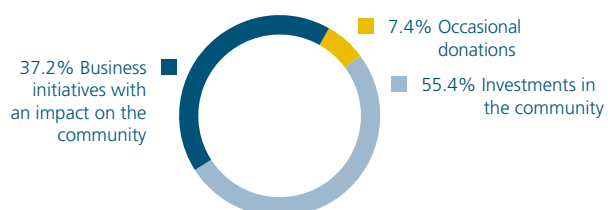


Monetary contribution to the community by area of activity [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Art and Culture	27,551	786	28,337	26,285	730	27,015	33,052	513	33,564
Social solidarity	5,335	167	5,502	4,003	369	4,372	3,528	361	3,889
Health	1,796	319	2,115	1,931	377	2,308	1,856	465	2,320
Education and research	4,386	301	4,687	4,450	84	4,535	3,497	159	3,656
Civil and humanitarian emergencies	780	0	780	469	94	563	193	33	226
Economic development	4,274	434	4,709	4,906	216	5,123	6,199	315	6,514
Environment	120	15	134	58	164	222	854	75	928
Other	2,533	840	3,373	1,597	677	2,274	1,429	505	1,935
<b>Total monetary contribution to the community</b>	<b>46,775</b>	<b>2,862</b>	<b>49,637</b>	<b>43,699</b>	<b>2,713</b>	<b>46,412</b>	<b>50,607</b>	<b>2,424</b>	<b>53,031</b>

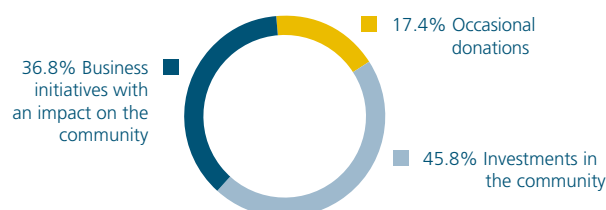
Monetary contribution to the community by reason [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Occasional donations	3,469	497	3,966	4,179	710	4,889	3,436	733	4,169
Investments in the community	25,899	1,310	27,209	22,523	1,435	23,958	25,928	1,202	27,129
Business initiatives with an impact on the community	17,407	1,055	18,462	16,997	568	17,565	21,244	489	21,733
<b>Total monetary contribution to the community</b>	<b>46,775</b>	<b>2,862</b>	<b>49,637</b>	<b>43,699</b>	<b>2,713</b>	<b>46,412</b>	<b>50,607</b>	<b>2,424</b>	<b>53,031</b>

## Monetary contribution to the community by reason [%]

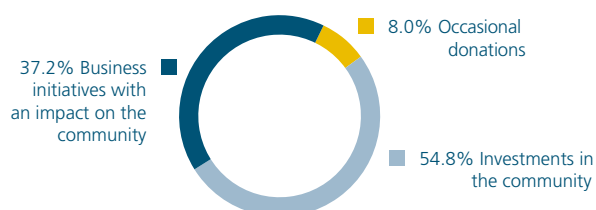
### Italy



### Abroad



### Group



Company voluntary work	2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group
Total monetary contribution of hours of company voluntary work [K euro]	56	162	218	16	130	146
Hours of company voluntary work	1,843	15,213	17,056	567	11,713	12,280
Staff involved in company voluntary work [No.]	252	1,295	1,547	75	904	979

## MEDIA RELATIONS

Type [No.]	2017	2016	2015
Press releases	810	703	605
Press conferences	117	97	87
Presentation of products and initiatives	134	121	110

## SUPPLIERS

2017 data can not be compared with those of previous years because a new calculation method was applied

Total gross revenue (Group)	2017
Total gross revenue [K euro]	2,568,000

Suppliers	2017
Suppliers [No.]	25,372

Data refer to the Parent Company and the companies within the Italy and international scope logged in the company information system, entitled INTESAP.

Suppliers by geographic area	2017
Italy [No.]	20,809
Europe (excluding Italy) [No.]	4,343
Americas [No.]	156
Rest of the world [No.]	64

Data refer to the Parent Company and the companies within the Italy and international scope logged in the company information system, entitled INTESAP.

Gross revenue breakdown by supplier registered office	2017
Italy [%]	90
Europe (excluding Italy) [%]	8
Americas [%]	2
Rest of the world [%]	0

Data refer to the Parent Company and the companies within the Italy scope logged in the company information system, entitled INTESAP.

Suppliers registered in the Supplier Gate (Supplier Portal - Italy)	2017
Registered in the Supplier Gate [No.]	1,966

Contractual audits on labor law/safety (Italy)	2017
Contractual audits [No.]	1,341



# Employees\*

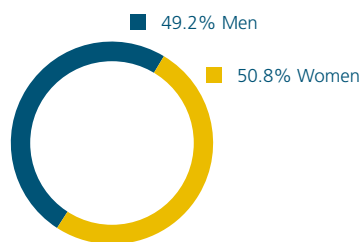
## BREAKDOWN OF PERSONNEL

Group staff breakdown by country	2017		
	Total	Men	Women
Italy	63,859	31,392	32,467
Luxembourg	211	131	80
Ireland	29	13	16
Egypt	4,707	3,714	993
Albania	576	183	393
Croatia	5,355	1,512	3,843
Romania	503	126	377
Serbia	2,954	846	2,108
Hungary	2,373	709	1,664
Slovakia	4,398	1,155	3,243
Ukraine	1,232	246	986
Russian Federation	1,384	382	1,002
Brazil	41	31	10
Group	87,622	40,440	47,182

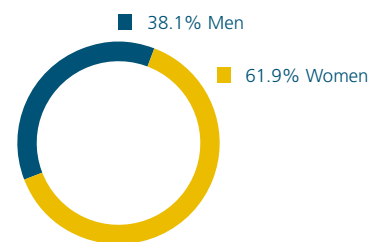
The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).

## Breakdown of staff by gender

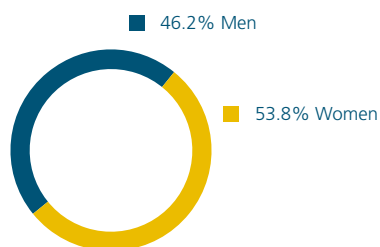
### Italy



### Abroad



### Group



Female bank employees in Italy account for 45.2% of staff, against 54.8% male employees. Intesa Sanpaolo figures have a uniform distribution.

\* All the Italy System data refer to: ABI 2017 Report on the labor market in the financial industry, Bancaria Editrice (the data regarding credit staff are updated as of 2016).

Employees by type of contract and gender	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	63,756	21,582	85,338	63,999	21,744	85,743	63,999	21,153	85,152
Men	31,346	8,083	39,429	31,539	7,882	39,421	31,619	8,177	39,796
Women	32,410	13,499	45,909	32,460	13,862	46,322	32,380	12,976	45,356
Fixed-term contracts	60	2,068	2,128	29	2,753	2,782	48	2,187	2,235
Men	27	924	951	19	1,329	1,348	27	1,074	1,101
Women	33	1,144	1,177	10	1,424	1,434	21	1,113	1,134
Apprenticeships	43	112	155	101	96	197	167	74	241
Men	19	41	60	44	40	84	65	34	99
Women	24	71	95	57	56	113	102	40	142
New recruits	0	1	1	0	3	3	0	5	5
Men	0	0	0	0	1	1	0	2	2
Women	0	1	1	0	2	2	0	3	3
Employment contracts - apprenticeships	0	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0	0
Women	0	0	0	0	0	0	0	0	0
Open-ended Employment contracts	0	0	0	0	0	0	9	0	9
Men	0	0	0	0	0	0	2	0	2
Women	0	0	0	0	0	0	7	0	7

Employment contracts, special contracts for safeguarding employment, are an exclusively Italian form of contract.

Employees by type of contract and gender [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	99.84	90.82	97.39	99.80	88.40	96.64	99.65	90.32	97.16
Men	49.09	34.02	45.00	49.18	32.05	44.43	49.23	34.92	45.41
Women	50.75	56.81	52.39	50.62	56.36	52.21	50.42	55.41	51.75
Fixed-term contracts	0.09	8.70	2.43	0.05	11.19	3.14	0.07	9.34	2.55
Men	0.04	3.89	1.09	0.03	5.40	1.52	0.04	4.59	1.26
Women	0.05	4.81	1.34	0.02	5.79	1.62	0.03	4.75	1.29
Apprenticeships	0.07	0.47	0.18	0.16	0.39	0.22	0.26	0.32	0.27
Men	0.03	0.17	0.07	0.07	0.16	0.09	0.10	0.15	0.11
Women	0.04	0.30	0.11	0.09	0.23	0.13	0.16	0.17	0.16
New recruits	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.02	0.01
Men	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Women	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.01	0.00
Employment contracts - apprenticeships	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Men	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Women	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Open-ended Employment contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01
Men	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Women	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01

The Italy System data for bank employees are as follows: open-ended contracts (98.7%), fixed-term contracts (0.7%), apprenticeships (0.6%). In this context, the 'employment contract' is a form of contract only used in Italy.

Atypical contracts and work placements	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Temporary agency employment contracts	22	102	124	30	122	152	34	161	195
Men	12	29	41	10	36	46	13	38	51
Women	10	73	83	20	86	106	21	123	144
Temporary employment contracts	61	0	61	43	0	43	36	0	36
Men	55	0	55	38	0	38	33	0	33
Women	6	0	6	5	0	5	3	0	3
Work placements	148	127	275	156	101	257	90	85	175
Men	92	64	156	101	38	139	50	37	87
Women	56	63	119	55	63	118	40	48	88

Financial advisors	2017		Italy	2015	
	Italy	Abroad	2016	Italy	Abroad
Financial advisors	5,950		5,848	5,846	
Men	4,735		4,704	4,739	
Women	1,215		1,144	1,107	

Overall workforce	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Overall workforce	70,040	23,992	94,032	70,206	24,819	95,025	70,229	23,665	93,894
Men	36,286	9,141	45,427	36,455	9,326	45,781	36,548	9,362	45,910
Women	33,754	14,851	48,605	33,751	15,493	49,244	33,681	14,303	47,984

Includes employees and staff (on various contracts).

Employees by category and gender [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	1.5	2.1	1.6	1.4	2.0	1.6	1.4	2.2	1.6
Men	1.2	1.3	1.2	1.2	1.3	1.2	1.2	1.4	1.2
Women	0.3	0.8	0.4	0.2	0.8	0.4	0.2	0.8	0.4
Middle managers	43.1	22.9	37.6	42.8	22.8	37.3	42.7	24.9	38.0
Men	25.7	13.7	22.5	25.6	13.8	22.3	25.7	15.4	22.9
Women	17.4	9.2	15.1	17.2	9.1	14.9	17.0	9.6	15.0
Professional areas	55.4	75.0	60.8	55.8	75.1	61.2	55.9	72.9	60.4
Men	22.2	23.1	22.5	22.5	22.6	22.5	22.5	22.9	22.6
Women	33.2	51.9	38.3	33.3	52.5	38.7	33.4	50.0	37.8

Figures for Italy for bank staff are as follows: executives (2.1%), middle managers (41.3%) and professional areas (56.6%).

Part time employees by gender	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Number of part time employees/total staff [%]	15.3	1.0	11.5	15.3	1.1	11.3	15.0	0.7	11.2
Breakdown of part time employees by gender [No.]	9,802	240	10,042	9,809	261	10,070	9,623	161	9,784
Men [No.]	638	32	670	609	28	637	590	19	609
Women [No.]	9,164	208	9,372	9,200	233	9,433	9,033	142	9,175

In Italy, part time personnel account for 15.3%, 3.6% more than the Italian figure for the banking sector (11.7%).

Average age of employees	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Average age of employees	48.1	41.2	46.2	47.6	41.0	45.8	46.8	41.2	45.3
Men	49.6	42.6	48.0	49.1	42.7	47.7	48.5	43.3	47.3
Women	46.7	40.4	44.7	46.0	40.0	44.1	45.3	39.8	43.6
Executives	52.5	45.1	49.8	52.0	44.9	49.5	51.6	44.5	49.0
Middle managers	51.2	46.4	50.4	50.7	46.3	50.0	49.9	46.3	49.3
Professional areas	45.6	39.5	43.5	45.0	39.3	43.1	44.4	39.3	42.7

Figures for Intesa Sanpaolo and Italy for leading banks are comparable: average age of employees (46.8), men (48), women (45.3), executives (52.3), middle managers (49.9) and professional areas (44.4).

Employees by age bracket [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
≤30	3.2	15.5	6.5	3.0	15.8	6.5	3.2	15.4	6.5
Men	1.7	5.5	2.7	1.5	5.3	2.5	1.4	5.1	2.4
Women	1.5	10.0	3.8	1.5	10.5	4.0	1.8	10.3	4.1
31-50	51.9	62.1	54.7	55.1	62.5	57.1	58.0	62.1	59.1
Men	21.4	21.0	21.3	22.9	21.0	22.4	24.7	21.8	23.9
Women	30.5	41.1	33.4	32.1	41.5	34.7	33.3	40.3	35.2
>50	44.9	22.4	38.8	42.0	21.8	36.4	38.8	22.5	34.4
Men	26.0	11.5	22.1	24.8	11.4	21.1	23.3	12.8	20.5
Women	18.9	10.9	16.7	17.1	10.4	15.3	15.5	9.7	13.9

The Italian industry figures for the percentage breakdown of bank employees by age group are as follows: ≤ 30 (4.5%), 31 - 50 (56.5%) and > 50 (39.0%).

International banks: senior managers hired in the local community	2017		
	First line managers	First line managers (local recruitment)	Front line managers hired in the local community/front line managers [%]
Albania	11	9	81.8
Croatia	42	37	88.1
Romania	10	6	60.0
Serbia	12	9	75.0
Slovakia	10	7	70.0
Ukraine	11	8	72.7
Hungary	12	9	75.0
Egypt	13	11	84.6
Russian Federation	6	5	83.3

The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).

Employees by level of education and gender [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Graduates	35.7	67.9	44.4	34.3	61.5	41.8	33.2	65.5	41.8
Men	17.3	27.9	20.2	16.6	26.4	19.3	16.0	28.1	19.3
Women	18.4	40.0	24.2	17.7	35.2	22.5	17.2	37.4	22.6
High school certificate	58.1	27.2	49.7	58.7	33.3	51.6	59.5	28.7	51.3
Men	27.5	7.2	22.0	27.9	8.3	22.5	28.5	7.9	23.0
Women	30.6	20.0	27.7	30.8	25.0	29.2	31.0	20.8	28.3
Other	6.2	4.9	5.8	7.0	5.2	6.5	7.3	5.8	6.9
Men	4.3	2.9	3.9	4.7	3.0	4.2	4.9	3.7	4.6
Women	1.9	2.0	1.9	2.3	2.2	2.3	2.4	2.0	2.3

Intesa Sanpaolo and Italian industry figures for education of leading banks are comparable: graduates and post-graduates (38.8%), high school certificate (55.5%), other (5.7%).

Average employee seniority [years]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total average seniority	22.2	13.0	19.7	21.8	13.2	19.4	21.1	13.5	19.1
Men	23.0	14.2	21.0	22.6	14.8	20.9	22.1	15.6	20.6
Women	21.5	12.2	18.6	21.0	12.2	18.2	20.2	12.1	17.8
Executives	20.1	12.1	17.3	19.4	11.9	16.7	19.1	11.9	16.5
Middle managers	25.5	18.7	24.4	25.1	18.8	24.0	24.4	19.0	23.5
Professional areas	19.8	11.3	16.9	19.3	11.5	16.7	18.7	11.6	16.4

Employees belonging to protected categories [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Disabled persons	4.6	1.4	3.8	4.8	1.3	3.8	4.7	1.3	3.8
Men	2.7	0.6	2.2	2.8	0.6	2.2	2.8	0.6	2.2
Women	1.9	0.8	1.6	1.9	0.7	1.6	1.8	0.6	1.5
Protected categories	1.6	0.1	1.1	1.6	0.1	1.2	1.6	0.1	1.2
Men	0.9	0.0	0.6	0.9	0.1	0.7	0.9	0.0	0.7
Women	0.7	0.1	0.5	0.7	0.1	0.5	0.7	0.1	0.5

Employment by gender and age	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1,244	2,741	3,985	1,098	3,023	4,121	792	2,050	2,842
Men	721	1,066	1,787	663	1,122	1,785	447	760	1,207
Women	523	1,675	2,198	435	1,901	2,336	345	1,290	1,635
≤30	701	1,419	2,120	654	1,677	2,331	410	1,141	1,551
31-50	506	1,233	1,739	419	1,245	1,664	366	860	1,226
>50	37	89	126	25	101	126	16	49	65

Employment rate by gender and age [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1.9	11.5	4.5	1.7	12.3	4.6	1.2	8.8	3.2
Men	2.3	11.8	4.4	2.1	12.1	4.4	1.4	8.2	2.9
Women	1.6	11.4	4.7	1.3	12.4	4.9	1.1	9.1	3.5
≤30	34.4	38.6	37.1	34.2	43.3	40.3	19.8	31.7	27.4
31-50	1.5	8.4	3.6	1.2	8.1	3.3	1.0	5.9	2.4
>50	0.1	1.7	0.4	0.1	1.9	0.4	0.1	0.9	0.2

Termination by gender and age	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1,267	3,613	4,880	893	4,247	5,140	1,257	2,793	4,050
Men	769	1,298	2,067	574	1,656	2,230	834	926	1,760
Women	498	2,315	2,813	319	2,591	2,910	423	1,867	2,290
≤30	96	840	936	79	1,088	1,167	103	794	897
31-50	282	2,046	2,328	295	2,250	2,545	326	1,339	1,665
>50	889	727	1,616	519	909	1,428	828	660	1,488

Termination rate by gender and age [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	2.0	15.2	5.6	1.4	17.3	5.8	2.0	11.9	4.6
Men	2.4	14.3	5.1	1.8	17.9	5.5	2.6	10.0	4.3
Women	1.5	15.7	6.0	1.0	16.9	6.1	1.3	13.2	4.9
≤30	4.7	22.9	16.4	4.1	28.1	20.2	5.0	22.1	15.8
31-50	0.9	13.9	4.9	0.8	14.6	5.0	0.9	9.2	3.2
>50	3.1	13.6	4.8	1.9	17.0	4.4	3.3	12.5	4.9

Termination by reason [No.]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Employment ended in the year	1,267	3,613	4,880	893	4,247	5,140	1,257	2,793	4,050
Resignation	344	1,274	1,618	348	1,460	1,808	383	737	1,120
Retirement	27	257	284	62	261	323	27	212	239
Exit incentives	724	0	724	291	0	291	651	0	651
Death*	74	31	105	82	41	123	-	-	-
Other reasons - with incentives	9	540	549	21	745	766	27	452	479
Other reasons - without incentives	70	1,333	1,403	61	1,527	1,588	145	1,212	1,357
The expiry of fixed-term contracts	19	178	197	28	213	241	24	180	204
Employment contracts - apprenticeships	0	0	0	0	0	0	0	0	0
Open-ended employment contracts	0	0	0	0	0	0	0	0	0

Employment contracts, special contracts for safeguarding employment, are an exclusively Italian form of contract.

\* Figure beginning to be monitored in 2016.

Turnover by gender and age	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	-23	-872	-895	205	-1,224	-1,019	-465	-743	-1,208
Men	-48	-232	-280	89	-534	-445	-387	-166	-553
Women	25	-640	-615	116	-690	-574	-78	-577	-655
≤30	605	579	1,184	575	589	1,164	307	347	654
31-50	224	-813	-589	124	-1,005	-881	40	-479	-439
>50	-852	-638	-1,490	-494	-808	-1,302	-812	-611	-1,423

Turnover rate by gender and age [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	0.0	-3.5	-1.0	0.3	-4.7	-1.1	-0.7	-3.1	-1.4
Men	-0.2	-2.5	-0.7	0.3	-5.5	-1.1	-1.2	-1.8	-1.3
Women	0.1	-4.2	-1.3	0.4	-4.3	-1.2	-0.2	-3.9	-1.4
≤30	42.2	18.7	26.1	43.1	17.9	25.2	17.5	10.7	13.1
31-50	0.7	-5.2	-1.2	0.4	-6.1	-1.7	0.1	-3.2	-0.8
>50	-2.9	-10.7	-4.2	-1.8	-13.1	-3.9	-3.2	-10.4	-4.5

## PROFESSIONAL DEVELOPMENT

Number of promotions by gender	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	3,327	2,209	5,536	1,342	2,462	3,804	4,417	1,589	6,006
Men	1,547	1,170	2,717	518	1,370	1,888	1,863	853	2,716
Women	1,780	1,039	2,819	824	1,092	1,916	2,554	736	3,290
Staff promoted [%]	5.2	9.3	6.3	2.1	10.0	4.3	6.9	6.8	6.9

Average gross base salary by category and gender [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	148.2	65.8	122.3	146.0	66.3	118.8	142.4	67.4	116.7
Men	152.6	73.7	132.2	149.9	73.6	128.2	145.5	74.3	125.3
Women	125.1	51.7	88.0	126.1	53.0	87.2	124.0	54.8	85.5
Middle managers	56.8	19.5	50.7	56.0	19.1	49.8	55.4	23.1	49.8
Men	59.6	17.9	52.7	58.8	17.3	51.7	58.2	23.2	51.9
Women	52.6	22.0	47.7	51.7	21.9	46.8	51.2	22.9	46.5
Professional areas	37.2	12.0	28.7	36.7	11.5	28.2	36.3	12.3	28.6
Men	38.9	12.4	31.4	38.5	11.9	31.0	38.2	13.4	31.3
Women	36.1	11.8	27.2	35.5	11.4	26.6	35.1	11.8	27.0

Minimum remuneration in the Group for new recruits is always the retribution of national collective bargaining agreements for the industry, for various categories of staff. At an international level, minimum remuneration is related to regulations and the cost of living of the relative country. Basic salary levels for female staff, with comparable roles and seniority terms, do not differ from salary levels for male staff.

Remuneration by category and gender [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Male executives	200.0	91.9	172.0	191.5	88.4	162.1	189.7	88.7	161.1
Female executives	161.5	62.1	111.4	156.8	61.2	105.8	152.6	63.5	103.0
Male middle managers	63.2	20.1	56.0	62.7	19.7	55.3	61.6	25.7	55.2
Female middle managers	55.1	23.9	50.1	54.4	24.4	49.5	53.6	25.5	48.9
Male professional areas	39.7	13.0	32.2	39.6	13.1	32.1	38.7	14.6	32.1
Female professional areas	36.8	12.4	27.9	36.5	12.9	27.8	35.6	13.3	27.8
Average annual remuneration of all employees	50.1	16.1	40.9	49.2	16.3	40.1	48.2	18.1	40.2

This includes basic gross average remuneration and the variable component.

Female/Male salary ratio	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Ratio of gross base salary - women vs. men									
Executives	0.8	0.7	0.7	0.8	0.7	0.7	0.9	0.7	0.7
Middle managers	0.9	1.2	0.9	0.9	1.3	0.9	0.9	1.0	0.9
Professional areas	0.9	1.0	0.9	0.9	1.0	0.9	0.9	0.9	0.9
Ratio of total remuneration - women vs. men									
Executives	0.8	0.7	0.6	0.8	0.7	0.7	0.8	0.7	0.6
Middle managers	0.9	1.2	0.9	0.9	1.2	0.9	0.9	1.0	0.9
Professional areas	0.9	1.0	0.9	0.9	1.0	0.9	0.9	0.9	0.9

Basic remuneration is annual, before tax. Remuneration is calculated as the salary plus any bonus/reward system.

Performance appraisal	Abroad		
	2017	2016	2015
Employees with annual performance appraisal [%]	88.0	87.3	94.1
Men	94.6	94.1	97.4
Women	83.9	83.3	92.0
Employees with annual performance appraisal [No.]	20,907	21,483	22,047
Men	8,560	8,706	9,043
Women	12,347	12,777	13,004

In Italy, all staff have a performance appraisal.

Breakdown of branch personnel by category and gender [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Directors	12.2	9.1	11.5	12.2	9.6	11.5	12.2	10.4	11.8
Men	7.9	3.9	6.9	8.0	4.1	7.0	8.1	4.2	7.1
Women	4.3	5.2	4.6	4.2	5.5	4.5	4.1	6.2	4.6
Executive directors	60.8	45.5	57.0	60.5	44.1	56.2	60.4	45.0	56.7
Men	20.6	13.3	18.8	20.6	12.7	18.5	20.8	13.5	19.1
Women	40.2	32.2	38.2	39.9	31.4	37.7	39.6	31.5	37.6
Other	26.9	45.4	31.6	27.3	46.3	32.2	27.4	44.6	31.6
Men	14.7	14.3	14.6	14.9	14.1	14.7	14.7	15.6	14.9
Women	12.2	31.1	17.0	12.5	32.1	17.5	12.7	29.0	16.6

## TRAINING

Training by category (hours)	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	22,473	18,697	41,170	28,350	17,571	45,921	37,946	14,618	52,564
Men	18,122	11,498	29,620	23,067	10,784	33,851	31,382	9,923	41,305
Women	4,351	7,199	11,550	5,283	6,787	12,070	6,564	4,695	11,259
Middle managers	736,800	185,652	922,452	1,429,350	137,557	1,566,907	1,655,399	155,104	1,810,503
Men	422,254	101,388	523,642	833,556	69,984	903,540	981,228	86,369	1,067,597
Women	314,546	84,264	398,810	595,794	67,573	663,367	674,171	68,735	742,906
Professional areas	1,074,995	569,317	1,644,312	1,773,409	517,383	2,290,792	1,798,800	465,366	2,264,166
Men	427,992	197,879	625,871	671,064	170,183	841,247	698,277	149,233	847,510
Women	647,003	371,438	1,018,441	1,102,345	347,201	1,449,546	1,100,523	316,133	1,416,656
Total	1,834,267	773,665	2,607,932	3,231,110	672,512	3,903,622	3,492,143	635,087	4,127,230
Men	868,368	310,764	1,179,132	1,527,688	250,951	1,778,639	1,710,886	245,525	1,956,411
Women	965,899	462,901	1,428,800	1,703,422	421,561	2,124,983	1,781,256	389,562	2,170,819



Training by category (No. participants)	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	808	442	1,250	823	398	1,221	854	376	1,230
Men	662	276	938	681	252	933	727	242	969
Women	146	166	312	142	146	288	127	134	261
Middle managers	25,044	4,706	29,750	26,925	4,536	31,461	27,322	4,923	32,245
Men	14,786	2,948	17,734	16,147	2,846	18,993	16,419	3,133	19,552
Women	10,258	1,758	12,016	10,778	1,690	12,468	10,903	1,790	12,693
Professional areas	31,390	14,240	45,630	34,097	14,183	48,280	35,379	13,390	48,769
Men	12,134	4,570	16,704	13,510	4,309	17,819	14,205	4,070	18,275
Women	19,256	9,670	28,926	20,587	9,874	30,461	21,174	9,320	30,494
Total	57,242	19,388	76,630	61,845	19,117	80,962	63,555	18,689	82,244
Men	27,582	7,794	35,376	30,338	7,407	37,745	31,351	7,445	38,796
Women	29,660	11,594	41,254	31,507	11,710	43,217	32,204	11,244	43,448

Training by content [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Managerial	6.1	9.9	7.2	5.2	10.7	6.1	13.2	16.4	13.7
Commercial	7.1	18.9	10.6	2.8	19.3	5.7	10.2	13.6	10.8
Operational	29.4	26.5	28.5	12.9	21.1	14.3	16.0	19.0	16.5
Credit	2.6	6.6	3.8	4.1	9.9	5.1	3.9	9.5	4.8
Finance	34.8	3.2	25.4	42.4	4.9	35.9	27.7	6.6	24.5
Abroad	0.4	0.8	0.5	0.2	0.1	0.2	0.1	0.3	0.2
IT	3.9	2.7	3.6	1.8	3.9	2.2	1.1	6.0	1.8
Specialist	7.3	24.5	12.4	27.9	22.9	27.0	23.1	20.7	22.7
Language	8.5	6.9	8.0	2.7	7.2	3.5	4.6	7.9	5.1

Aid and benefits received relative to personnel [K euro]	2017			2016			2015		
	Italy	Abroad*	Group	Italy	Abroad*	Group	Italy	Abroad*	Group
Relative to personnel	5,137	109	5,246	6,597	157	6,754	8,632	0	8,632
of which: funded training (only Italy)	5,137	0	5,137	6,418	0	6,418	5,792	0	5,792
of which other	0	109	109	179	157	336	2,840	0	2,840

\* The amount only refers to Banca Intesa Russia.

Training by category and gender relative to branches [average hours]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Directors	24.2	36.2	28.5	31.6	35.2	32.9	42.8	28.6	37.6
Men	23.6	36.0	27.3	30.9	34.9	32.1	41.7	30.4	38.3
Women	27.0	36.5	32.3	35.5	35.7	35.6	49.3	25.4	35.4
Executive directors	26.8	34.2	28.0	52.1	24.5	47.4	60.3	26.6	54.4
Men	25.7	31.2	26.6	50.7	20.7	45.6	59.4	24.0	53.1
Women	28.4	38.6	30.1	54.2	30.3	50.1	61.6	30.7	56.4
Other	30.3	32.0	30.9	49.5	28.0	42.2	50.1	27.3	42.8
Men	30.2	36.1	31.8	46.6	30.6	42.1	48.3	27.8	42.8
Women	30.5	30.1	30.3	51.6	26.9	42.3	51.3	27.0	42.7

Training by procedure	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Classroom training [% of hours]	27.9	79.3	43.2	28.4	82.7	37.7	37.3	81.3	44.1
Remote training [% of hours]	72.1	20.7	56.8	71.6	17.3	62.3	62.7	18.7	55.9
Number of persons registered	57,242	19,388	76,630	61,845	19,117	80,962	63,555	18,689	82,244
Hours of training provided (classroom + remote learning)* [No.]	1,834,267	773,665	2,607,932	3,231,110	672,512	3,903,621	3,492,143	635,087	4,127,230
Hours of training per employee [No.]	28.7	32.6	29.8	50.4	27.3	44.0	54.4	27.1	47.1

\* Does not include Web Tv training.

Training costs	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Training costs [K euro]	24,392	6,198	30,590	25,244	5,899	31,143	26,156	5,730	31,886
Training costs per staff member [euro]	382	261	349	394	240	351	407	245	364

## EMPLOYEE SATISFACTION AND COMMUNICATION

Company climate	2017		2016		2015	
	Italy	Abroad	Italy	Abroad	Italy	Abroad
Climate analysis (% taking part in the survey out of the selected sample)	-	-	55.2	52.1	-	-
Employee satisfaction index [%]	-	-	78.0	77.0	-	-
Change in the employee satisfaction index compared to the previous period	-	-	13.0	-1.0	-	-
Climate analysis	-	-	1	-	-	-
Internal communication events	100	339	105	253	110	153
Focus groups	7	23	61	17	29	5
Participants in focus groups	70	380	488	211	251	93

\*In 2017 and 2015 no climate surveys were conducted. In 2016, the climate survey was unique throughout the Group, with value both in Italy and abroad.

Web Tv Access and House organ	2017	2016	2015
Web Tv total access*	1,025,931	1,022,390	1,019,751
House organ: total number of online visits	468,000	447,522	783,426

\* Average, daily, one-time accesses to the company intranet in 2017 accounted for 64,000 hits.

## FREEDOM OF COLLECTIVE BARGAINING

Trade union freedom	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Employees registered with a trade union [No.]	49,536	7,857	57,393	48,542	8,316	56,858	48,908	8,359	57,267
Executives	160	52	212	163	55	218	182	62	244
Middle managers	20,158	2,631	22,789	19,445	2,750	22,195	19,499	2,914	22,413
Professional areas	29,218	5,174	34,392	28,934	5,511	34,445	29,227	5,383	34,610
Employees registered with a trade union [%]	77.6	33.1	65.5	75.7	33.8	64.1	76.2	35.7	65.3
Days' absence for trade union reasons (all permits for trade unionists)	90,474	575	91,049	78,924	578	79,502	81,581	332	81,913
Days' absence for meetings/strikes (also employees who are not trade unionists)	2,437	112	2,549	2,325	131	2,456	55,334	125	55,459
Men	1,196	47	1,243	1,309	61	1,370	29,273	59	29,332
Women	1,241	65	1,306	1,016	70	1,086	26,061	66	26,127
Days' absence for involvement in strikes	156	0	156	383	0	383	38,229	0	38,229
Men	74	0	74	243	0	243	19,971	0	19,971
Women	82	0	82	140	0	140	18,259	0	18,259
Days' absence for meetings	2,282	112	2,394	1,942	131	2,073	17,104	125	17,229
Men	1,122	47	1,169	1,066	61	1,127	9,302	59	9,361
Women	1,160	65	1,225	876	70	946	7,802	66	7,868

The National Collective Bargaining Agreement for the sector covers all employees in Italy.

## COMPANY WELFARE, HEALTH AND SAFETY

Contributions for staff [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Insurance and accident policies	17,258	753	18,011	12,914	967	13,881	10,730	1,620	12,350
Loyalty bonus	17,747	251	17,998	26,601	250	26,850	23,518	303	23,820
Study contributions for employees' children	3,118	67	3,185	3,115	87	3,202	3,066	111	3,177
Recreational and cultural activities	1,866	1,000	2,866	2,258	1,027	3,285	3,861	965	4,826
Contributions for employees' children with disabilities	2,333	13	2,346	1,993	29	2,022	1,932	28	1,959

Supplementary healthcare and welfare	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Contributions paid by the Bank for supplementary healthcare assistance [K euro]	71,767	2,007	73,774	71,499	1,825	73,324	72,393	3,350	75,742
Health assistance: persons assisted	63,920	7,246	71,166	63,823	6,472	70,295	64,213	7,650	71,863
Contributions paid by the Bank for supplementary retirement benefits [K euro]	133,406	4,184	137,590	131,089	4,005	135,094	129,758	4,083	133,841
Supplementary retirement benefits: persons assisted	61,872	5,724	67,596	61,637	5,783	67,420	64,535	5,967	70,502

Credit facilities for staff	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Mortgages [No.]	3,484	1,017	4,501	3,239	1,237	4,476	2,859	905	3,764
Total mortgages disbursed [K euro]	550,396	67,594	617,990	515,315	78,116	593,431	437,779	52,683	490,462
Loans [No.]	13,842	6,055	19,897	13,288	4,921	18,209	14,999	4,541	19,540
Total loans disbursed [K euro]	159,055	36,452	195,507	134,100	31,574	165,674	140,390	51,859	192,249

Loans granted to all personnel with an open-ended contract, with the exception of loans at special rates granted to staff with apprenticeships.

Parental leave	Italy		
	2017	2016	2015
Employees entitled to parental leave	63,196	63,336	63,403
Men	31,059	31,132	31,217
Women	32,137	32,204	32,186
Employees using parental leave	3,397	3,510	4,374
Men	272	284	357
Women	3,125	3,226	4,017
Employees returning to work after leave	2,657	2,786	3,262
Men	263	278	312
Women	2,394	2,508	2,950
Employees returning to work, who are still bank employees in the following 12 months	2,668	2,819	3,192
Men	255	278	278
Women	2,413	2,541	2,914

Parental leave - Rates [%]	Italy		
	2017	2016	2015
Rate of return to work after parental leave*	78.2	79.4	74.6
Men	96.7	97.9	87.4
Women	76.6	77.7	73.4

\* Calculated as the number of employees returning to work after leave out of the number of employees using parental leave.  
Retention rate of returning employees, who are still employees: not available. Due to the variety and complexity of leave that may be used, it would be necessary to monitor each employee to calculate the indicator, affecting their privacy rights.

Absence by reason and gender - days lost [No.]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total absences	1,084,975	863,362	1,948,337	954,426	964,380	1,918,807	1,024,506	836,883	1,861,389
Illness	525,447	154,992	680,439	451,938	163,931	615,870	468,508	168,547	637,055
Men	243,171	25,349	268,520	213,314	25,900	239,214	218,930	25,840	244,771
Women	282,276	129,643	411,919	238,625	138,031	376,656	249,578	142,707	392,285
Accident	15,840	3,049	18,889	15,217	2,409	17,626	14,558	2,591	17,148
Men	6,855	663	7,518	7,668	352	8,020	6,763	533	7,296
Women	8,985	2,386	11,371	7,548	2,057	9,605	7,794	2,058	9,852
Child care	235,570	463,484	699,054	235,468	503,644	739,112	286,316	392,537	678,853
Men	6,456	3,332	9,788	5,013	4,309	9,322	6,228	3,354	9,582
Women	229,114	460,152	689,266	230,455	499,335	729,790	280,088	389,183	669,271
Personal and family reasons	145,868	215,848	361,716	115,173	236,257	351,430	121,076	233,819	354,895
Men	49,174	129,853	179,027	42,488	144,084	186,571	44,111	160,409	204,520
Women	96,694	85,995	182,689	72,685	92,174	164,859	76,965	73,410	150,375
Leave for public positions	7,474	448	7,922	7,951	519	8,470	7,200	186	7,386
Men	5,107	99	5,206	5,539	145	5,684	5,268	93	5,361
Women	2,367	348	2,715	2,412	374	2,786	1,932	93	2,025
Leave for blood and other donations	9,002	171	9,173	8,038	136	8,173	7,949	119	8,068
Men	6,572	65	6,637	6,021	44	6,065	6,004	27	6,031
Women	2,430	106	2,536	2,017	92	2,109	1,945	92	2,037
Disability	129,648	1,014	130,662	108,244	983	109,227	102,985	820	103,805
Men	55,709	494	56,203	49,297	410	49,707	47,462	247	47,709
Women	73,939	520	74,459	58,948	573	59,521	55,522	573	56,095
Other	16,126	24,356	40,482	12,397	56,502	68,899	15,915	38,265	54,179
Men	8,641	3,542	12,183	7,069	14,086	21,154	9,966	6,627	16,592
Women	7,485	20,814	28,299	5,328	42,416	47,744	5,949	31,638	37,587

Days lost are calculated based on calendar business days.

Absence by reason and gender [%]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	7.73	16.52	10.11	6.76	17.82	9.83	7.25	16.24	9.65
Men	2.72	3.13	2.83	2.38	3.50	2.69	2.44	3.83	2.81
Women	5.01	13.39	7.28	4.38	14.32	7.14	4.81	12.42	6.84
Illness	3.74	2.96	3.53	3.20	3.03	3.16	3.32	3.27	3.30
Men	1.73	0.48	1.39	1.51	0.48	1.23	1.55	0.50	1.27
Women	2.01	2.48	2.14	1.69	2.55	1.93	1.77	2.77	2.03
Accident	0.11	0.06	0.10	0.11	0.04	0.09	0.10	0.05	0.09
Men	0.05	0.01	0.04	0.05	0.01	0.04	0.05	0.01	0.04
Women	0.06	0.05	0.06	0.05	0.04	0.05	0.06	0.04	0.05
Child care	1.68	8.87	3.63	1.67	9.31	3.79	2.03	7.62	3.52
Men	0.05	0.06	0.05	0.04	0.08	0.05	0.04	0.07	0.05
Women	1.63	8.80	3.58	1.63	9.23	3.74	1.98	7.55	3.47
Personal and family reasons	1.04	4.13	1.88	0.82	4.37	1.80	0.86	4.54	1.84
Men	0.35	2.48	0.93	0.30	2.66	0.96	0.31	3.11	1.06
Women	0.69	1.64	0.95	0.52	1.70	0.84	0.54	1.42	0.78
Leave for public positions	0.06	0.01	0.04	0.06	0.01	0.04	0.05	0.00	0.04
Men	0.04	0.00	0.03	0.04	0.00	0.03	0.04	0.00	0.03
Women	0.02	0.01	0.01	0.02	0.01	0.01	0.01	0.00	0.01
Leave for blood and other donations	0.06	0.00	0.05	0.06	0.00	0.04	0.06	0.00	0.04
Men	0.05	0.00	0.03	0.04	0.00	0.03	0.04	0.00	0.03
Women	0.02	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.01
Disability	0.92	0.02	0.68	0.77	0.02	0.56	0.73	0.02	0.54
Men	0.40	0.01	0.29	0.35	0.01	0.25	0.34	0.00	0.25
Women	0.53	0.01	0.39	0.42	0.01	0.30	0.39	0.01	0.29
Other	0.11	0.47	0.21	0.09	1.04	0.35	0.11	0.74	0.28
Men	0.06	0.07	0.06	0.05	0.26	0.11	0.07	0.13	0.09
Women	0.05	0.40	0.15	0.04	0.78	0.24	0.04	0.61	0.19

Absenteeism and occupational disease - rates	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Rate of absenteeism*	4.91	3.06	4.41	4.20	3.10	3.90	4.65	3.35	4.30
Men	4.61	1.34	3.88	4.07	1.32	3.45	4.50	1.31	3.78
Women	5.20	4.11	4.86	4.34	4.18	4.29	4.79	4.68	4.76
Rate of occupational disease**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\* The absentee rate is the ratio between the number of days lost for illness, accidents (including accidents requiring first aid), public office, blood donation and other leave, disability, meeting/strikes and theoretical working days.

\*\* The rate of occupational disease is equal to the total number of times leave is taken because of occupational disease divided by the total number of hours worked.

Accidents by year and gender	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total accidents in the year [No.]	719	88	807	773	94	867	817	92	909
Men	284	23	307	341	24	365	349	20	369
Women	435	65	500	432	70	502	468	72	540
Accident rate*	8.01	2.70	6.59	8.48	2.83	6.96	8.99	2.85	7.37
Men	6.00	1.85	5.16	7.08	1.92	6.05	7.26	1.56	6.08
Women	10.25	3.23	7.93	10.06	3.39	7.82	10.92	3.70	8.61
Working days lost [No.]	15,840	3,049	18,889	15,217	2,409	17,626	14,558	2,591	17,148
Men	6,855	663	7,518	7,668	352	8,020	6,763	533	7,296
Women	8,985	2,386	11,371	7,548	2,057	9,605	7,794	2,058	9,852
Rate of working days lost (severity index)**	0.16	0.08	0.14	0.16	0.06	0.13	0.15	0.07	0.13
Men	0.13	0.04	0.11	0.15	0.02	0.12	0.13	0.04	0.11
Women	0.20	0.10	0.16	0.16	0.08	0.13	0.17	0.09	0.14
Accidents / Total employees [%]	1.1	0.4	0.9	1.2	0.4	1.0	1.3	0.4	1.0

\* Accident rate = (total number of accidents in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

\*\* Rate of working days lost (or severity index) = (number of days lost / total number of working hours) x 1,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000 (hours worked). Working days lost include accidents requiring first aid.

Accidents at work and on the way to/from work	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Accidents at work [No.]	230	27	257	239	30	269	191	20	211
Men	85	5	90	105	4	109	82	6	88
Women	145	22	167	134	26	160	109	14	123
Rate of accidents at work*	2.56	0.83	2.10	2.62	0.90	2.16	2.10	0.62	1.71
Men	1.80	0.40	1.51	2.18	0.32	1.81	1.71	0.47	1.45
Women	3.42	1.09	2.65	3.12	1.26	2.49	2.54	0.72	1.96
Accidents on the way to/from work [No.]	489	61	550	534	64	598	626	72	698
Men	199	18	217	236	20	256	267	14	281
Women	290	43	333	298	44	342	359	58	417
Rate of accidents on the way to/from work**	5.45	1.87	4.49	5.86	1.93	4.80	6.89	2.23	5.66
Men	4.21	1.45	3.65	4.90	1.60	4.24	5.55	1.09	4.63
Women	6.83	2.14	5.28	6.94	2.13	5.33	8.38	2.98	6.65

\* Rate of accidents at work = (total number of accidents at work in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

\*\* Rate of accidents on the way to/from work = (total number of accidents on the way to/from work in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

Accidents by type	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total accidents	719	88	807	773	94	867	817	92	909
Accidents while driving	308	10	318	356	10	366	381	21	402
Falls/slipping	255	34	289	219	44	263	114	39	153
Robberies	5	6	11	7	7	14	7	2	9
Other	151	38	189	191	33	224	315	30	345

Serious Accidents and Deaths	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Cases presented for occupational disease	6	0	6	9	0	9	6	0	6
Serious/very serious accidents	145	7	152	163	8	171	155	3	158
Accidents at work	47	2	49	0	0	0	0	0	0
Accidents on the way to/from work	98	5	103	0	0	0	0	0	0
Serious/very serious accidents with res judicata sentence	0	1	1	0	3	3	0	2	2
Deaths at work, with res judicata sentence	0	0	0	0	0	0	0	0	0

Training on health and safety	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Hours of training on health and safety	101,974	15,134	117,109	143,980	11,495	155,475	114,938	18,271	133,209
Employees who have attended health and safety training [No.]	15,685	5,009	20,694	20,976	5,115	26,091	16,864	6,262	23,126
Employees who have attended health and safety training [%]	25	21	24	33	21	29	26	27	26
Costs of health and safety training [K euro]	265	273	538	686	526	1,212	604	40	644
Hours of health and safety training per employee	1.6	0.6	1.3	2.2	0.5	1.8	1.8	0.8	1.5

Robberies	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Robberies	15	8	23	21	4	25	54	8	62
Robberies for every 100 bank counters	0.4	0.8	0.5	0.6	0.4	0.5	1.5	0.8	1.3
Interviews of psychological counselling to employees who have suffered robberies [No.]	126	0	126	236	0	236	203	0	203
On-site inspections on workplaces to assess risks for robbery [No.]	809	0	809	636	0	636	694	0	694



# Environment

## DIRECT ENVIRONMENTAL IMPACTS

Parameters	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Operators = Staff + Consultants	No.	67,606	23,876	91,482	67,531	24,731	92,262	67,599	23,590	91,189
Staff	No.	63,859	23,763	87,622	64,129	24,596	88,725	64,223	23,419	87,642
Consultants	No.	3,747	113	3,860	3,402	135	3,537	3,376	171	3,547
Total transfers	No.	626,149	20,961	647,110	607,687	20,646	628,333	677,999	23,690	701,689
Total transport	km	137,338,652	32,442,409	169,781,060	129,424,335	31,875,572	161,299,907	118,595,670	30,959,439	149,555,108
Useable area	m <sup>2</sup>	2,827,556	657,733	3,485,289	2,901,657	711,210	3,612,866	2,997,789	679,720	3,677,509

Greenhouse gas emissions [CO <sub>2</sub> e]	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
<b>Direct emissions (Scope1)</b>	<b>tCO<sub>2</sub>eq</b>	<b>34,239</b>	<b>6,510</b>	<b>40,749</b>	<b>33,257</b>	<b>6,969</b>	<b>40,226</b>	<b>36,001</b>	<b>7,928</b>	<b>43,930</b>
Natural gas emissions for independent heating	tCO <sub>2</sub> eq	24,257	2,964	27,221	19,790	3,178	22,968	24,316	3,492	27,807
Natural gas emissions for cogeneration	tCO <sub>2</sub> eq	2,150	0	2,150	5,378	0	5,378	6,216	0	6,216
Diesel emissions for independent heating	tCO <sub>2</sub> eq	1,861	354	2,216	1,801	461	2,262	1,441	825	2,265
Gasoline emissions for company fleet	tCO <sub>2</sub> eq	33	696	730	64	1,044	1,109	149	1,285	1,434
Diesel emissions for company fleet	tCO <sub>2</sub> eq	5,938	2,495	8,433	6,223	2,286	8,509	3,880	2,327	6,208
<b>Indirect emissions (Scope2 Market-based)</b>	<b>tCO<sub>2</sub>eq</b>	<b>5,055</b>	<b>33,181</b>	<b>38,235</b>	<b>4,583</b>	<b>31,274</b>	<b>35,857</b>	<b>5,382</b>	<b>34,843</b>	<b>40,225</b>
Electricity emissions (excluding cogeneration)	tCO <sub>2</sub> eq	1,470	30,734	32,204	777	28,823	29,600	1,664	32,488	34,152
Natural gas emissions for building heating (including district heating)	tCO <sub>2</sub> eq	2,948	2,354	5,302	3,039	2,355	5,393	3,004	2,259	5,263
Diesel emissions for building heating	tCO <sub>2</sub> eq	637	93	730	767	97	864	714	96	810
<b>Total direct + indirect emissions (Scope1 + 2 Market-based)</b>	<b>tCO<sub>2</sub>eq</b>	<b>39,294</b>	<b>39,691</b>	<b>78,985</b>	<b>37,839</b>	<b>38,243</b>	<b>76,082</b>	<b>41,383</b>	<b>42,772</b>	<b>84,154</b>
Total direct + indirect emissions per staff member	tCO <sub>2</sub> eq/ staff member	0.6	1.7	0.9	0.6	1.5	0.8	0.6	1.8	0.9
Total direct + indirect emissions per square meter	kgCO <sub>2</sub> eq/ m <sup>2</sup>	13.9	60.3	22.7	13.0	53.8	21.1	13.8	62.9	22.9
<b>Total direct + indirect emissions (Scope1 + 2 Location-based)</b>	<b>tCO<sub>2</sub>eq</b>	<b>156,817</b>	<b>44,996</b>	<b>201,813</b>	<b>149,650</b>	<b>41,002</b>	<b>190,652</b>	<b>165,201</b>	<b>44,454</b>	<b>209,656</b>
<b>Other indirect emissions (Scope3)</b>	<b>tCO<sub>2</sub>eq</b>	<b>51,116</b>	<b>29,310</b>	<b>80,425</b>	<b>21,022</b>	<b>6,846</b>	<b>27,868</b>	<b>21,753</b>	<b>5,544</b>	<b>27,297</b>
Business trips	tCO <sub>2</sub> eq	8,510	1,725	10,235	8,350	1,444	9,794	9,324	865	10,189
Purchased paper	tCO <sub>2</sub> eq	3,876	1,783	5,659	4,443	2,436	6,880	4,885	2,356	7,241
Waste	tCO <sub>2</sub> eq	147	22	170	242	23	265	242	11	252
Office machinery	tCO <sub>2</sub> eq	14,089	5,243	19,332	7,170	2,750	9,920	6,343	2,313	8,656
Internet banking*	tCO <sub>2</sub> eq	114	122	236	817	192	1,009	959	n/a	959
Energy carriers**	tCO <sub>2</sub> eq	24,379	20,414	44,794	n/a	n/a	n/a	n/a	n/a	n/a

\* Annual data not comparable: in 2017 the methodology was made consistent at Group level, limiting the scope to the main internet banking transactions.

\*\* Scope 3 emissions generated: (a) in the natural gas supply chain, (b) in the production of the energy sources used in the electricity mix and (c) in the distribution and transformation of the electricity.

Emissions of other gas which are harmful to the ozone layer (NO <sub>x</sub> , SO <sub>2</sub> )	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
NO <sub>x</sub> emissions	t	38	39	77	38	45	83	38	56	94
SO <sub>2</sub> emissions	t	2	62	64	2	56	58	3	68	71

Energy consumption broken down by source	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
<b>Direct primary energy consumption (Scope1)</b>	<b>GJ</b>	<b>568,502</b>	<b>102,964</b>	<b>671,466</b>	<b>550,272</b>	<b>108,968</b>	<b>659,241</b>	<b>607,807</b>	<b>123,839</b>	<b>731,645</b>
Natural gas consumption for independent heating	GJ	421,325	52,948	474,273	345,496	56,814	402,310	424,285	62,524	486,810
Natural gas consumption for cogeneration	GJ	37,348	0	37,348	93,897	0	93,897	108,463	0	108,463
Diesel consumption for independent heating	GJ	25,053	5,067	30,120	24,238	6,630	30,868	19,387	11,722	31,109
Gasoline consumption for the fleet	GJ	452	9,511	9,964	864	14,011	14,875	2,015	17,414	19,429
Diesel consumption for the fleet	GJ	84,324	35,437	119,761	85,778	31,514	117,291	53,656	32,178	85,834
<b>Indirect primary energy consumption (Scope2)</b>	<b>GJ</b>	<b>1,343,790</b>	<b>431,044</b>	<b>1,774,833</b>	<b>1,310,500</b>	<b>437,239</b>	<b>1,747,739</b>	<b>1,382,892</b>	<b>426,574</b>	<b>1,809,466</b>
Renewable electricity consumption	GJ	1,266,716	64,298	1,331,014	1,238,522	49,115	1,287,637	1,303,354	30,969	1,334,323
Non renewable electricity consumption (except cogeneration)	GJ	15,847	257,528	273,375	8,607	273,764	282,371	17,516	293,014	310,530
Natural gas consumption for building heating (including remote district heating)	GJ	52,658	107,912	160,569	53,048	112,992	166,040	52,419	101,227	153,646
Diesel consumption for building heating	GJ	8,569	1,306	9,875	10,323	1,368	11,691	9,604	1,363	10,967
<b>Total direct + indirect energy (Scope1 + 2)</b>	<b>GJ</b>	<b>1,912,292</b>	<b>534,008</b>	<b>2,446,299</b>	<b>1,860,772</b>	<b>546,207</b>	<b>2,406,980</b>	<b>1,990,699</b>	<b>550,412</b>	<b>2,541,111</b>
Total direct + indirect energy per staff member	GJ/staff member	28.3	22.4	26.7	27.6	22.1	26.1	29.4	23.3	27.9
<b>Other indirect primary energy consumption (Scope3)</b>	<b>GJ</b>	<b>979,260</b>	<b>950,595</b>	<b>1,929,855</b>	<b>405,633</b>	<b>187,920</b>	<b>593,553</b>	<b>426,298</b>	<b>165,965</b>	<b>592,263</b>
Business trips	GJ	127,457	23,728	151,185	104,370	19,680	124,051	118,302	11,737	130,040
Purchased paper	GJ	104,476	68,837	173,313	175,397	123,257	298,654	192,063	119,304	311,367
Waste	GJ	1,987	312	2,299	3,554	301	3,855	2,794	138	2,932
Office machinery	GJ	205,960	76,641	282,601	107,193	41,113	148,306	95,393	34,785	130,178
Internet Banking*	GJ	1,930	2,443	4,374	15,118	3,569	18,687	17,746	n/a	17,746
Energy carriers**	GJ	537,450	778,634	1,316,084	n/a	n/a	n/a	n/a	n/a	n/a

\* Annual data not comparable: in 2017 the methodology was made consistent at Group level, limiting the scope to the main internet banking transactions.

\*\* Scope 3 primary energy consumption generated: (a) in the natural gas supply chain, (b) in the production of the energy sources used in the electricity mix and (c) in the distribution and transformation of the electricity.

Total electricity focus (including cogeneration)	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Electricity per staff member	kWh/staff member	5,326	3,744	4,913	5,273	3,627	4,831	5,590	3,815	5,131
Electricity per square meter	kWh/m <sup>2</sup>	127	136	129	123	126	123	126	132	127
Electricity from renewable sources	%	97.7	20.0	82.3	96.6	15.2	80.2	95.8	9.6	79.2
Electricity from cogeneration	%	1.1	0.0	0.8	2.7	0.0	2.2	2.9	0.0	2.3

Transport	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Air travel	km	40,191,322	5,211,975	45,403,298	35,363,771	5,350,126	40,713,898	36,843,486	5,676,121	42,519,607
Train travel	km	44,391,993	265,200	44,657,193	37,017,907	384,468	37,402,375	30,741,076	529,929	31,271,005
Company fleet	km	40,278,358	20,176,706	60,455,064	43,541,498	21,204,864	64,746,362	29,298,742	23,734,831	53,033,573
Personal cars	km	12,476,978	6,788,528	19,265,506	13,501,159	4,936,114	18,437,273	21,712,365	1,018,558	22,730,923
Remote connections*	No.	56,663,531	4,165	56,667,696	49,469,801	3,335	49,473,136	21,303	890	22,193
Distance covered for business trip per employee	km/employee	219	1,548	262	213	1,544	257	175	1,307	213

\* Annual figures not comparable: figures from 2016 include in addition to video conferences, also other remote connection procedures.

Use of raw materials - paper	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Purchased paper	t	4,863	1,711	6,574	5,466	2,027	7,493	6,038	1,955	7,992
Purchased paper / staff member	kg/staff member	71.9	71.7	71.9	80.9	81.9	81.2	89.3	82.9	87.6
Ratio of recycled paper out of total paper	%	69.1	22.5	57.0	68.9	24.6	56.9	69.3	24.3	58.3
Ratio of FSC paper out of the total	%	5.5	20.1	9.3	4.0	16.4	7.3	3.7	18.9	7.4
Ratio of ECT/TCF paper out of the total	%	0.5	16.2	4.6	0.5	19.5	5.6	0.6	19.7	5.3
Ratio of FSC and ECT/TCF paper out of the total	%	19.1	8.8	16.4	19.7	10.4	17.2	20.4	10.9	18.1
Ratio of other certified paper out of the total	%	0.1	5.8	1.6	0.0	7.5	2.0	0.0	4.5	1.1

Consumption of water	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total water consumed	m <sup>3</sup>	1,241,999	515,123	1,757,122	1,828,505	530,938	2,359,444	1,853,403	527,907	2,381,310
Total water consumed / staff member	m <sup>3</sup> /staff member	18.4	21.6	19.2	27.1	21.5	25.6	27.4	22.4	26.1

Waste by type	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total waste	t	1,973	1,159	3,132	2,732	724	3,456	2,958	576	3,534
Total special waste	t	1,937	1,148	3,085	2,712	666	3,378	2,873	568	3,442
Total hazardous waste	t	36	11	47	20	58	78	85	8	93
Total waste / staff member	kg/staff member	29.2	48.6	34.2	40.4	29.3	37.5	43.8	24.4	38.8

Total weight of waste by disposal method	Unit	2017			2016			2015		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Recycling	t	767	1,016	1,783	953	506	1,459	1,175	494	1,669
Reuse/recovery	t	1,063	124	1,187	1,511	154	1,665	1,567	56	1,623
Landfill	t	101	11	118	162	54	217	175	8	182
Incinerator for energy recovery	t	42	8	51	105	10	115	42	18	60

Figures are in part estimated from information from waste disposal service suppliers.

Environmental management expenditure [K euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Special waste management	1,308	295	1,603	1,383	283	1,666	1,523	359	1,882
Training	4	167	171	3	103	106	7	97	104
System maintenance	42,185	20,502	62,687	43,378	22,660	66,038	44,390	19,806	64,196
Consulting for EEMS (Environmental and Energy Management System)	115	1	116	91	0	91	50	0	50
Environmental Certifications	45	8	53	84	25	109	120	10	130
Total	43,656	20,974	64,630	44,939	23,071	68,010	46,090	20,272	66,361

## GREEN ECONOMY

Environmental Loans [m euro]	2017			2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Retail Loans	84	22	106	94	54	148	3	47	50
Business and Third sector loans*	205	43	248	387	9	396	775	26	800
Leasing	6	0	6	22	0	22	49	0	49
Corporate and Public finance*	89	0	89	352	0	352	132	0	132
Project finance	536	271	807	180	631	812	76	388	464
Total	920	336	1,256	1,035	695	1,730	1,034	461	1,495

\* Data not comparable for changes in the aggregation criteria.

Methodology used for the estimates: in the limited cases of unavailability of the data, estimates were made using factors derived from the average of the values more responsive to the specificity of the indicator.

# GRI Content Index



**THIS STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH THE GRI STANDARDS: "CORE" OPTION**

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
<b>GRI 101: Foundation 2016</b>					
<b>General Disclosures</b>					
<b>GRI 102: General Disclosures 2016</b>	<b>ORGANIZATIONAL PROFILE</b>				
102-1	Name of the organization	page 187			
102-2	Activities, brands, products, and services	pages 12-13; About us <a href="#">[i]</a> ; Our Brand <a href="#">[i]</a>			
102-3	Location of headquarters	page 187			
102-4	Location of operations	page 13; A Presentation of the Group (page 30) <a href="#">[i]</a>			
102-5	Ownership and legal form	page 36; pag. 187			
102-6	Markets served	page 12-13 A Presentation of the Group (page 30) <a href="#">[i]</a>			
102-7	Scale of the organization	page 36; page 144; A Presentation of the Group (page 5) <a href="#">[i]</a>			
102-8	Information on employees and other workers	pages 145-147; Intesa Sanpaolo does not have a substantial portion of its work performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Intesa Sanpaolo does not have any significant variations in employment numbers. The "Headcount" method has been applied.		Principle 6	8
102-9	Supply chain	page 88; page 144			
102-10	Significant changes to the organization and its supply chain	page 9; pages 16-17; page 36; No changes in the supply chain			
102-11	Precautionary Principle or approach	Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 64) <a href="#">[i]</a>			
102-12	External initiatives	page 20; Adherence to international standards <a href="#">[i]</a>			
102-13	Membership of associations	Our partnerships in sustainability <a href="#">[i]</a>			
<b>STRATEGY</b>					
102-14	Statement from senior decision-maker	pages 6-7; page 15			

\* Sustainable Development Goals of the United Nations.

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
102-15	Key impacts, risks, and opportunities	page 14; page 31; page 50; pages 126-127			
<b>ETHICS AND INTEGRITY</b>					
102-16	Values, principles, standards, and norms of behavior	page 19; Code of Ethics (page 7; page 9) [i]		Principle 10	16
102-17	Mechanisms for advice and concerns about ethics	pages 39-40; Code of Ethics (pages 22-23) [i]		Principle 10	16
<b>GOVERNANCE</b>					
102-18	Governance structure	page 33; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 21) [i]			
102-19	Delegating authority	Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 55; page 83) [i]			
102-20	Executive-level responsibility for economic, environmental, and social topics	page 38; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 55; page 83) [i]			
102-21	Consulting stakeholders on economic, environmental, and social topics	pag. 38; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 78) [i]			16
102-22	Composition of the highest governance body and its committees	page 129; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 85-86) [i]			5, 16
102-23	Chair of the highest governance body	page 33			16
102-24	Nominating and selecting the highest governance body	page 33; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 30-32) [i]			5, 16
102-25	Conflicts of interest	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 38-39) [i]			16
102-26	Role of highest governance body in setting purpose, values, and strategy	pages 38-39			
102-27	Collective knowledge of highest governance body	page 34			4
102-28	Evaluating the highest governance body's performance	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 40-41) [i]			
102-29	Identifying and managing economic, environmental, and social impacts	page 30; pages 50; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 54-55) [i]			16
102-30	Effectiveness of risk management processes	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 54-56) [i]			
102-31	Review of economic, environmental, and social topics	pages 38-39			
102-32	Highest governance body's role in sustainability reporting	page 38; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 54-55) [i]			

\* Sustainable Development Goals of the United Nations.

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
102-33	Communicating critical concerns	pages 38-39; pages 50-51			
102-34	Nature and total number of critical concerns	pages 39-40			
102-35	Remuneration policies	page 35; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 97-99) [i], Remuneration and Equity investments [i]			
102-36	Process for determining remuneration	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 95-96) [i]			
102-37	Stakeholders' involvement in remuneration	Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 95) [i]			16
<b>STAKEHOLDER ENGAGEMENT</b>					
102-40	List of stakeholder groups	page 121			
102-41	Collective bargaining agreements	page 155		Principle 3	8
102-42	Identifying and selecting stakeholders	The dialogue with stakeholders [i]			
102-43	Approach to stakeholder engagement	pages 121-124			
102-44	Key topics and concerns raised	pages 122-124; pages 126-127			
<b>REPORTING PRACTICE</b>					
102-45	Entities included in the consolidated financial statements	page 9; Financial Reports (Annual Report 2017 Notes to the Parent Company's financial statements - Part A SECTION 3 - SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS pages 245-247) [i]			
102-46	Defining report content and topic Boundaries	pages 28-30; pages 181-182			
102-47	List of material topics	page 29; pages 181-182			
102-48	Restatements of information	pages 132-134; page 139			
102-49	Changes in reporting	page 29; pages 181-182			
102-50	Reporting period	page 9			
102-51	Date of most recent report	page 9			
102-52	Reporting cycle	page 9			
102-53	Contact point for questions regarding the report	page 187			
102-54	Claims of reporting in accordance with the GRI Standards	page 165			
102-55	GRI content index	page 165			

\* Sustainable Development Goals of the United Nations.

GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
	102-56 External assurance	pages 183-186. This Non-financial statement has been verified by the independent Firm KPMG which also audits the Group's Annual Report. The Statement has been submitted for the approval of the Bank's Board of Directors in its meetings of March 6, 2018.			
<b>Material Topics</b>					
<b>ECONOMIC PERFORMANCE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 16; page 181		
	103-2	The management approach and its components	pages 15-17; page 39; page 181		8, 16
	103-3	Evaluation of the management approach	page 39; Report on Corporate Governance and Ownership Structures – Report on Remuneration (pages 45-46; pages 64-65) [i]		
<b>GRI 201: Economic Performance 2016</b>	201-1	Direct economic value generated and distributed	page 18; page 81; pages 133-134		5, 7, 8, 9, 13
	201-2	Financial implications and other risks and opportunities due to climate change	pages 53-55; page 181; Climate Change [i]	Principle 7	
	201-3	Defined benefit plan obligations and other retirement plans	page 99; Financial Reports (Annual Report 2017 "Notes to the Parent Company's financial statements - Part B SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120" pages 295-297) [i]		
	201-4	Financial assistance received from government	pages 16-17; page 153		
<b>MARKET PRESENCE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 16; page 181		
	103-2	The management approach and its components	pages 15-17; page 39; page 181		
	103-3	Evaluation of the management approach	page 35; page 39		
<b>GRI 202: Market Presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	page 151	Principle 6	1, 2, 5, 8
	202-2	Proportion of senior management hired from the local community	page 148		8
<b>INDIRECT ECONOMIC IMPACTS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 16; page 181		
	103-2	The management approach and its components	pages 15-17; page 39; page 181		1
	103-3	Evaluation of the management approach	page 35; page 39		

\* Sustainable Development Goals of the United Nations.



GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	page 52; page 81		2, 5, 7, 9, 11
	203-2	Significant indirect economic impacts	pages 30-31; page 69		1, 2, 3, 8, 10, 17
<b>ANTI-CORRUPTION</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 26; page 39; page 42; page 49; page 181		
	103-3	Evaluation of the management approach	pages 39-40; page 42		
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption	page 48	Principle 10	16
	205-2	Communication and training about anti-corruption policies and procedures	pages 43-44; page 88; page 130	Principle 10	16
	205-3	Confirmed incidents of corruption and actions taken	page 131	Principle 10	16
<b>ANTI-COMPETITIVE BEHAVIOR</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	pages 39-41; page 46; page 181		
	103-3	Evaluation of the management approach	page 46		
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	page 46		16
<b>MATERIALS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-107; page 127; page 181; Climate Change Action Plan <a href="#">[i]</a>		
	103-3	Evaluation of the management approach	pages 39-40; pages 110-111		
<b>GRI 301: Materials 2016</b>	301-1	Materials used by weight or volume	pages 110-111; pages 163-164	Principle 7, 8	8, 12
	301-2	Recycled input materials used	pages 110-111; pages 163-164	Principle 8	8, 12

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>ENERGY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-109; page 181		
	103-3	Evaluation of the management approach	pages 39-40; pages 106-107		
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	page 105; pages 162-163	Principle 7, 8	7, 8, 11, 12, 13
	302-2	Energy consumption outside of the organization	page 105; page 162	Principle 8	7, 8, 11, 12, 13
	302-3	Energy intensity	page 105; pages 161-163	Principle 8	7, 8, 11, 13
	302-4	Reduction of energy consumption	page 108	Principle 8, 9	7, 8, 11, 13
	302-5	Reductions in energy requirements of products and services	pages 112-114	Principle 8, 9	7, 8, 11, 13
<b>WATER</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-107; page 181		
	103-3	Evaluation of the management approach	pages 39-40; page 110		
<b>GRI 303: Water 2016</b>	303-1	Water withdrawal by source	page 105; page 110; page 163	Principle 7, 8	6
<b>EMISSIONS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-108; page 181		12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 39-40; pages 107-108		
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope1) GHG emissions	page 105; pages 107-108; page 161; Emission Factors [i]	Principle 7, 8	3, 11, 12, 13, 14, 15
	305-2	Energy indirect (Scope2) GHG emissions	page 105 pages 107-108; page 161; Emission Factors [i]	Principle 7, 8	3, 11, 12, 13, 14, 15

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
	305-3	Other indirect (Scope3) GHG emissions	page 105 pages 107-108; page 161; Emission Factors [i]	Principle 7, 8	3, 11, 12, 13, 14, 15
	305-4	GHG emissions intensity	page 105; page 161	Principle 8	13, 14, 15
	305-5	Reduction of GHG emissions	pages 107-108	Principle 8, 9	13, 14
	305-6	Emissions of ozone-depleting substances (ODS)	page 162	Principle 7, 8	3, 11, 13
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 162	Principle 7, 8	3, 11, 13, 14, 15
<b>EFFLUENTS AND WASTE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-107; page 181		12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 39-40; page 111		
<b>GRI 306: Effluents and Waste 2016</b>	306-2	Waste by type and disposal method	page 111; pages 163-164	Principle 8	3, 6, 12
<b>ENVIRONMENTAL COMPLIANCE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	pages 106-107; pages 181		12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 39-40; page 111		
<b>GRI 307: Environmental Compliance 2016</b>	307-1	Non-compliance with environmental laws and regulations	page 131	Principle 8	16
<b>EMPLOYMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181		
	103-2	The management approach and its components	page 39; page 91; page 127; page 181		
	103-3	Evaluation of the management approach	pages 39-40; page 111		
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	pages 149-150	Principle 6	5, 8
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	pages 155-156		8

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*	
	401-3	Parental leave	page 156	Retention rate under privacy constrain. Because of the variety and the complexity of available parental leaves, in order to calculate the indicator an individual monitoring would be necessary, thus breaching the employees' privacy rights	Principle 6	5, 8
<b>LABOR/MANAGEMENT RELATIONS</b>						
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181			
	103-2	The management approach and its components	page 39; page 91; page 127; page 181			
	103-3	Evaluation of the management approach	pages 39-40; page 92			
<b>GRI 402: Labor/ Management Relations 2016</b>	402-1	Minimum notice periods regarding operational changes	page 131	Principle 3		
<b>OCCUPATIONAL HEALTH AND SAFETY</b>						
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181			
	103-2	The management approach and its components	page 39; page 98; page 100; page 102; page 181			
	103-3	Evaluation of the management approach	pages 39-40; pages 100-101			
<b>GRI 403: Occupational Health and Safety 2016</b>	403-1	Workers representation in formal joint management-worker health and safety committees	page 102		8	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	pages 158-160; page 181		3, 8	
	403-4	Health and safety topics covered in formal agreements with trade unions	page 102		8	
<b>TRAINING AND EDUCATION</b>						
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181			
	103-2	The management approach and its components	page 39; page 92; page 127; page 181		5	
	103-3	Evaluation of the management approach	pages 39-40; page 95			
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	pages 152-153	Principle 6	4, 5, 8	
	404-2	Programs for upgrading employee skills and transition assistance programs	pages 95-96		8	

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	404-3	Percentage of employees receiving regular performance and career development reviews	page 93; page 152	Principle 6	5, 8
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181		
	103-2	The management approach and its components	page 39; page 92; page 96; page 127; page 181		
	103-3	Evaluation of the management approach	pages 39-40; page 96		
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	page 129; pages 145-148	Principle 6	5, 8
	405-2	Ratio of basic salary and remuneration of women to men	page 151	Principle 6	5, 8, 10
<b>NON DISCRIMINATION</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 39; pages 47-48; page 182		
	103-3	Evaluation of the management approach	pages 39-40; pages 47-48		
<b>GRI 406: Non Discrimination 2016</b>	406-1	Incidents of discrimination and corrective actions taken	pages 48-49	Principle 6	5, 8, 16
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 117; pages 181-182		
	103-2	The management approach and its components	page 39; page 51; page 118; pages 181-182		
	103-3	Evaluation of the management approach	pages 39-40; pages 118-119		
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	pages 51-52; page 92; pages 117-118	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management Principle 3	8
<b>CHILD LABOR</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 117; page 181-182		
	103-2	The management approach and its components	page 39; page 51; page 118; pages 181-182		
	103-3	Evaluation of the management approach	pages 39-40; pages 118-119		
<b>GRI 408: Child Labor 2016</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	pages 51-52	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management Principle 4	8, 16

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>FORCED OR COMPULSORY LABOR</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 117; page 181-182		
	103-2	The management approach and its components	page 39; page 51; page 118; pages 181-182		
	103-3	Evaluation of the management approach	pages 39-40; pages 118-119		
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	pages 51-52	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management	Principle 4 8
<b>RIGHTS OF INDIGENOUS PEOPLES</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 117; page 181-182		
	103-2	The management approach and its components	page 39; page 51; page 118; pages 181-182		
	103-3	Evaluation of the management approach	pages 39-40; pages 118-119		
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1	Incidents of violations involving rights of indigenous peoples	In 2017 no reports emerged on possible violations of the rights of the natives; Equator Principles <a href="#">[i]</a>		Principle 1
<b>HUMAN RIGHTS ASSESSMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	pages 117		
	103-2	The management approach and its components	page 39; pages 118-119; pages 181-182		Principle 1
	103-3	Evaluation of the management approach	pages 39-40; pages 118-119		
<b>GRI 412: Human Rights Assessment 2016</b>	412-1	Operations that have been subject to human rights reviews or impact assessments	page 52		Principle 1
	412-2	Employee training on human rights policies or procedures	page 52; page 130		Principle 1
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	page 52; page 138		Principle 2

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>LOCAL COMMUNITIES</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57		
	103-2	The management approach and its components	page 39; page 51; page 69; page 126; page 182		
	103-3	Evaluation of the management approach	page 39-40; pages 118-119		
<b>GRI 413: Local Communities 2016</b>	413-1	Operations with local community engagement, impact assessments, and development programs	pages 51-52	Principle 1	
	413-2	Operations with significant actual and potential negative impacts on local communities	pages 51-52	Principle 1	1
<b>Sector Specific Indicators - G4</b>	FS13	Access point in low-populated or economically disadvantaged areas by type	page 136		1, 8, 10
	FS14	Initiatives to improve access to financial services for disadvantaged people	page 65; Proximity [i]		1, 8, 10
<b>PUBLIC POLICY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 39; page 44; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>GRI 415: Public Policy 2016</b>	415-1	Political contributions	page 44	Principle 10	16
<b>CUSTOMER HEALTH SAFETY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; pages 66-68; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>GRI 416: Customer Health Safety 2016</b>	416-1	Assessment of the health and safety impacts of product and service categories	pages 66-68		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No penalty or fines for non compliance with regulation, no incidents of non compliance with voluntary codes regarding customer Health and Safety		16

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>MARKETING AND LABELLING</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; pages 66-67; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>GRI 417: Marketing and Labelling 2016</b>	417-2	Incidents of non-compliance concerning product and service information and labelling	pages 66-67; Transparency to customer [i]		16
	417-3	Incidents of non-compliance concerning marketing communications	page 66; Transparency to customer [i]		
<b>Sector Specific Guidance for DMA - G4</b>	former FS15	Policies for the fair design and sale of financial products and services	page 66; Relationship with customers [i]		10
	former FS16	Initiatives to enhance financial literacy by type of beneficiary	pages 73-74		1, 8, 10
<b>CUSTOMER PRIVACY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; pag. 182		
	103-2	The management approach and its components	page 39; page 47; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>GRI 418: Customer Privacy 2016</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 47		16
<b>SOCIOECONOMIC COMPLIANCE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 39; page 42; page 49; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	Financial Reports (Annual Report 2017 "Notes to the Parent Company's financial statements PART E - LEGAL RISKS - TAX LITIGATION" pages 439-443) [i]		16

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Sector Disclosures: Financial Services	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs* <sup>*</sup>
<b>Social Disclosure - Product Responsibility</b>					
<b>PRODUCT PORTFOLIO</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 104; pages 181-182		
	103-2	The management approach and its components	page 39; page 69; page 112; page 126; page 181		
	103-3	Evaluation of the management approach	pages 39-40		
<b>Sector Specific Guidance for DMA - G4</b>	former FS1	Policies with specific environmental and social components applied to business lines	page 52; page 78; page 106; page 118; CSR Policies [i]		10
	former FS2	Procedures for assessing and screening environmental and social risks in business lines	page 52; page 78; pages 106-107; page 118		10
	former FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	page 52; Equator Principles [i]		
	former FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	pages 114-115; Training and awareness [i]		10
	former FS5	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	page 52; Equator Principles [i]		10
<b>Sector Specific Indicators - G4</b>	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/sme/ large) and by sector	About us (A presentation of the Group. page 28) [i]		1, 8, 9
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	page 69; page 139		1, 8, 10, 11
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	page 112; page 164		
<b>AUDIT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 39; page 48; page 182		
	103-3	Evaluation of the management approach	pages 39-40; page 42		

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Sector Disclosures: Financial Services	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>Sector Specific Guidance for DMA - G4</b> former FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	page 48; Implementation and governance [i] Monitoring against corruption [i]			10
<b>ACTIVE OWNERSHIP</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; pages 78-79; page 127		
	103-3	Evaluation of the management approach	pages 39-40; pages 78-79		
<b>Sector Specific Guidance for DMA - G4</b> former FS12		Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	pages 78-79		
<b>Sector Specific Indicators - G4</b>	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	page 140		10
	FS11	Percentage of assets subject to positive and negative environmental or social screening	page 140		10

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Non GRI Material Topics	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>COMPANY VALUE AND SOLIDITY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 16; page 181		
	103-2	The management approach and its components	pages 15-17; page 39; 181		
	103-3	Evaluation of the management approach	page 39; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 45-46; pages 64-65) <a href="#">[i]</a>		
<b>DIRECT ENVIRONMENTAL IMPACTS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	page 39; pages 106-107; page 181; Climate Change Action Plan <a href="#">[i]</a>		
	103-3	Evaluation of the management approach	pages 39-40; page 107		
<b>GREEN ECONOMY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 104; page 181		
	103-2	The management approach and its components	page 39; page 112; page 181; 127		
	103-3	Evaluation of the management approach	pages 39-40; page 112		
<b>EMPLOYEE ENHANCEMENT AND DEVELOPMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181		
	103-2	The management approach and its components	page 39; page 92; page 127; page 181		
	103-3	Evaluation of the management approach	pages 39-40		
<b>EMPLOYEE WELFARE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181		
	103-2	The management approach and its components	page 39; page 98; page 127; page 181		
	103-3	Evaluation of the management approach	pages 39-40		
<b>LABOR RIGHTS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 90; page 181		
	103-2	The management approach and its components	page 39; page 91; page 127; page 181		
	103-3	Evaluation of the management approach	pages 39-40		

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Non GRI Material Topics	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDGs*
<b>QUALITY AND INNOVATION IN CUSTOMER RELATIONS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; page 59; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>ACCESS TO CREDIT AND FINANCIAL INCLUSION</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; page 69; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>RESPONSIBLE SAVING MANAGEMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; page 78; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>RELATIONS WITH THE COMMUNITY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 57; page 182		
	103-2	The management approach and its components	page 39; page 81; page 126; page 182		
	103-3	Evaluation of the management approach	pages 39-40		
<b>INTEGRITY IN CORPORATE CONDUCT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	page 41; page 182		
	103-2	The management approach and its components	page 26; page 39; page 42; page 182		
	103-3	Evaluation of the management approach	pages 39-40		

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# GRI Impact boundaries

Material topics	GRI Aspects	Boundary: within	Boundary: outside
<b>COMPANY VALUE AND SOLIDITY</b>			
<p>The value of assets, their solidity and risk management, including socio-environmental aspects.</p> <p>Strategic lines are defined by the Board of Directors and all the Departments ensure the management of the topic.</p>	<p>ECONOMIC PERFORMANCE</p> <p>MARKET PRESENCE</p> <p>INDIRECT ECONOMIC IMPACTS</p>	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
<b>DIRECT ENVIRONMENTAL IMPACTS</b>			
<p>Direct environmental impacts of business activities: consumption of resources, emissions and waste.</p> <p>More than 650 people are allocated for the strategic and operational management of the activities.</p>	<p>MATERIALS</p> <p>ENERGY</p> <p>WATER</p> <p>EMISSIONS</p> <p>EFFLUENTS AND WASTE</p>	Intesa Sanpaolo Group	Environment, Community
<b>GREEN ECONOMY</b>			
<p>To operate as a financial institution that supports production and consumption systems oriented to environmental sustainability, also in the risk evaluation.</p> <p>More than 24,000 people are allocated for the strategic and operational management of the activities.</p>	<p>ECONOMIC PERFORMANCE (201.2)</p> <p>ENERGY (302.5)</p> <p>PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO</p>	Business Units, Credit, Risk Management, Innovation, Compliance	Environment, Shareholders, Customers, Suppliers, Community
<b>EMPLOYEE ENHANCEMENT AND DEVELOPMENT</b>			
<p>Recognizing the employee values by developing all their potentiality and enhancing their characteristics.</p> <p>Approximately 100 people are allocated for the strategic and operational management of the activities.</p>	<p>TRAINING AND EDUCATION</p> <p>DIVERSITY AND EQUAL OPPORTUNITY</p>	Intesa Sanpaolo Group	Customers, Community, Shareholders
<b>EMPLOYEE WELFARE</b>			
<p>To promote work-life balance in workplace to protect and foster wellbeing for employees.</p> <p>Approximately 290 people are allocated for the strategic and operational management of the activities.</p>	<p>EMPLOYMENT (401-2; 401-3)</p> <p>OCCUPATIONAL HEALTH AND SAFETY</p>	Intesa Sanpaolo Group	Customers, Community, Shareholders
<b>LABOR RIGHTS</b>			
<p>Responsible employment management and development of labor/management relations shaped towards shared solutions.</p> <p>Almost 600 people are allocated for the strategic and operational management of the activities.</p>	<p>EMPLOYMENT (401-1)</p> <p>LABOR MANAGEMENT RELATIONS</p> <p>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</p> <p>CHILD LABOR</p> <p>FORCED OR COMPULSORY LABOR</p>	Intesa Sanpaolo Group	Community, Shareholders

Material topics	GRI Aspects	Boundary: within	Boundary: outside
<b>QUALITY AND INNOVATION IN CUSTOMER RELATIONS</b>			
<p>Care, transparency, improvement and simplification of the customer relations through all relationship channels.</p> <p>More than 3,000 people are allocated for the strategic and operational management of the activities.</p>	<p>MARKETING AND LABELLING</p> <p>CUSTOMER HEALTH AND SAFETY</p>	<p>Business Units, Operations, Compliance, IT Department, Innovation, External Relations, Human Resources</p>	<p>Customers, Community</p>
<b>ACCESS TO CREDIT AND FINANCIAL INCLUSION</b>			
<p>Promoting solutions to facilitate access to financial and credit products for households and businesses by adopting criteria that also take into account social vulnerability situations and growth prospects in risk assessment.</p> <p>More than 24,000 people are allocated for the strategic and operational management of the activities.</p>	<p>PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO</p> <p>SOCIETY</p> <p>LOCAL COMMUNITY</p> <p>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</p> <p>CHILD LABOR</p> <p>FORCED OR COMPULSORY LABOR</p> <p>RIGHTS OF INDIGENOUS PEOPLES</p> <p>HUMAN RIGHT ASSESSMENT</p>	<p>Business Units, Credit, Risk Management, Compliance, Innovation</p>	<p>Customers, Shareholders, Community</p>
<b>RESPONSIBLE SAVING MANAGEMENT</b>			
<p>Offering investment and protection solutions characterized by ESG (environmental, social and governance) selection criteria for financial instrument issuers.</p> <p>Almost 2,000 people are allocated for the strategic and operational management of the activities.</p>	<p>PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO</p> <p>PRODUCT RESPONSIBILITY: ACTIVE OWNERSHIP</p>	<p>Business Units, Asset Management, Insurance</p>	<p>Customers, Shareholders, Community</p>
<b>RELATIONS WITH THE COMMUNITY</b>			
<p>The company as a promoter of relationships that influence the entire community and its well-being with its own cultural stimulus actions and its social dialogue skills.</p> <p>More than 80 people are allocated for the strategic and operational management of the activities.</p>	<p>ECONOMIC PERFORMANCE (201-1)</p>	<p>Intesa Sanpaolo Group</p>	<p>Community, Shareholders</p>
<b>INTEGRITY IN CORPORATE CONDUCT</b>			
<p>To act with transparency and responsibility in full compliance with international, national and corporate standards, rules and policies.</p> <p>Within the Group's governance structures, more than 1,050 people are allocated for strategic management and operational guidance of the activities.</p>	<p>ANTI-CORRUPTION</p> <p>PUBLIC POLICY</p> <p>ANTI-COMPETITIVE BEHAVIOR</p> <p>ENVIRONMENTAL COMPLIANCE</p> <p>NON DISCRIMINATION</p> <p>CUSTOMER PRIVACY</p> <p>SOCIOECONOMIC COMPLIANCE</p> <p>PRODUCT RESPONSIBILITY: AUDIT</p>	<p>Intesa Sanpaolo Group</p>	<p>Shareholders, Customers, Suppliers, Environment, Community</p>

# Auditors' report



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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of Consob Regulation no. 20267**

*To the board of directors of  
 Intesa Sanpaolo S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of Consob (the Italian Commission for listed companies and the stock exchange) Regulation no. 20267, we have been engaged to perform a limited assurance engagement on the 2017 consolidated non-financial statement of the Intesa Sanpaolo Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 6 March 2018 (the "NFS").

### **Responsibilities of the directors and management control committee of Intesa Sanpaolo S.p.A. for the NFS**

The directors of Intesa Sanpaolo S.p.A. (the "parent") are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the Group's business, performance, results and the impacts it generates.



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The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The management control committee is responsible for overseeing, in accordance with the Italian law, compliance with the decree's provisions.

***Auditors' independence and quality control***

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC (Italia) 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Auditors' responsibility***

Our responsibility is to express a conclusion on the compliance of the NFS with the requirements of the decree and the GRI Standards based on our procedures. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 (revised), and, therefore, it does not offer assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures we performed are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the disclosures presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.





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3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
  - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
  - the group's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
  - the main risks generated or borne in connection with the aspects set out in article 3 of the Decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel and personnel of Intesa Sanpaolo Group Services S.p.A., Cassa di Risparmio di Firenze S.p.A., Banco di Napoli S.p.A., Cassa di Risparmio del Veneto S.p.A., Banca IMI S.p.A., Eurizon Capital SGR S.p.A., Fideuram – Intesa Sanpaolo Private Banking S.p.A., Privredna Banka Zagreb, CIB Bank Group, Bank of Alexandria S.A.E., Banca Intesa Beograd and VUB Group. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent and subsidiaries level:
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
  - b) we carried out analytical and selected procedures to check the correct aggregation of data in the quantitative information;
- we visited Intesa Sanpaolo S.p.A., Intesa Sanpaolo Group Services S.p.A., Cassa di Risparmio di Firenze S.p.A., Banca IMI S.p.A., Eurizon Capital SGR S.p.A. and Fideuram – Intesa Sanpaolo Private Banking S.p.A., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

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**Conclusions**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2017 consolidated non-financial statement of the Intesa Sanpaolo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

**Other matters**

Intesa Sanpaolo S.p.A. prepared a 2016 sustainability report and has presented the data included therein for comparative purposes in its NFS. We reviewed that sustainability report in compliance with ISAE 3000 revised, not pursuant to any legal requirements, and expressed an unqualified conclusion thereon on 26 April 2017.

Milan, 8 March 2018

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli  
Director

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## Intesa Sanpaolo Spa

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VAT number 10810700152  
Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund included in the National Register of Banks No. 5361  
and Parent Company of "Intesa Sanpaolo" Group, included in the National Register of Banking Groups

## GALLERIE D'ITALIA. THREE MUSEUM VENUES: AN ITALIAN CULTURAL NETWORK.

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities creating a unique museum network.

Set in an architectural context of great value, **Gallerie d'Italia - Piazza Scala in Milan** displays a selection of two hundred nineteenth-century works of the Lombard school of painting, along with a collection representative of twentieth-century Italian art. **Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza** holds the most important western collection of Russian icons, examples of eighteenth-century Veneto art, and a collection of Attic and Magna Graecia pottery.

**Gallerie d'Italia - Palazzo Zevallos Stigliano in Naples** houses *The Martyrdom of Saint Ursula*, Caravaggio's last documented painting, as well as a collection of over one hundred and twenty artworks representative of Neapolitan artistic output from the early seventeenth century to the beginning of the twentieth century.

Cover photo:



CARLO BRANCACCIO (Naples 1861–1920)  
*Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression* c. 1888-1889  
oil on canvas, 40 x 80 cm  
Intesa Sanpaolo Collection  
Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples

*Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression* by Carlo Brancaccio depicts an outdoor daily-life scene with a lively narrative style. The artist is particularly renowned for his radiant depictions of the most famous streets and sites in Naples, as well as for his seascapes and landscapes.

This picture is part of the permanent collection on display at Gallerie d'Italia - Palazzo Zevallos Stigliano, Intesa Sanpaolo's museum venue in Via Toledo, Naples. This collection of nineteenth-century paintings offers a remarkable overview of landscape painting, a genre that experienced an incredible season in Naples, on a par with the most advanced figurations developed in the rest of Europe.



