

INTESA  SANPAOLO



# Sustainability Report 2016



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# Boards, Management, Auditors

## BOARD OF DIRECTORS

Chairman Gian Maria GROS-PIETRO

Deputy Chairman Paolo Andrea COLOMBO

Managing Director  
and Chief Executive Officer Carlo MESSINA (a)

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

**FINANCIAL  
REPORTING OFFICER** Fabrizio DABBENE

**INDEPENDENT  
AUDITORS** KPMG S.p.A.

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(a) General Director

(\*) Member of the Management Control Committee

(\*\*) Chairman of the Management Control Committee



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## Letter to stakeholders

In 2016, despite an overall scenario marked by instability and uncertainty, Intesa Sanpaolo continued its 2014-2017 Business Plan. Consolidated results at the end of 2016 reported a significant increase in profitability compared to 2015. Along with a more robust capital strength and risk and liquidity profile, this enabled the company to continue to create value for all stakeholders, starting from its shareholders, with a proposed dividend of 3 billion euro (increasing dividends distributed from 2014 to 2016 to 6.6 billion euro).

For customers, Intesa Sanpaolo confirmed its position as a bank of the real economy, with new medium/long term loans to households and businesses totalling 56 billion euro (137 billion euro from 2014 to 2016) and loans for social enterprises amounting to 200 million (600 million euro since the start of 2014). Specific action was taken for customers in difficulty, transforming 24,000 non-performing loans of Italian businesses into performing loans (over 52,000 since 2014), and renegotiating loans for retail customers (66,000 in 2016) or suspending loan repayments (2,200 in 2016). The company supported education, financial inclusion and more vulnerable customers, providing loans with a high social impact amounting to 4.6 billion euro, of which more than two thirds earmarked for weaker social groups and 76 million euro for micro-credit or anti-usury initiatives. Support for customers was centred around service quality and smart technology, with the Bank adopting digitalisation and dematerialisation policies and offering products through its multichannel platform to 6.4 million customers, up by 1.6 million since the start of 2014.

In line with its Business Plan, Intesa Sanpaolo continued to empower, develop and motivate its personnel. At the end of 2016, thanks to the profit realised and as a measure to safeguard employment, the 4,500 members of staff identified as "excess production capacity" in the Plan were all reallocated to priority initiatives. Training was significant, with 1.3 million days' provided in 2016 (with the aim of reaching 5 million days by the end of 2017). Considerable efforts were made to promote a modern, comprehensive company welfare system, focussed on improving the quality of life. Initiatives include the flexible work project (with over 5,700 staff members involved), company nurseries and the "Time Bank" (providing 2,000 "days" for colleagues in difficulty). In December 2016, the first nursery service at the Paediatric Oncology/Haematology Unit of the Regina Margherita Hospital in Turin was opened. The staff satisfaction rating in Italy went up from 67% in 2014 to 78% in 2016, confirming the company's commitment to its employees.

On the environmental front, the Group focussed further on the pressing need to adopt concrete action to fight climate change, in keeping with its commitments in the Code of Ethics and Environmental and Energy Policy. Energy efficiency actions, the use of energy from renewable sources and dematerialisation reduced emissions by around 10% in 2016, and by over 55% in total since the end of 2008. Financial support for renewable energies and energy efficiency continued, adopting a proactive approach, with funding of around 1.7 billion euro granted in 2016 (around 3.9 billion euro over the last three years).

Numerous initiatives for the community took place, often centred around tradition and the founding values of the Group. In 2016, monetary contributions to the community exceeded 46 million euro (154 million euro in the last three years), with 58% earmarked for art and culture and 26% for charity initiatives.



In this context and on a broad-ranging level, the careful management of business risk, starting from traditional companies, is important and calls for a robust oversight of capital strength, on the one hand, and targeted actions on the other hand. These include actions which are important for CSR purposes, such as direct initiatives to combat corruption, occupational health and safety, monitoring IT risk, including social/environmental risk in credit ratings and in customer investment proposals.

Group activities are based on principles in the Code of Ethics and international initiatives in which the Group takes part, including the UN Global Compact, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Equator Principles for project finance. The Code of Ethics was updated at the end of 2016, to align it with developments at the Bank and its operating context, and to guarantee the ongoing consistency and transparency of the principles on which loyal relations with stakeholders are established.

This Sustainability Report provides an overview of actions taken, from stakeholder engagement to information about initiatives taken and the publication of specific indicators monitoring the Group's commitment over time. The results presented show how the Group has remained focussed on its commitment, showing how different types of capital have brought increased value for all major stakeholders.

Intesa Sanpaolo's efforts to create long-term value for all stakeholders have been recognised, with its inclusion in numerous sustainability indexes, in particular in the Dow Jones Sustainability Index and in the "A List" of the Carbon Disclosure Project. The classification produced by Corporate Knights ranks Intesa Sanpaolo at number 20 on the list of the most sustainable companies worldwide, and the first company in Italy.

All people contributing to these results should be proud of their achievement, which is steering the Group, in its great responsibility towards stakeholders – shareholders, customers, staff, suppliers, the community, the environment – towards a process of continual improvement.

Gian Maria Gros-Pietro



Carlo Messina



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# Introduction

The selection of topics in Intesa Sanpaolo's Sustainability Report and their presentation, with the aim of making issues transparent and comparable, took into account the principles and metrics defined by the Global Reporting Initiative (GRI-G4 edition) as the reference international standard. The section on materiality analysis and stakeholder engagement reports on priority actions for aspects that may affect stakeholder decisions and business development. The table of GRI indicators allows the reader to assess our sustainability performance presented according to internationally accepted criteria.

The report is arranged by material topics and by capital used to create value in the short, medium and long term (financial; social and relational; human; intellectual and infrastructure and natural) based on the principles of the International Integrated Reporting Framework. The purpose is to provide more comprehensive information on the process of creating corporate value capable of generating results for the business, with a positive impact on the community and on stakeholders as a whole. This is achieved not only through financial resources, but also through a business model that makes Intesa Sanpaolo a bank of the real economy and through a business strategy that looks to the future.

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## LEGEND

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# Key factors in the value creation process

## THE 2014-2017 BUSINESS PLAN

With the 2014-2017 Business Plan, the Intesa Sanpaolo Group has introduced the objective of pursuing a new growth phase based on an innovative strategy which, focusing on employees and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity.

The new strategy is based on certain priorities that are by now part of the history of Intesa Sanpaolo, which aims to consolidate its reputation as a real-economy bank, supporting households and businesses, leveraging a sound balance sheet and leadership, satisfying a robust credit demand and responsibly managing the financial wealth of customers. Intesa Sanpaolo wishes to be a Bank with sustainable profitability, in which the operating results, productivity, risk profile, liquidity and solidity/leverage are carefully balanced.

The Plan defines actions in the following areas:

- **New Growth Bank**, to develop revenues with innovative growth drivers 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, deleveraging 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.

Numerous initiatives have already been adopted in organisational terms and for product innovation, for improving customer service and developing the human capital of Intesa Sanpaolo (see the 2016 Financial Statements, page 38 [i]).

The purpose of the Business Plan is to generate value shared with all stakeholders.

These are our objectives for stakeholders and the progress made in 2016 since the launch of the Business Plan:

Stakeholder	Benefits	2016 Results [bn euro]	Cumulative value 2014-2016 [bn euro]	2017 Plan objectives Cumulative value [bn euro]
Shareholders	Dividends	3.0	6.6	~10
Households and businesses	New medium/long term credit granted to the real economy	56	137	~170
Third sector	New medium/long term credit granted to social enterprises	0.2	0.6	~1.2
Employees	Personnel expenses	5.3	15.7	~21.3
Suppliers	Procurement and investments	2.7	7.9	~10
Public sector	Direct and indirect taxes	2.3	7.4	~10



# INTESA SANPAOLO GROUP PROFILE



# Intesa Sanpaolo Group

The Intesa Sanpaolo Group, with 11.1 million customers and more than 4,000 branches in Italy, is the country's leading banking group and one of the top banking groups in Europe. The Group is Italy's leading provider of financial products and services for households and businesses, particularly in banking (with a market share of nearly 16% for loans and 17% for deposits), life insurance premiums (with a market share of nearly 20%), asset management (over 20%), pension funds (nearly 22%) and factoring (28.5%).

The Group also has a strategic presence as one of the main banking groups in central and eastern Europe and in middle eastern and north African countries, serving 7.8 million customers via a network of approximately 1,200 branches. Through its local subsidiaries, the Intesa Sanpaolo Group ranks first in Serbia, second in Croatia and Slovakia, fourth in Albania, fifth in Egypt, seventh in Bosnia and Herzegovina, Slovenia and Hungary.

As at 31 December 2016, the Intesa Sanpaolo Group had total assets of 725,100 million euro, customer loans of 364,713 million euro, direct deposits from banking business of 393,798 million euro and direct deposits from insurance business and technical reserves of 144,098 million euro.

The Intesa Sanpaolo Group comprises seven Business Units serving different customer categories, Governance Areas and Central Entities directly reporting to the Chief Executive Officer and CEO

Details of Intesa Sanpaolo's organisational structure are available on the Group's website [\[i\]](#).

## An international dimension

### ITALY

3,978 Branches

### OTHER EUROPEAN COUNTRIES

1,003 Branches 3 Representative Offices

### AMERICA

3 Branches 2 Representative Offices

### ASIA

7 Branches 6 Representative Offices

### AFRICA

172 Branches 3 Representative Offices

### OCEANIA

1 Representative Office



Data: February 2017.

## Competitive positioning

### Ranking in Italy

1°	Loans	<div style="width: 15.7%;"></div>	15.7%
1°	Deposits*	<div style="width: 16.7%;"></div>	16.7%
1°	Collected premiums for life policies	<div style="width: 19.7%;"></div>	19.7%
1°	Investment funds	<div style="width: 20.3%;"></div>	20.3%
1°	Open-end pension funds	<div style="width: 21.6%;"></div>	21.6%
1°	Factoring – Operating turnover	<div style="width: 28.5%;"></div>	28.5%

Figures at 31 December 2016.

\* Includes bonds .

## Vision and values

*Aware of the value of our activities in Italy and abroad, we promote growth that focuses on sustainable results in the long term and creates a virtuous cycle based on the trust that stems from customer and shareholder satisfaction, from our employees' sense of belonging and from listening to the needs of communities and local areas. Our growth strategy aims at creating solid and sustainable values from economic and financial, social and environmental standpoints, built on the trust of all our stakeholders and based on our values.*

(from the Code of Ethics [i])

Integrity, excellence, transparency, respect for specific qualities, equality, values of the individual and responsibility in the use of resources: these are the values, stated in the Code of Ethics, on which the Intesa Sanpaolo Group bases its banking methods and its relations with stakeholders. These values are also set out in its Code of Conduct. At the end of 2016, the Board of Directors approved an update to the Code of Ethics, which takes into account the new corporate governance model, redefines implementation procedures and clarifies some principles on which bank/stakeholder relations are based. The Group is also committed to complying with sustainable development principles and participates in important international initiatives that promote dialogue between companies, international organisations and society and pursue respect for the environment and human rights.

### GOVERNANCE OF CORPORATE SOCIAL RESPONSIBILITY

In its implementation methods, the Code of Ethics sets out the management model which is centred around the concept of direct responsibility: every company function is called upon to guarantee its commitment to ensuring that business activities remain consistent with the values stated and that the improvement objectives expressed in the Sustainability Report are gradually achieved.

The Corporate Social Responsibility (CSR) Sub-Department assists 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 Delegates network is made up of more than 60 employees working in various entities in Italy and abroad, who cooperate with the CSR Sub-Department to manage relations with reference stakeholders, implement projects and define improvement objectives, manage non-compliance with the Code of Ethics, and monitor and report on activities.

The Bank's governance bodies are periodically informed by the CSR Sub-Department about significant issues and their integration with business activities. Updates to the Code of Ethics and Sustainability Report are shared with the Risks Committee and approved by the Board of Directors. The Unit also reports annually to the Management Control Committee and Supervisory Body pursuant to Legislative Decree No. 231/2001 (see the section "Certification of social responsibility governance", page 53).

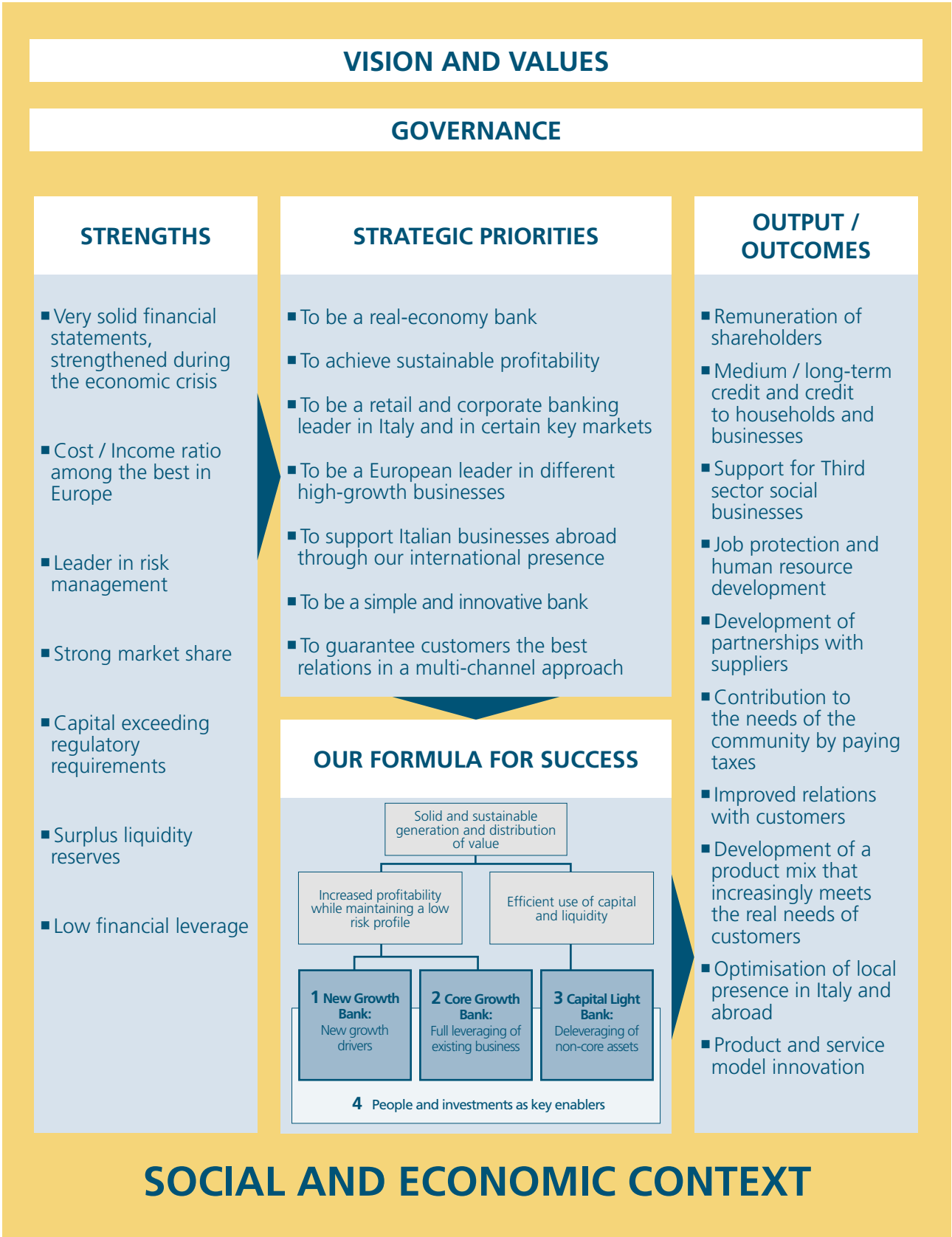
## STAKEHOLDER ENGAGEMENT

Stakeholder engagement is key for the Intesa Sanpaolo Group in order to understand the level of satisfaction of activities carried out by the Bank. Structured dialogue is arranged every year, using different engagement approaches: multi-stakeholder forums, focus groups and online questionnaires for employees and trade unions, interviews with shareholders, customers and non-government organisations, customer satisfaction surveys and surveys with suppliers. Stakeholder expectations, within corporate business strategies, allow Intesa Sanpaolo to identify improvement objectives.

## ACTIVITY MONITORING

The effectiveness of the Bank's social responsibility commitment is monitored through two integrated processes: one process, originating from engagement with the Group's most significant stakeholders, defines improvement objectives, which is followed up with the KPI monitoring of the implementation status of commitments and, lastly, with reporting in the Sustainability Report; the other process, using ISO 26000 Guidelines as a basis, assesses the level of integration of Code of Ethics values with business activities, through self-assessment performed by entities, followed by an independent audit if the self-assessment identifies potential aspects of reputational risk.

# Business Model





# Effectiveness of the governance system

## THE CORPORATE GOVERNANCE MODEL

By resolution of the Extraordinary Shareholders' Meeting of 26 February 2016, effective as from 27 April 2016, Intesa Sanpaolo has adopted a single-tier administration and control model. This section refers to the period from 27 April to 31 December 2016.

For more details on corporate governance, see the "Report on Corporate Governance and Ownership Structures – Remuneration Report", which also has information on the period from January to April 2016, when the two-tier governance model was still in use [i].

## BOARD OF DIRECTORS

The Board of Directors has guidance and strategic supervisory functions. Management functions are mainly overseen by the Managing Director and CEO, while control functions are carried out by the Management Control Committee, appointed by the Shareholders' Meeting from Board members and comprising only independent directors.

The Board of Directors' role closely supplements the strategic supervisory function, with controls that are increasingly ex ante in nature (of strategic plans, company risks, organisational and internal control system adequacy), and are considered as physiological and essential for strategic business management.

This nature of the Board's role (which does not affect necessary ex post controls on actions already taken) can guarantee a positive mix at the highest level of management and control – because of the specific characteristics of the one-tier model, and also ensures continual monitoring of the merit and lawfulness of company conduct.

The fact that members of the Management Control Committee are also company directors that have to take management decisions considerably reinforces the effectiveness and efficiency of the Board's role overall and guarantees the utmost consistency of administrative actions, allowing directors to evaluate the implications of their decisions, from when they are taken, and control committee members to carry out their duties more effectively, because they are also directly involved in the decision-making process.

The Board of Directors in office at the date of this Report comprised 19 members appointed by the ordinary Shareholders' Meeting, by list voting, on 27 April 2016. The appointment was made based on lists of candidates meeting requirements established by law and the Articles of Association, presented by shareholders owning at least 0.5% of capital comprising ordinary shares. A sizeable majority of independent Board directors and the appointment of a single Managing Director by the Board, excluding other Directors that may have executive positions and that the Board may delegate its own duties to an executive committee, were considered as priorities. At least one third of board positions are reserved for the least represented gender, in compliance with applicable laws on the gender equality of management boards of listed companies.

In accordance with the Bank's governance model, the Chairman of the Management Control Committee and Chairman of the Committee for Transactions with Related Parties and Associated Entities (of the Group) are minority-elected members.

In carrying out its duties, the Board of Directors is assisted by the following Committees, with members appointed from the Board. The organisation and operation of these committees are governed by specific Regulations approved by the Board:

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

**Characteristics of the Board of Directors** (data for the period from 27 April to 31 December 2016)

Body	No. of members	Independent*	% of women	No. of meetings	Attendance
Board of Directors	19	14	37%	19	99%
of which: Management Control Committee	5	5	40%	27	98%

\* Independence requirements pursuant to applicable laws and the Articles of Association.

**Characteristics of Board Committees** (data for the period from 27 April to 31 December 2016)

Body	No. of members	Independent*	No. of meetings	Attendance
Remuneration Committee	5	3	7	100%
Nomination Committee	5	3	3	93%
Risks Committee	5	3	19	100%
Related Party Transactions Committee	5	5	9	100%

\* Independence requirements pursuant to applicable laws and the Articles of Association.

The Chairman of the Board of Directors has a non-executive role and does not carry out management duties, even on a de facto basis.

In view of the current governance model and duties established by the Articles of Association, which are described in more detail in the Regulations of the Board of Directors, the Chairman's role is fundamental for the Bank, as reflected by his/her authority and responsibilities and the amount of time dedicated to this position.

The Chairman of the Board of Directors supervises the activities of the Board, organises and oversees activities and carries out all duties required by supervisory regulations.

The Managing Director is also Chief Executive Officer and General Director and supervises company management within the framework of the powers granted to him/her in compliance with general planning and strategic guidelines established by the Board of Directors.

**LEADERSHIP AND BOARD MEMBERS' AREAS OF EXPERTISE**

On renewal, the Board assessed all eligibility requirements and the overall composition of the board (in qualitative/quantitative terms) in relation to recommendations from the outgoing Supervisory Board, in the case of new appointments/re-appointments (see the document published on the Bank's website on the appointment of positions currently in office).

The characteristics declared by Board Directors are diversified and suitable for ensuring a Board composition that is adequate, also for the improvement areas identified in previous self-assessments, as well as a correctly balanced composition of Board committees.

Expertise	Board of Directors [No. of members]
Banking (strategies, risk assessment and management techniques)	16/19
Reading and interpreting bank financial statements	18/19
Strategic guidance (scenarios, trends, peers)	17/19
Managerial, entrepreneurial and business management	14/19
Risk management	18/19
Global dynamics of the economic/financial system	18/19
Auditing and control	12/19
The regulation of financial activities	16/19
Remuneration and incentive systems and tools	18/19
International experience	13/19

## TRAINING AND CONTINUAL PROFESSIONAL DEVELOPMENT OF BOARD DIRECTORS

The Chairman of the Board of Directors ensures that the Bank plans and adopts orientation programmes and training plans for Board members. It arranges for and promotes Directors' involvement in initiatives that will give them a greater knowledge of the sector the Bank and Group operate in, of company dynamics and their evolution, of principles of correct risk management and the legal and self-regulatory framework, and also holds meetings, including informal sessions, on strategic issues (ongoing-induction).

10 specific induction sessions were held from when the new Board of Directors took office until December 2016, with Directors exploring and discussing various aspects of the Bank's and Group's activities and the applicable legal framework, as well as their duties and responsibilities.

These sessions addressed the following issues in particular:

- governance, including the Regulations of the Board of Directors and of individual Committees, as well as updates to the Compliance Model pursuant to Legislative Decree 231/2001;
- risk management, including the Group's Risk Appetite Framework;
- the Group controls system;
- the Group technological model and IT issues;
- aspects concerning bank financial statements;
- remuneration and incentive policies;
- banking regulations.

To promote the best knowledge of the company and applicable legal framework and relative developments, Board Directors are given a set of regularly updated documents on governance, laws and regulations, main correspondence with the supervisory authorities and accounts, as well as additional documents, to help them carry out their duties.

## SELF-ASSESSMENT OF GOVERNANCE BODIES

In February 2017, the Board of Directors conducted its annual self-assessment of the composition, performance, conduct and dynamics of the board and board committees.

This process was carried out in compliance with Board Regulations on Self-Assessment, adopted in compliance with Supervisory Provisions on Corporate Governance and the Corporate Governance Code.

The self-assessment was carried out with the professional assistance of the consultancy management experts Crisci & Partners, that assisted the Bank in its board review process in 2015. This company meets the requirements for neutrality, objectivity, competence and independence established in the Regulations.

Besides analysing the Board's activities during the year, the self-assessment also reviewed improvements made in relation to weaknesses identified in the previous self-assessment.

In line with Regulations, Crisci & Partners assisted the Board of Directors during the various stages of the self-assessment process: review (also based on questionnaires and individual interviews), data processing and preparing process outcomes.

Overall, the compliance of board governance with the Corporate Governance Code, with European Banking Authority guidelines, with Section VI of the Bank of Italy Circular No. 285 "Supervisory Provisions for Banks", and with the best practices of listed companies, in so far as they are comparable with the Bank, was high.

Based on replies in the questionnaire and interviews, some good practices were identified to be retained and developed in the future, as part of consolidation of the new governance model. These include the further development of induction activities to cover additional topics, and earlier times for sending pre-board meeting documents that are more complex and/or highly confidential.

## THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control system is a three-tier system, in line with applicable laws and regulations. The system has the following types of controls:

- the first type comprises line controls; the purpose of these controls is to ensure that operations are carried out correctly and, as far as possible, are included in IT procedures. The controls are overseen by the same operating and business entities (level-one functions), also through dedicated control units that report to the managers of the entities, or are carried out by back office entities;
- the second type comprises risk and compliance controls; the purpose of these controls is to ensure, among others:

- the correct adoption of the risk management process;
- compliance with operating limits assigned to various functions;
- the compliance of company operations with regulations, including self-regulation.

The functions overseeing these controls (level-two control functions) are separate from operating functions and help define risk management policies and the risk management process. In the Intesa Sanpaolo Group, the following parent company entities and equivalent entities of Group companies are level-two control functions:

- the Chief Compliance Officer, to whom the Anti-Money Laundering Head Office Department also reports;

- the Chief Risk Officer Governance Area, to which the Controls Head Office Department reports.

In compliance with Supervisory provisions issued by the Bank of Italy, which require these functions to be independent of operating entities and separate from the internal audit function, the Head of the Chief Risk Officer Governance Area and Chief Compliance Officer report directly to the Managing Director and CEO and, as required by laws, have direct access to corporate bodies, reporting the results of control activities carried out, without restrictions or intermediation.

- The third type comprises internal audits; the purpose of these audits is to identify infringements of procedures and regulations and periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of other components of the

internal control system and IT system (ICT audit) at a Group level, on a regular basis in relation to the nature and extent of risks. In line with Supervisory provisions, the Head of the Audit function directly reports to the Board of Directors and functionally to the Management Control Committee.

Strategic decisions concerning the internal control and risk management system at a Group level are submitted to the Board of Directors of Intesa Sanpaolo, in its capacity as parent company. In view of the single-tier governance model adopted by Intesa Sanpaolo, the Board of Directors, assisted by the Risks Committee and taking account of proposals from the Managing Director and CEO, defines and approves the overall governance and organisational structure of the Bank and Group, the internal control system guidelines, the risk appetite and risk management policies and governance processes.

## REMUNERATION

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

According to the Bank's Articles of Association, Board Members are entitled to the reimbursement of expenses incurred in carrying out their duties and to fees which are determined by the Shareholders' Meeting on their appointment and refer to a fixed amount for their entire term of office. The shareholders' meeting also establishes additional fees of the Chairman and Deputy Chairman. On appointment of the Management Control Committee, the Shareholders' Meeting determines the specific fees (of the same amount) for each Board Director on the Committee, for the entire term of office, with an additional amount for the Committee Chairman.

The Managing Director and General Director receive fixed, variable fees determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting. In compliance with the

principle that the incentive system must be consistent and compatible with the allocation of dividends, the Supervisory Board has decided that the variable part of remuneration for the Managing Director and CEO, Carlo Messina, also considering his appointment as Chief Executive Officer, will have a maximum limit based on the fixed part of remuneration multiplied by around 0.86 and referred to the performance score (the maximum limit is determined considering the effect of the annual portion of the LECOIP on the cap including variable remuneration at 100% of fixed remuneration). Bonuses determined as above will be paid 50% in cash and 50% in shares (assuming that the materiality threshold has been exceeded) and will be subject to 60% deferment over 5 years. The payment of these deferred amounts will be subject to the annual verification of any malus conditions. The Managing Director is not a beneficiary of any stock option plan at present.

## OPERATIONAL STRUCTURE

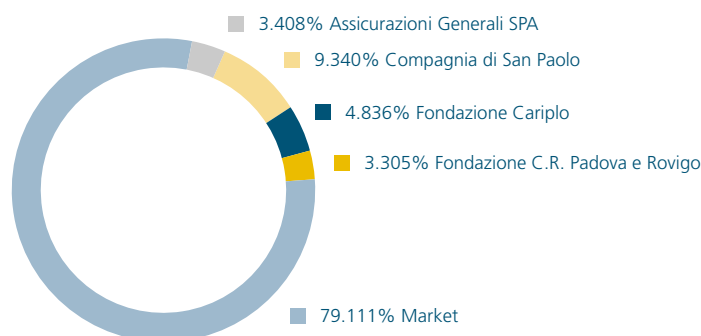
In terms of organisational logic and to ensure that Group governance has the necessary coherence, the parent company is divided into seven Business Units, comprising the aggregation of business lines with similar characteristics in terms of products and services provided

and the regulatory framework, six Governance Areas, as well as Head Office Departments directly reporting to the Managing Director and CEO that carry out steering, coordination, control, support and service duties at a Group level [i].

## SHAREHOLDER BASE

Share capital subscribed and paid up is equal to 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).

At 28 February 2017, Intesa Sanpaolo's shareholder base was composed as follows (holders of shares exceeding 3%\*):



\* Asset management shareholders could have requested exemption from reporting, up to the threshold of 5%.

## 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 2016, in a still very difficult economic scenario, 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 2016 this information was made available quickly, easily and economically 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 [\[i\]](#) has a well-organised content and theme updates, always 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 paid to socially responsible investors and investment analysts, with dedicated meetings and road shows.

## SHAREHOLDERS' MEETING

The company considers shareholders' meetings as one of the main opportunities for engagement with its shareholders, as well as an occasion to report information, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the meetings are a chance for shareholders to take an active role in the company and vote on issues, according to procedures established by law and by the Articles of Association.

Intesa Sanpaolo has always facilitated the most extensive involvement in shareholders' meetings and guarantees the highest standard of information, in order to give due importance to the meetings.

Shareholders' meetings are convened by the Board of Directors whenever deemed necessary, or on request of shareholders representing at least one twentieth of the share capital.

The shareholders' meeting, subject to notification to the Chairman of the Board of Directors, may also be convened by the Management Control Committee, if necessary for it to carry out its duties.

During 2016, an extraordinary Shareholders' Meeting was held on 26 February and an ordinary Shareholders' Meeting was held on 27 April.

### 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.

## Materiality analysis

The 2016 Sustainability Report focuses on aspects that are most relevant and most “material” for the business and Group's stakeholders. These aspects were identified by materiality analysis – a process structured according to “G4 Sustainability Reporting Guidelines” of GRI, the main reference standard for sustainability reporting and the <IR>, the international reference framework for integrated reporting, promoted by the IIRC (International Integrated Reporting Council), which can be used to identify organizational and strategic factors and solutions that are the basis of the current and future ability of the Group to create value. Therefore, aspects that “have significant economic, social and environmental impact for the organisation or that could substantially influence assessments and decisions taken by stakeholders” are considered “material”.

In this regard, materiality analysis was integrated with the IIRC reporting framework that includes:

- the introduction of the six capitals (financial, social and relational, intellectual, infrastructural, human and natural), to highlight how the value creation process is the result of synergies between financial and non-financial capital;
- forward-looking elements (megatrends), in order to give new interpretations to aspects considered as “material” and increase the Group's oversight of changes to the external environment.

The process recommended by GRI involves three steps:



### IDENTIFICATION OF MATERIAL ASPECTS AND STAKEHOLDERS

The identification of “material” aspects for the financial sector which are significant for Intesa Sanpaolo's business and for its stakeholders are identified, by analysing:

- documentary sources within the Group, including the 2014-2017 Strategic Plan, top management communications, shareholders’ meeting minutes, notices to shareholders, ESG rating agency questionnaires, Sustainability Reports for the last three years, policies adopted by the Group and complaints concerning the Code of Ethics;
- external documentary sources, including the reference reporting standards for sustainability performance (G4, <IR>, SASB);
- Sustainability Reports of other Italian and international financial groups;
- sources from national and international institutions (World Bank, ISTAT, World Economic Forum etc.) for the identification of general and specific megatrends of the banking sector.

The issues identified were sorted into a three-tier structure with progressive details and were addressed during stakeholder engagement in 2016.

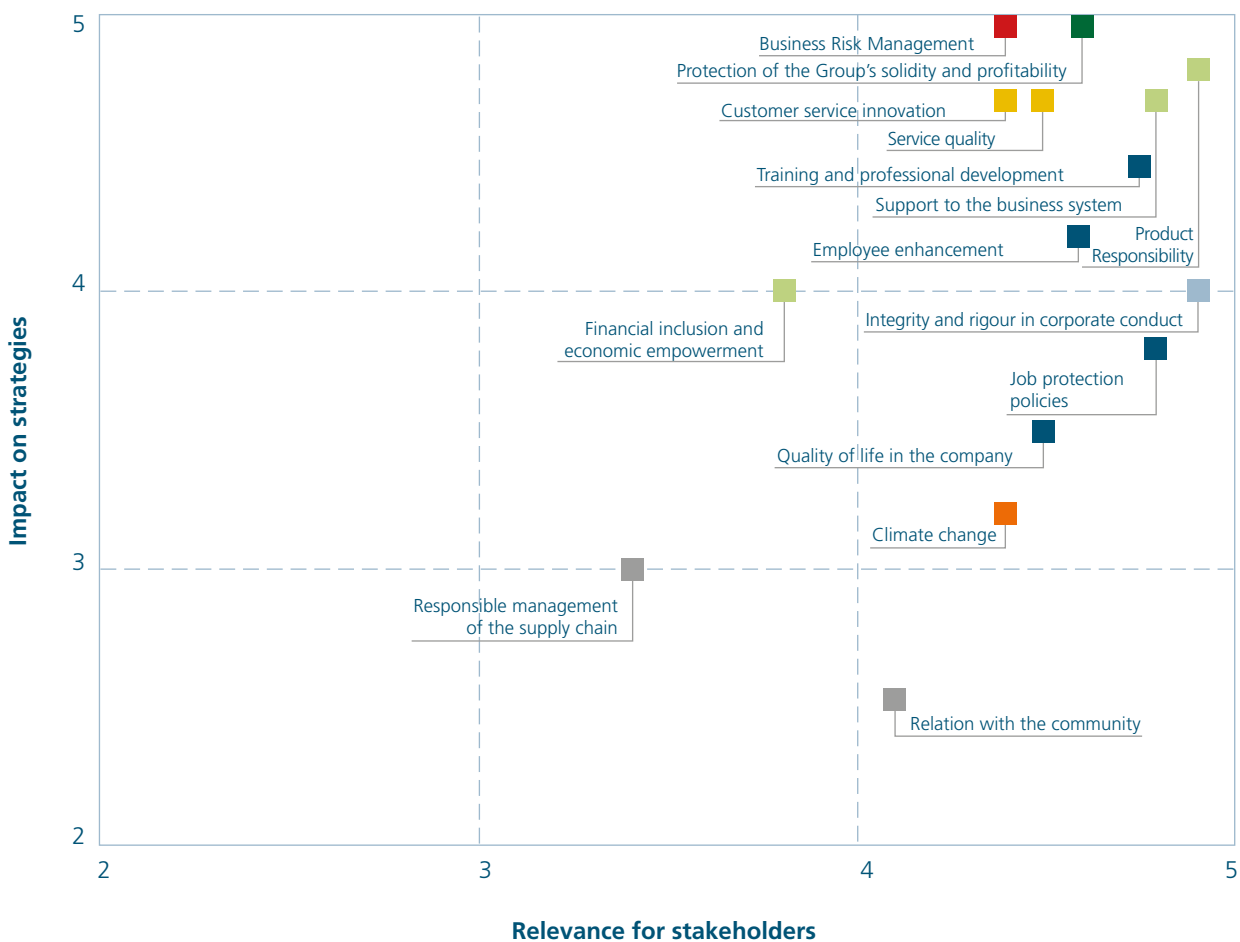
### PRIORITISATION AND DEFINITION OF THE MATERIALITY MATRIX

Stakeholder engagement continued to be a key aspect of materiality analysis in 2016. To prioritise the issues identified, each one was assessed in relation to its significance to business strategies and commitments defined in the Business Plan, and also in relation to the degree to which it represents the interests and expectations of stakeholders: these two aspects are represented by the two axes of the materiality matrix, shown below.

The two aspects respond to the need to identify, for each topic:

- the degree of commitment that the company has taken or plans to take on each issue according to the perception of the potential to generate risks and opportunities for the short, medium and long term strategic objectives;
- the relevance perceived by stakeholders of the same issues assessed through a variety of listening and engagement initiatives implemented by Intesa Sanpaolo during 2016.

### 2016 MATERIALITY MATRIX



Priority areas for 2016, with details given in the Sustainability Report about relative management procedures, projects, actions taken, significant indicators and objectives, also in relation to the Business Plan, are as follows:

- Protection of solidity and profitability
- Business Risk Management
- Access to credit and savings management
- Integrity and rigour in corporate conduct
- Offering a valued service to customers
- Human resource development and management
- Climate change



Compared to 2015, there were no significant changes in the “impact of strategies”, with priorities determined by the strategic lines of the four-year Business Plan that will end in 2017. As regards “relevance for stakeholders”, the importance of issues identified in the previous analysis cycle was confirmed, with the relevance of the following aspects increasingly considerably:

- “Climate change” in view of national and international developments in environmental issues (COP21, Agenda 2030, etc.) and the growing interest shown by SRIs;
- “Customer service innovation” which includes the digitalisation of services and technological innovation and which has increased in relevance for all stakeholders (People, Customers, the Community and Investors);
- “Training and professional development” and “Employee enhancement”, which have gained greater significance for People, Trade Union Organisations and Investors, particularly as concerns customised training for specific roles, procedures and innovative systems for knowledge transfer, diversity management and talent attraction;
- “Integrity and rigour in corporate conduct” which is an issue of particular importance for Investors, the Community and Customers, particularly concerning the protection of privacy and anti-money laundering – which gained importance, also in view of recent legal developments.

Relations with suppliers and the community do not qualify as material aspects, but Intesa Sanpaolo recognises their high social and environmental value and therefore provides detailed disclosures on the website and in single-issue papers [i]. A summary disclosure is in any event provided in the Sustainability Report.

## MATRIX VALIDATION

For each aspect identified as “material”, the potential risks/business opportunities were assessed, as well as possible impact on external and internal stakeholders and on company entities, in the long term (see the section “Analysis of “material” issues in the wider context of sustainability”). This also made it possible to define the reporting structure and disclosure for each issue of the Sustainability Report (both within and outside the Bank), in order to give stakeholders fully comprehensive information about performance (see GRI – Impact boundaries on page 181).

The materiality matrix was shared with Chief Risk Officer Governance Area Supervisors, with the aim of integrating outcomes with the Reputational Risk Management processes conducted annually by the relative function. From this year onwards, process outcomes were also considered when assessing the significance of issues concerning strategies and this provides a qualitative/quantitative overview of the Group's reputational risk as perceived by top management. At the same time, the CSR Sub-Department informed the Reputational Risk function of the significance of issues concerning stakeholders, to give Area and Division Managers an integrated overview of critical reputational factors.

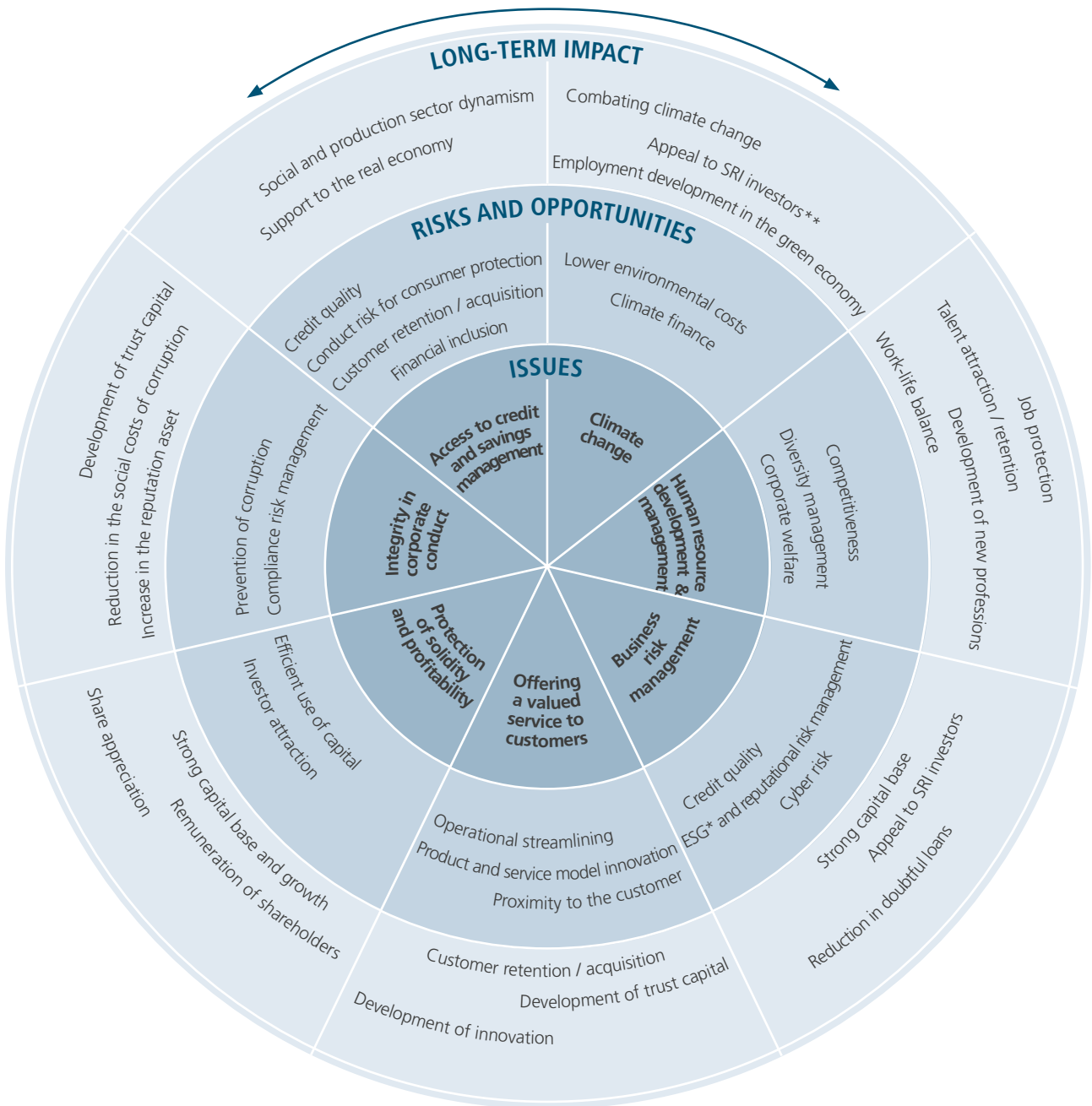
## ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

Intesa Sanpaolo aims to show how business activities help improve or deteriorate social, economic and environmental conditions in a local, regional or global framework. To this end, a concentric figure is presented, with the seven “material” macro-areas, i.e. the most relevant results according to the materiality analysis in relation to:

- the risks and opportunities associated with each issue, which could have a broad-ranging impact on the strategies and business of Intesa Sanpaolo in the medium and long term;
- the positive impact that could generate shared long term value for the Group, the environment and society in general.

IMPACT, RISKS AND OPPORTUNITIES

- LONG-TERM IMPACT
- RISKS AND OPPORTUNITIES
- "MATERIAL" MACRO-ISSUES



\* ESG refers to Environmental Social and Governance Risks.

\*\* SRI (Socially Responsible Investment) investors: investors that assess ESG criteria (Environmental, Social, Governance).

# Protection of solidity and profitability

## WHY THIS ISSUE IS SIGNIFICANT

The Group aims to lever opportunities from an improved economic climate, to consolidate its central role in sustainability and social and environmental and responsibility as part of its global strategy. Considerable attention – in addition to profitability targets – is given to actions aimed at further consolidating capital strength and improving risk and liquidity profiles. The capital base remains high, while the risk profile remains relatively low. Being a solid bank with growing profitability means that Intesa Sanpaolo can make a positive contribution to the interests of shareholders and all stakeholders. With the 2014-2017 Business Plan, Intesa Sanpaolo is achieving important results that demonstrate its ability to live up to commitments made with markets, to keep its promise to protect staff jobs and support customers, even those experiencing potential problems, by activating internal processes and structures to avoid NPL situations.

## HOW IT IS MANAGED

All company departments are involved in implementing business solidity and profitability protection policies. As part of its strategic supervisory functions, the Board of Directors defines and approves the business model, strategic guidelines and risk appetite, and strategic, industrial and financial plans of the company and Group, and any amendments.

Company policies take into consideration the analysis and economic debate concerning Italy's main structural problems and issues relating to the international economy important to the Group. The aim is to continue being a partner Bank for the country's real economy, with reciprocal benefits in the long term.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Group's capital strength and profitability are ensured by a corporate governance model implemented through the Board of Directors, which has guidance and strategic supervisory functions; Management functions are mainly overseen by the Chief Executive Officer and CEO, while control functions are carried out by the Management Control Committee, appointed by the Shareholders' Meeting from Board members and comprising only independent directors.

## RELATED TOPICS

Economic and financial performance	page 51
Management of business risks	page 53
Support for the business system	page 60
Financial inclusion and economic empowerment	page 68
Relations with the community	page 98
Job protection	page 103

## RESULTS ACHIEVED IN 2016

Consolidated results at the end of 2016 report a considerable improvement in profitability compared to 2015, with net profit increasing to 3.1 billion euro, despite very prudent adjustments to receivables, that resulted in higher hedging of non-performing loans, and a consequent proposed 3 billion euro of cash dividends to distribute to shareholders, confirming a considerable capital strength, with levels well above legal requirements. Intesa Sanpaolo continued to boost growth in the real economy, providing 56 billion euro of new medium/long term household and business loans in 2016. In Italy, approximately 24,000 companies were brought back to performing loan positions in 2016 (over 52,000 in 2014).

Thanks to the Group's capital strength and profitability, over 46.4 million euro (43.7 million in Italy) monetary contributions were made to communities.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2016 Results	2017 Objectives
Growth in revenues	2%*	4%**
Percentage of Net fee and commission income/Total revenues	43%***	43%
Cost/Income	51.2%***	46.1%
Cost of credit	1.02%	0.80%
CET1 – Fully Loaded	12.9%	12.2%
LCR and NSFR	>100%	>100%
Financial Leverage****	19.3%	17%
Monetary contributions to the community ***** [m]	46.4	Support and cooperation with areas and communities where the Bank operates for the development of social and cultural projects

\* Calculated as the compound annual growth rate (CAGR) for the 2013-2016 period. According to the new formula of the reclassified income statement, introduced from the fourth quarter of 2016.

\*\* Calculated as the compound annual growth rate (CAGR) for the 2013-2017 period.

\*\*\* According to the new formula of the reclassified income statement, introduced from the fourth quarter of 2016.

\*\*\*\* Total Tangible Assets/Total Tangible Equity, including Net Income, net of dividends paid or payable and excluding Goodwill and other intangible items.

\*\*\*\*\* Measurement according to the London Benchmarking Group model, which includes only cash contributions.

# Business risk management

## WHY THIS ISSUE IS SIGNIFICANT

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure the reliable and sustainable creation of value in a context of controlled risk.

Intesa Sanpaolo has a moderate risk profile in which capital adequacy, stable profit, a sound liquidity position and a strong reputation are the key factors protecting its current and future profitability.

The risk management strategy targets a complete, consistent vision of risk, consolidating a transparent and accurate approach to representing the possible risk of the Group's portfolios. The strategy also includes an assessment of the social and environmental variables of financing activities, particularly in the case of infrastructure projects, for which the assessment criteria of Equator Principles are applied.

Risk monitoring includes an environmental management and occupational health and management system, and a commitment to protecting and safeguarding staff and customers, with a specific focus on preventing the risk of robberies at bank branches, risks related to the use of electronic channels and fraud prevention.

## HOW IT IS MANAGED

The Group has adopted processes and established specific responsibilities for understanding and managing risks, in order to ensure capital strength and business continuity in the long term. To this end, it has adopted an internal control and risk management system to identify, measure and verify the typical risks of its operations. These general principles are outlined in policies, limits and criteria applicable to different risk categories and business areas, in a structured framework of governance and control procedures.

## DEPARTMENTS/FUNCTIONS IN CHARGE

Policies on risk assumption are defined by the Board of Directors, with strategic supervisory and management functions and by the Management Control Committee. The Board of Directors carries out activities also through specific board committees, including the Risks Committee. Corporate bodies are assisted by managerial committees, including the Group Risk Governance Committee, and by the Chief Risk Officer that directly reports to the Chief Executive Officer.

The Credit Activities Sub-Department is involved in social and environmental risk assessment processes for loans covered by the scope of application of the Equator Principles.

Intesa Sanpaolo Group Service oversees IT security, business continuity and safety functions. The Safety and Protection Head Office Department monitors occupational health and safety and environmental compliance (as well as privacy compliance).

## RELATED TOPICS

Certification of social responsibility governance	page 53
Reputational risk assessment and management	page 55
Value of the brand	page 55
Management of social and environmental risks in loans	page 56
Health and safety risk management	page 57
IT risk prevention	page 59
Climate change: management of potential environmental risks and impact	page 120

## RESULTS ACHIEVED IN 2016

The customary close monitoring of risk assumption strategies summarised in the Group's Risk Appetite Framework and specifically concerning credit risk continued. Control and management processes designed to allow the correct ex ante assessment of any transactions that are potentially relevant in terms of risk profile and that could impact the Group's stability were further implemented.

In view of a changing economic scenario, the Bank took steps to develop the latest generation rating model, for Italian businesses, to measure sector and competitive variables.

The risk classification of the Equator Principles – international guidelines based on World Bank standards – continued to be adopted for loans for project development. As regards the management of controversial sectors, “Rules for transactions in the armaments industry” were updated.

An overall Group framework was prepared, for reputational risk, with the involvement of other company functions and a monitoring tool for the Group's web reputation was identified.

Regarding the overall evaluation of work-related stress situations in the Intesa Sanpaolo Group and in order to identify any mitigation measures, the results of the epidemiological report of the last three years were taken into account, which considered the general health of more than thirteen thousand employees (in 2016 alone, company-appointed doctors carried out over 6,000 health surveillance check-ups and in 97.7% of cases, employees were considered as being fit for their work duties, and in 2.2% of cases the fitness rating was pending).

The focus on combating computer crime continued, with an anti-fraud system set up to block transactions totalling nearly 10 million euro for retail customers and around 21 million euro for business customers.

Activities to protect people and branches from the risk of robberies focussed on consolidating and innovating technological safety measures. As from 2016, the “post-robbery support” programme has been operative and assistance from a medical team is provided for all robberies, regardless of the severity of the event, for attacks on personnel, and in the case of natural disasters.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2016 Results
Definition of systematic monitoring to manage Most Significant Transactions (MSTs)	Around 460 transactions were reviewed, with prior opinions issued, mainly concerning “TOP20 Concentration”, “Property Sector” and “Public sector - local authorities” risks
Breakdown of Group RAF limits on Divisions and Subsidiaries with a high contribution to risks and/or specific local features.	RAF limits were defined for all Group Divisions, for subsidiaries with a specialist business model (Banca IMI, Fideuram-ISP, Eurizon) or that are subject to sector regulations (Intesa Sanpaolo Vita, Fideuram Vita) and for international banks
Definition of systematic monitoring to manage and mitigate reputational risk	Activities to define the overall reference framework continued
Projects subject to the Equator Principles screening and relative percentage of total project financing	14 projects for a value of 2.04 billion 10% of total project finance loans *
Monitoring health and safety: Accidents	Accidents in the workplace: 269 (211 in 2015) Accidents outside the workplace: 598 (698 in 2015) Percentage of accidents out of the number of people: 0.98% (1.04 % in 2015)
Personnel training the prevention and management of the risk of robbery / Number of robberies	In Italy, nearly 18,000 hours of training were held for around 3,000 people. Since 2014, robberies have decreased in Italy by 65%, with 21 events in 2016

\* The percentage only refers to project finance transactions, excluding corporate loans relative to projects.

# Integrity and rigour in corporate conduct

## WHY THIS ISSUE IS SIGNIFICANT

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. The view is that compliance with standards encourages the creation and maintenance of a competitive economic context, in which merit can be promoted and shared value can be created, contributing to the area and community development. Intesa Sanpaolo aims to be a reliable, qualified contact for regulators, dealing with them in a transparent manner and helping to develop the regulatory context through the identification of common objectives for banks and stakeholders. The Group actively supports the United Nations' Global Compact principles that envisage the development of activities to combat corruption, protect human rights and respect the environment.

The Group also focuses in particular on developments in international tax legislation steered by the OECD to offset tax evasion and the transfer of profits from high-taxation to low-taxation countries, with a steadfast commitment to adopting the principles.

## HOW IT IS MANAGED

Intesa Sanpaolo complies with rules through all company members/areas – corporate bodies, company control functions and operating and business functions – working together, based on principles and standards of conduct which are set out in governance documents and incorporated in the Bank's operating procedures, and that are observed by all employees. Specific provisions are issued for more sensitive areas (anti-money laundering, anti-corruption, taxation, anti-trust, privacy, fairness in customer relations, etc.).

Training is provided on internal regulations and operating procedures to familiarise Bank personnel. The regulations and procedures are revised on a regular basis to align them with company operations and legal developments and are periodically verified by control functions to ensure they are actually complied with.

## DEPARTMENTS/FUNCTIONS IN CHARGE

Parent company corporate bodies are responsible, each to the extent of their own duties and prerogatives, for ensuring the suitable monitoring of compliance risk to which the Group is or could be exposed.

The Chief Compliance Officer, acting independently from operating structures and separately from the internal audit function, oversees monitoring of the non-compliance risk at a Group level. In particular, regulations on anti-money laundering, embargoes, armaments, anti-terrorism and anti-corruption are monitored by the Anti-Money Laundering Department, while for specific regulatory areas, the Chief Compliance Officer is assisted by other company structures with specific expertise such as the Antitrust Affairs and Strategic Support Sub-Department (for regulations on competition), the Safety and Protection Department (for aspects concerning privacy, environmental protection and occupational safety), and the Tax Sub-Department and Labour Policies Sub-Department. For all areas, the Internal Auditing Department controls the regular nature of operations and the adequacy and efficiency of monitoring, proposing any corrective actions required.



## RELATED TOPICS

Customer protection and responsible sales	page 67
Prevention of corruption	page 82
Prevention of money laundering	page 82
Compliance with tax regulations	page 83
Protection of privacy	page 83
Protection of free competition	page 83
Litigation	page 84

## RESULTS ACHIEVED IN 2016

Intesa Sanpaolo has established organisational measures and procedures over time to prevent money laundering risk, and during the year a project was started to consolidate corruption risk management, leading to the approval of Guidelines on Anti-Corruption and the Identification of a Group Anti-Corruption Officer in March 2017.

As for measures to protect customers “Group Guidelines for the management of claims, derecognition, appeals filed with the supervisory authorities and with alternative settlement bodies” were adopted to define the model and reference principles for evaluating and managing these cases at a Group level.

Internal regulations on tax compliance were issued to ensure that regulations are met in the development of products and services, structured operations and advisory activities as a whole. The Group continued to combat transactions in countries with little transparency and/or concerning particularly complex corporate structures with limited transparency in terms of ownership structures. In this framework, a tax function has been set up to control tax compliance processes and, along with other Tax Sub-Departments, specific documents on the Group’s tax strategy are being formalised, as well as procedures for joining the “cooperation scheme” (a tax authority scheme to help taxpayers identify tax risks) with the financial authorities, to help promote relations based on cooperation, transparency and mutual trust.

Since the start of 2016, an internal reporting system (whistleblowing) has been in place for personnel to report actions or events that may constitute infringements of banking regulations.

The monitoring of the risk of compliance with competition protection rules has been further expanded and consolidated, to include EU regulations on state aid and Italian regulations supporting the competitiveness of the Italian system.

With regard to the protection of privacy, Intesa Sanpaolo ensures that personal data are collected and processed in accordance with legal provisions and principles in the Code of Ethics. All Group personnel receive training and updates on this issue, through mandatory and voluntary initiatives online, and in classroom sessions and activities focused on specific areas.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

### Indicators

### 2016 Results

Specialist training to prevent corruption and money laundering

37,269 trained employees (42% of the total)  
 164,326 hours of training (4.2% of the total)

Whistleblowing

22 reports, all followed up, of which 3 were identified as not relevant; specific investigations were started for the remaining 19 reports

# Human resource development and management

## WHY THIS ISSUE IS SIGNIFICANT

The 2014-2017 Business Plan considers personnel empowerment and motivation as a fundamental driver for achieving the Group's strategic objectives. Through a new and more balanced internal cohesion, managers are required to create an environment that is motivating, facilitating, based on trust and encouraging individual engagement, enhancing diversity. Training plays a crucial role in supporting development, company reorganisation and improved customer service, including necessary expertise to assess the social and environmental impact of operations. Intesa Sanpaolo promotes engagement with employees and bases industrial relations on principles of fairness and respect for roles, with the aim of finding mutual solutions aimed at growth, competitiveness and sustainability. An important Business Plan objective is the reallocation of 4,500 members of staff in order to achieve strategic plans, without cutting jobs. This objective was further confirmed in agreements which led to the signing of a protocol for the Group's sustainable development in February 2017, which also defined new tools and solutions for a better work/life balance, combined with a socially responsible approach to developing business strategies and people empowerment.

## HOW IT IS MANAGED

Through an integrated system of internal regulations, widely-distributed multichannel communication and effective training at all levels of knowledge and awareness, human resources are supported in their current and future career paths. Trade unions are involved and informed about relevant company projects in a timely fashion and by disseminating information with an approach that goes beyond meeting current regulations and instead targets an overall vision and shared awareness to identify converging solutions. This ongoing dialogue has led to a joint company/trade union "Welfare, Safety and Sustainable Development Committee" being set up, with the aim of developing joint solutions to improve employees' welfare and business productivity.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Chief Operating Officer is responsible for defining Group Human Resources guidelines and policies. The Human Resources Department has specific responsibility, and comprises the "Personnel Management and Recruitment", "Performance Systems, Remuneration and Labour Costs", "Employment Policies", "Intergroup Mobility" and "Executives and Talent Management" functions, to which "Training, Managerial Development and Managers' School" and "Personnel Administration" functionally report.

## RELATED TOPICS

The quality of life in the company	page 91
Job protection	page 103
Employee enhancement	page 104
Fairness and variable remuneration	page 106
The value of diversity	page 106
Training	page 107

## RESULTS ACHIEVED IN 2016

Development and reorganisation programmes designed to protect employment and strengthen market competitiveness, also through service and product innovation, were adopted.

The scope of the On Air platform for dedicated actions supporting professional development, motivation and consolidation, was extended.

Intesa Sanpaolo used the new Performer 2.0 appraisal system, which is based on qualitative performance indicators that are more concrete and in tune with the language used by employees. Merit was recognised with the Variable Results Bonus, which is given for the professionalism and commitment shown by all Group personnel in developing the Business Plan according to principles of transparency and inclusion.

Intesa Sanpaolo's approach to promoting diversity continued to focus on inclusion and non-discrimination, targeting in particular personnel management policies and the development of a work/life balance programme. The promotion of talent and leadership, the consolidation of motivation and a sense of belonging were behind activities carried out prior to planning the "ISP International Talent Programme", which will be developed during 2017. Training was central to transferring expertise and creating a culture based on ongoing training (before, during and after classroom sessions). More than 3.9 million training hours were provided overall (44 training hours per person).

Important company welfare initiatives were taken, including: the continuation of the "Flexible Work" project, involving an increasing number of entities and people throughout the Group; the "Time Bank"; measures for maternity and paternity leave; measures to help staff working in distant locations and with particular personal needs to move closer to their homes.

A single Pension Fund was also set up with defined contributions from the Group, incorporating nearly all equivalent funds, as well as the Healthcare Scheme Fund which provided healthcare cover amounting to more than 140 million euro and reimbursed 200,000 scheme members.

A focus on people encouraged an inclusive and coherent working climate. Climate analysis carried out in the year involved all Group personnel, with the number of participants from professional areas and middle managers in Italy going up compared to 2014, from 51.3% to 55.2% and satisfaction indexes improving (in Italy, this figure stood at 78% compared to 67% in 2014; figures were mainly stable for international areas: 77% in 2016 and 78% in 2014).

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2016 Results	2017 Objectives cumulative value 2014-2017
Personnel expenses	5.3 bn in 2016 15.7 bn cumulative value 2014-2016	~21 bn
Human resources reabsorbed in the professional reallocation	270 in 2016 4,500 cumulative figure 2014-2016	4,500
Training Days and teaching (classroom, mentoring, remote training and Web TV)*	1.3 m in 2016 3.8 m cumulative figure 2014-2016	5 m
Development: Managerial assessments	In Italy 661 For international banks 286 From 2014 to 2016 in Italy 2,882	Career advancement paths for employees to be assigned to coordination duties
<ul style="list-style-type: none"> <li>▪ Flexible work No. of members</li> <li>▪ Members of ALI</li> <li>▪ Services provided by the Healthcare Scheme Fund</li> </ul>	<ul style="list-style-type: none"> <li>▪ Flexible work: more than 5,700 members of staff at 13 Group companies</li> <li>▪ ALI members: approximately 125,000</li> <li>▪ Healthcare Scheme Fund: over 200,000 members with over 140 million of contribution provided</li> </ul>	Promoting a work/life balance for greater cohesion among people, innovation development and service excellence

\* Actual training days provided. Includes training of personnel no longer working at 31/12 of the reporting period.

# Offering valued service to customers

## WHY THIS ISSUE IS SIGNIFICANT

To contribute to the wellbeing and progress of the community where it operates, Intesa Sanpaolo strives to provide an outstanding, reliable service, guaranteeing diversified support for different customer categories and promoting customer relations, through in-depth, systematic engagement, customer satisfaction surveys and an effective claims management process. This approach meets customers' needs for trust and proximity and paves the way for an overall growth strategy.

The service models adopted focus on customer needs and the business approach is geared towards advisory services that promote informed purchases. Special attention is paid to people with disabilities, to ensure full access to services.

The Group operates with a truly multichannel model to make banking services increasingly available, in a simple, efficient, flexible manner and at lower cost, providing multiple virtual contact points and greater accessibility of services. Intesa Sanpaolo promotes innovation and research and analyses innovative solutions available on the domestic and international markets to identify opportunities for growth, also through partnerships with universities and research centres.

## HOW IT IS MANAGED

Customer relations, customer satisfaction, claims, multichannel services and innovation are all monitored through internal regulations and operating procedures that comply with applicable laws, and also through dedicated processes and specific service models. Results are tracked and assessed over time during improvement processes.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The marketing functions of Business Units define the commercial model for customer relations and methods for analysing satisfaction, managing claims and developing new initiatives. Head Office Sub-Departments assist Business Units' for areas in their responsibility.

In particular, the Savings Working Group of the Banca dei Territori Division, chaired by the Division Manager, is a technical body, with an advisory and decision-making role, dealing with asset management issues for retail and business customers.

Innovation is overseen by the Chief Innovation Officer department, which defines strategies and guidelines and identifies development opportunities for the Group and its customers.

## RELATED TOPICS

Customer proximity through all relational channels	page 84
Accessibility	page 86
Customer experience	page 86
Innovation for growth	page 111
Smart Biz	page 112
Smart Bank	page 113
Smart People	page 117

## RESULTS ACHIEVED IN 2016

The Business Plan puts customers at the very centre of the new service model. The branch model, offering open flexible places, has been extended to include advisory services with digital channels to make customers feel “at home”. The “Insieme per la Crescita” (Together for Growth) programme, focussing on relational and behavioural skills, has improved customer and people satisfaction, through service quality and a new branch experience. This change was measured by customer and employee satisfaction, using the branch barometer (a synthetic rating of 7.7 on a scale from 1 to 10, with over 230,000 questionnaires collected). The contract digitalisation project, which reached the target of using only electronic or digital signatures, helped improve customer satisfaction; waiting times were decreased, filing was streamlined, cost savings achieved and the environmental footprint was reduced.

Better conditions to access services were achieved with the Online Branch and development of a multichannel approach (6.4 million customers, up by around 1.6 million since the start of 2014). International banks (above all Alexbank, CIB Bank and Privredna Banka Zagreb) developed a cutting-edge platform to access services through digital and physical channels (Digital).

Customer experience surveys were revised, to include the “SElok Excellence System” in new indicators, which measures the service quality provided by branches for an easier identification of areas for improvement.

To support competitiveness, expertise and innovation in business, the Group provided training for SMEs (extending the “Skills4Business” programme with the introduction of “Digital4Export” on digitalisation and internationalisation), and implemented technological services (advisory services for sectors/technologies of excellence, support for new local economy projects and for start-ups with a considerable potential for growth, digital platforms for contact between “innovation creators” and potential users).

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2016 Results	2017 Objectives
Insieme per la crescita	Approximately 4,000 branches involved Branch barometer: synthetic rating of 7.7 Over 220,000 questionnaires	Customer and employee satisfaction and performance improvement
Systematic identification of the Net Promoter Score through web and telephone surveys	Approximately 400,000 ratings from retail and personal customers and 50,000 ratings from business customers NPS Retail: 8 NPS Businesses: 18 Surveys started in 2016	Developing Customer Experience Leadership through: - insight collected from NPS surveys in the Bank's operating and commercial processes; - initiatives to consolidate relations with requesting customers
Systematic Customer Experience surveys	Email and text message alerts to retail and businesses customers on the sale of products, advisory services and cash transactions. A target of approximately 2 million customers and around 250,000 ratings given Net satisfaction index: 45 (41 in 2015)	Measuring satisfaction perceived by customers for all customer/bank points of contact and channels (branch, online, telephone and chat) and improving customer experience
Maintenance of the average response times to customer complaints and claims (parent company) in line with reference regulations (RR)	Investment activities Claims: 41 days (versus RR 90 days; 46 days in 2015) Appeals: 39 days Banking and financial services Claims: 19 days (versus RR 30 days; 19 days in 2015) Appeals: 18 days	Keeping performance indexes high when listening to customers
Digitalisation of contracts	The target of eliminating hard copy signatures at all Retail and Personal branches was reached Approximately 8.3 m dematerialised transactions in 2016	Reducing waiting times, streamlining processes and improving service quality
Integrated multichannel development*	6.4 m multichannel customers (+1.6 m from the start of 2014)	7.9 m multichannel customers

\* In Italy, natural persons and legal entities (not including Fideuram Intesa Sanpaolo Private Banking).

# Access to credit and asset management

## WHY THIS ISSUE IS SIGNIFICANT

The Intesa Sanpaolo Group guarantees products and services that promote financial inclusion and access to credit. The correct allocation of resources and ability to identify local players with whom agreements and synergies can be developed facilitates inclusion, also for vulnerable people, preferring counterparties that meet requirements in terms of repayment capacity.

Asset management is also targeted by innovation, with the development of customer services offering investment as well as forms of protection and welfare – which are an increasingly important factor for the long term wellbeing of households. Intesa Sanpaolo's portfolios include funds which adopt selection criteria based on Principles for Responsible Investment, also with a view to generating sustainability dynamics in businesses and customer choices.

## HOW IT IS MANAGED

Intesa Sanpaolo acts on an ongoing basis to continually develop processes, rules and tools to manage credit using rating systems integrated with quality and forward-looking aspects and a proactive approach to preventing non-performing loans.

Intesa Sanpaolo steers, governs and supports the Group in coordinated action, based on Powers, Rules for Concession and Management and detailed Operating Procedures . With regard to Third sector customers, a rating model has been developed that is better suited to the characteristics of this type of customers.

Clear and specific positive and negative selection criteria are adopted for ethical investment funds, for securities to be included in the portfolio, with the supervision of an external, independent Sustainability Committee.

## DEPARTMENTS/FUNCTIONS IN CHARGE

Risk management and control are monitored by corporate bodies, and coordinated by the Chief Risk Officer (for risk management) and by the Chief Lending Officer (for Group credit risk and management), reporting directly to the Chief Executive Officer.

These areas of central responsibility support Business entities and other functions involved in the credit process, with the aim of making credit disbursement, management and control more efficient and effective.

As for asset management, "Group Product Governance Guidelines on financial and banking products for retail customers" have been defined, updating the legal and organisational framework for a fully comprehensive and unique approach to rules on customer relations and the conduct to adopt for retail proposals.

## RELATED TOPICS

Support for the business system	page 60
Offering investments based on sustainability criteria	page 65
Customer protection and responsible sales	page 67
Financial inclusion and economic empowerment	page 68
Loans and services for the green economy	page 122

## RESULTS ACHIEVED IN 2016

The key objective of the Business Plan is to develop the real economy and communities where the Group operates. Actions to promote access to credit continued, with initiatives to offer micro-credit and combat usury, totalling around 76 million euro. Various solutions for young people and households were offered, including "Mutuo Giovani", a mortgage with special conditions for first home buyers and "Per Te Prestito con Lode", loans and agreements to support university students. To protect economic stability and safeguard people and households in difficult situations, several insurance solutions were made available (the "ProteggiMutuo", "Mi curo dei miei", "Tu dopo di Noi", "Offerta Salute" policies for mortgage protection, life and health insurance).

To support the business system, the "Entrepreneurship Micro-Credit Loan" was launched for small businesses, which does not require collateral and uses a special part of the Guarantee Fund for SMEs of the Ministry for Economic Development. The "Production Chain Development" programme improves credit access conditions for investments in industrial production chains with a new risk assessment that takes into account quality aspects. Partnerships with trade associations (Confindustria Piccola Industria, Confindustria, Confcommercio, Confagricoltura, and Coldiretti) promoted investments in fixed and intangible capital, above all in research, innovation and training.

Support for the start-up of Italian businesses (Intesa Sanpaolo Start-Up Initiative to promote new companies with a high technological content) and companies investing in innovation and research ("Nova+" programme) was considerable.

To promote the growth of large companies and Groups on international markets, the Corporate and Investment Banking Division put in place an extensive reorganisation process to include advisory services and specialist, focussed products (Transaction Banking, with specific reference to support for Cash Management and Trade Finance) as part of international network assistance (available in over 40 countries).

Activities to support the Third sector and social economy continued with new medium and long term loans in support of social enterprises for approximately 200 million euro. In November 2016, Banca Prossima was awarded Certified Benefit Corporation (B-Corp) certification, demonstrating the benefits it has generated for the community.

As regards asset management and sustainable investment products, Eurizon Capital and Banca Fideuram offer socially responsible investment solutions. In particular, Eurizon Capital has developed asset management products in line with Principles for Responsible Italian Stewardship Principles for exercising administrative and voting rights in listed companies it has invested in.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2016 Results	2017 Objectives cumulative value 2014-2017
New medium/long term credit granted to the real economy	56 bn in 2016 137 bn cumulative figure 2014-2016	Approximately 170 bn
New medium/long term credit granted to social enterprises	0.2 bn in 2016 0.6 bn cumulative figure 2014-2016	Approximately 1.2 bn
Loans for initiatives with a high social impact	4.6 bn in 2016 More than 11.4 bn cumulative figure 2014-2016	Support for vulnerable social groups
Nova+ loans for business innovation	46.5 m in 2016 More than 245 m cumulative figure 2014-2016	Support for companies that create innovation



# Climate change

## WHY THIS ISSUE IS SIGNIFICANT

Climate change is far reaching, with consequences that not only affect the “environment”, but can have considerable repercussions on social dynamics and on future generations. It is worldwide in scope and rapidly evolving, involving all components of the environment, society and all aspects of the economic system, with considerable impact on customers, households, the community and consequently on the overall operations of the Group.

Intesa Sanpaolo, aware that the fight against climate change calls for a clear, effective strategy, has adopted an Environmental and Energy Policy which mainly focuses on reducing its ecological footprint and protecting the ecosystem, supporting research and innovation for improving energy performance, analysing risks and climate change opportunities, in order to incorporate them in company policies. In this context, the Group pursues qualitative and quantitative improvement objectives, to help offset the effects of climate change at both a social/environmental and business level. In particular, Intesa Sanpaolo has produced a Long Term Action Plan for Environmental Sustainability since 2009, for its long term objectives, in order to reduce risks and environmental impact and also decrease energy use and climate-altering emissions.

Through green finance activities and the development of innovative products and services, Intesa Sanpaolo supports its customers in reducing their ecological footprint and responding effectively to the pressure of environmental challenges.

## HOW IT IS MANAGED

Fighting climate change is a commitment to environmental sustainability set out in the Code of Ethics. Environmental and energy policy rules and specific policies originating from these establish standards and behaviour to adopt to focus on climate change. The scope refers to both direct impact on the environment deriving from the Bank's operations, for which a certified Environmental Management System has been adopted and Energy Manager and Mobility Manager positions established, and indirect impact deriving from customers and suppliers. The Intesa Sanpaolo Group carefully monitors risks relating to climate change to promote a behaviour that helps reduce and develop a culture focussed on prevention. The monitoring of these risks is based on processes in the Code of Ethics, the Environmental Management System and Sustainability Report that make it possible to identify objectives and action plans for the management and mitigation of these risks.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The CSR Sub-Department monitors the Group's social and environmental responsibility areas, planning, managing and monitoring sustainability policies and tools. This function reports, through the Chief Governance Officer, to the Managing Director and CEO and to the Board of Directors and works with a network of contacts at various entities of the Group in Italy and abroad. The Safety and Protection Department, reporting to the Managing Director and CEO, is responsible for governing the Environmental and Energy Management System adopted by the Group, monitoring direct and indirect impact and promoting improvement objectives, guaranteeing that international ISO certification is maintained in conjunction with relevant entities.

## RELATED TOPICS

Management of social and environmental risks in loans	page 56
Climate change: management of potential environmental risks and impact	page 120
Loans and services for the green economy	page 122
A green culture and initiatives	page 124
Environmental aspects	page 126

## RESULTS ACHIEVED IN 2016

Intesa Sanpaolo is committed to environmental sustainability, also through green products and services. In this context, the Group continued to provide financing in the field of renewable energy, energy savings and environmental protection, with measures for individual customers, enterprises and the Third sector. Loans for over 1.7 billion euro were disbursed in 2016.

As for customer advisory services, Mediocredito Italiano's Energy Desk continued its specialist activities to analyse projects in the renewable energies sector, supporting the Group's commercial network.

Support for investments in research and technological innovation to tackle climate change was also considerable. The Intesa Sanpaolo Start-Up Initiative Programme continued to promote business initiatives with a high technological content, with a particular focus on the Clean Tech sector and Circular Economy. Environmental risk assessment in the loan process is ensured by Equator Principles screening and internal credit rating (see the section "Management of business risk", page 53).

As regards the management of direct impact on the environment, action continued to improve overall energy efficiency and reduce CO<sub>2</sub> emissions. In Italy, around 97% of electricity used came from renewable sources, certified by a Guarantee of Origin, and with over 1,000 MWh produced from the Group's own photovoltaic plants. Thanks to feed-in tariffs and the fact that no electricity was bought, the photovoltaic plants at Moncalieri, Settimo Torinese and Sarreola di Rubano generated savings of around 298,000 euro. The Environment and Energy Management System, certified to ISO 14001 and ISO 50001 and, for the reporting of greenhouse gas emissions, to ISO 14064, continued to be extended in Italy. With the inclusion of the New Headquarters in Turin, the System is now in place at more than 200 operating units. In 2016, the Hungarian Bank CIB Bank was awarded ISO 50001 certification for all 85 sites.

The reduction in the Group's electricity and heating use, equal to 6.7%, generated an estimated economic return of over 800,000 euro and tax relief of around one million euro.

For sustainable mobility, the number of agreements with public transport companies, and car and bike sharing services, was increased.

89% of all paper purchased was eco-friendly paper. Dematerialisation programmes made it possible to avoid using around 2,700 tonnes of paper, with fewer CO<sub>2</sub> emissions of over 4,300 tonnes and savings of around 3 million euro.

Awareness of environmental issues was developed internally, with training courses (a new course on waste management in Intesa Sanpaolo branches on the e-learning platform "Ambientiamo"), and externally, with customer notices and participation in numerous national and international events.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2016 Results	2016 Objectives	2017 Objectives
Electricity consumption in Italy compared to 2012	19.9% reduction	17% reduction	20% reduction
Purchase of eco-friendly or recycled paper in Italy	93%	98%	98%
Group indirect emissions (Scope2 – location based) compared to 2012	13.5% reduction	13% reduction	14% reduction
Extension of "other indirect emissions" reporting (Scope3)	The reporting scope of Internet banking transactions was extended to include international banks	Gradual expansion of the scope and improvement in reporting	
Environmental certification	The New Turin Headquarters (approximately 2,000 people) was included in the sample and CIB Bank (Hungary) was awarded ISO 50001 certification	The number of sites with UNI EN ISO 14001, UNI CEI EN ISO 50001 and UNI EN ISO 14064 certification was extended	The system was extended to another 25 operating units in Sicily, Tuscany, Umbria and Emilia and aligned with the new ISO 14001:2015 standard

# Adoption of international standards and commitments



## Global Compact [i]

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



## Equator Principles [i]

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



## 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. Membership of the Carbon Disclosure Project requires the disclosure of greenhouse gas emissions and the corporate strategies implemented to manage issues regarding climate change. The Intesa Sanpaolo Group is part of the CDP as a signatory through Eurizon Capital SGR and the Intesa Sanpaolo Group Pension Fund.



## Global Reporting Initiative [i]

An organisation which develops sustainability guidelines recognised at a global level through a multi-stakeholder process. Intesa Sanpaolo has been accredited as an Organizational Stakeholder of GRI since 2010.



## London Benchmarking Group [i]

An internationally recognised reporting standard on the community investments of businesses.

Signatory of:



## PRI - Principles for Responsible Investment [i]

Investment sustainability principles established from the partnership between UNEP-FI and Global Compact. The Intesa Sanpaolo Group supports the principles as a signatory through Eurizon Capital SGR and the Intesa Sanpaolo Group Pension Fund.

# Global Compact: the 10 principles of the United Nations

Intesa Sanpaolo participates in the Global Compact Advanced Programme and reports on actions taken in compliance with its commitments in the “Advanced Level” disclosure available on the Global Compact website.

	The 10 Principles	Performance Indicators
<b>Human rights</b> [i]	1. Promote and respect the protection of internationally proclaimed human rights within their spheres of influence	Human Rights: G4-HR2 (Investments), G4-HR8 (Rights of Indigenous Peoples), G4-HR9 (Assessment), G4-HR12 (Human Rights Grievance Mechanisms) Society: G4-SO1, G4-SO2 (Local Communities)
	2. Make sure that they are not complicit, albeit indirectly, in human rights abuse	Human Rights: G4-HR1 (Investment)
<b>Job protection</b> [i] [i]	3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	Organisational profile: G4-11 (Employees covered by collective bargaining agreements) Human Rights: G4-HR4 (Freedom of Association and Collective Bargaining) Labour: G4-LA4 (Labour/Management Relations)
	4. Eliminate all forms of forced or compulsory labour	Human Rights: G4-HR6 (Forced or Compulsory Labour)
	5. Ensure the effective abolition of child labour	Human Rights: G4-HR5 (Child Labour)
	6. Eliminate all forms of discrimination in employment and occupation	Organisational profile: G4-10 (Employees by type) Economic: G4-EC5, G4-EC6 (Market Presence) Labour practices and decent work: G4-LA1, LA3 (Employment); G4-LA9, G4-LA11 (Training and Education); G4-LA12 (Diversity and Equal Opportunity); G4-LA13 (Equal Remuneration for Women and Men) Human Rights: G4-HR3 (Non-discrimination)
<b>Environmental</b> [i]	7. Support a precautionary approach to environmental challenges	Economic: G4-EC2 (Economic Performance) Environment: G4-EN1 (Materials); G4-EN3 (Energy) G4-EN8 (Water); G4-EN15, G4-EN16, G4-EN17, G4-EN21 (Emissions); G4-EN27 (Products and Services) G4-EN31 (Overall)
	8. Undertake initiatives to promote greater environmental responsibility	Environment: G4-EN1, EN2 (Materials); G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7 (Energy); G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21 (Emissions), G4-EN23, (Effluents and Waste); G4-EN27, (Products and Services); G4-EN29 (Compliance); G4-EN30 (Transport); G4-EN31 (Overall); G4-EN34 (Environmental Grievance Mechanisms)
	9. Encourage the development and diffusion of environmentally friendly technologies	Environment: G4-EN6, G4-EN7 (Energy); G4-EN19 (Emissions); G4-EN27 (Products and Services); G4-EN31 (Overall)
<b>Corruption</b> [i] [i]	10. Promote initiatives to work against corruption in all its forms, including extortion and bribery	Ethics and Integrity: G4-56, G4-57, G4-58 Society: G4-SO3, G4-SO4, G4-SO5 (Anti-corruption); G4-SO6 (Public Policy)

# Intesa Sanpaolo's Commitment to the Sustainable Development Goals of the United Nations

Intesa Sanpaolo is a member of the business communities that support the United Nations' Sustainable Development Goals. Recognising the close connection of some of these objectives with its own business, Intesa Sanpaolo has identified the most significant projects and activities already in progress, witnessing their contribution to the generation of positive change at a global level.



## BANK THE UNBANKED

Over the years, Alexbank has developed several products dedicated to individuals who would have no access to banking to improve living and working conditions in the poorest areas of the country. This commitment is part of a dedicated project – “Bank the Unbanked” – which provides for the development and integration of three lines of intervention for this type of customer: micro-deposits, which include new savings products at attractive rates, a dedicated debit card and the halving of charges on all additional services (more than 700 accounts opened, with deposits of nearly 177 thousand euro); expansion of micro business, with a network of local supporting specialists; creation of a mobile wallet platform. Moreover, the offer to support small and very small businesses, available since 2008 with several dedicated branches, operating in close contact with these individuals to help them develop their business, continued. Overall, micro-credit activities led to around 38 million euro of loans in 2016 (45.6 million euro in 2015). See page **75**

**Material issue:** financial inclusion and economic empowerment

**Business issue:** access to financial services



## USE OF RENEWABLE SOURCES

In 2016, 80% of the electricity used by the Intesa Sanpaolo Group, which is committed to gradually reducing its dependence on fossil fuels, came from renewable sources. In particular, in Italy, the percentage reached was equal to around 97%, with over 110,000 tonnes of CO<sub>2</sub> per year avoided, thanks to the use of electricity certified with a Guarantee of Origin from renewable sources, and own production of over 1,000 MWh from photovoltaic plants. The cogeneration plant at the Parma EDP centre produced a limited amount of energy, equal to around 3% of total consumption in Italy. See page **127**

**Material issue:** Climate change

**Business issue:** renewable energy



## INTESA SANPAOLO'S EMPLOYMENT PROTECTION

Employment is one of the priority areas in which we are working to motivate and engage people in terms of flexibility, efficiency and productivity. An important objective of the 2014-2017 Business Plan is the reallocation of 4,500 members of staff in order to achieve strategic plans, without cutting jobs.

In 2016 the Group recruited 4,100 people (1,098 in Italy and 3,023 abroad). At a Group level the number of female staff accounted for 54% (53% in 2015) and investment in the future through the introduction of young resources continued in line with company objectives. See page **103**

**Material issue:** job protection policies

**Business issue:** employment

## EMPLOYMENT, TRAINING AND PROMOTION OF NEW ENTREPRENEURSHIP

Intesa Sanpaolo is a strategic partner to Piccola Industria Confindustria in the “AdottUP” project for the adoption of start-ups. It turns the best entrepreneurial ideas into sustainable businesses thanks to the training provided by established companies which become their “tutors” and guide them through their development. As part of funding for new business activities, 235 initiatives were supported in 2016, for 87.6 million euro, of which 46.5 million earmarked for 48 start-ups for research and development projects with Nova+ funding. See page **63**

**Material issue:** support for the business system

**Business issue:** youth employment



### TECH MARKETPLACE

This promotes interaction between start-ups, SMEs and large companies, allowing technological start-ups and SMEs to offer their innovations to larger firms, thereby facilitating the meeting of supply and demand for technological innovation, with the aim of creating partnerships, commercial agreements and acquisitions. In 2016, the platform had over 5,000 businesses on the demand side, and over 1,200 profiles on the technological supply side comprising start-ups and tech SMEs grouped into about ten different sectors, including energy, software, telecommunications, transport, the food and agricultural industry and fashion. See page 112

**Material issue:** support for the business system

**Business issue:** research and development



### THE MANAGEMENT OF ENVIRONMENTAL EMERGENCIES

Intesa Sanpaolo's strategy includes actions to adapt to climate change that has already taken place. In recent years we have witnessed extreme atmospheric events at a global level that have had considerable impact on the Bank's structures and on the activities and daily lives of customers. Knowing how to assess and manage these risks is therefore increasingly important. In particular, Intesa Sanpaolo supports families and economic operators damaged by bad weather and climatic emergencies, through specific loans with favourable terms and the suspension of repayments on existing loans. See page 120

**Material issue:** Climate change

**Business issue:** risks and opportunities deriving from Climate change

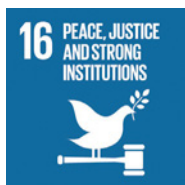
### LOANS FOR THE GREEN ECONOMY

Loans for corporate, small business and retail customer segments wishing to invest in energy savings and renewable sources continued in 2016.

Over 1.7 billion euro was disbursed, accounting for 3.1% of total loans. See page 122

**Material issue:** Climate change

**Business issue:** risks and opportunities deriving from Climate change



### PREVENTION OF CORRUPTION

The Bank has adopted strict internal procedures over time to prevent the risk of corruption and extortion. In addition to specific provisions in the Code of Ethics, the Group's Internal Code of Conduct and the Compliance Programme pursuant to Legislative Decree 231/2001 on the administrative liability of entities, a detailed set of internal regulations has been established, which all personnel must be familiar and comply with. These regulations govern in detail corporate processes that may potentially lead to this type of offence being committed. The Compliance, Audit and Internal Control Departments must ensure ongoing consistency between the control and conduct principles on corruption in the Compliance Programme and internal regulations in force, also ensuring compliance with said principles. In 2016, a specific anti-corruption project was set up to consolidate the internal monitoring of customer and Bank activities, with the approval of Guidelines on Anti-Corruption and the Identification of a Group Anti-Corruption Officer in March 2017. See page 82

**Material issue:** integrity and rigour in corporate conduct

**Business issue:** anti-corruption



## Awards and inclusion in indexes

Intesa Sanpaolo is in several sustainability indexes, where selection is based not only on financial performance but also on social and environmental performance (ESG analysis).



### DJSI World and DJSI Europe [i]

Selection is dependent on an annual assessment carried out by Robeco SAM, with a best-in-class criterion based on three aspects: economic and governance, social and environmental. Intesa Sanpaolo received the 2017 Bronze Class Sustainability Award.



### FTSE4Good Global and FTSE4Good Europe [i]

The analysis conducted uses only publicly available information on the three ESG areas, with assessment in 14 sectors and the use of approximately 350 indicators.



### CDP "A list 2016" [i]

This includes 193 listed companies chosen for their advanced approach to mitigating climate change.



**MSCI Global Sustainability**, with assessment based on the three ESG areas.  
**MSCI Low Carbon**, for which carbon emissions are assessed [i].



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

Inclusion is based on an assessment conducted on the three ESG areas and also includes analysis of any disputes.



### Ethibel Excellence Investment Register (Ethibel Excellence Index Global and Europe) [i]

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



### UN Global Compact 100 stock index [i]

This includes the 100 companies adhering to the ten principles of the UN Global Compact and which stood out at a global level both in terms of their attention to sustainability issues and in terms of their performance in the financial sector.



**Standard Ethics Italian Banks**, with assessment based solely on corporate governance, **Standard Ethics Italian** on corporate social responsibility and corporate governance. The title is assigned a rating equal to EE on a scale from EEE to E- [i].



### ECPI Indices [i]

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



### Diversity and Inclusion index (D&I) - Thomson Reuters [i]

This index includes over 4,000 listed companies and measures their performance in terms of diversity, inclusion and professional development. Intesa Sanpaolo was ranked 28<sup>th</sup>.

### STOXX® Global ESG Leaders index [i]

The index includes companies that are leaders worldwide in terms of environmental, social and governance criteria, based on ESG indicators provided by Sustainalytics. Intesa Sanpaolo obtained a rating of A, compared to a sector average of C.



Intesa Sanpaolo gained numerous awards. The classification produced by Corporate Knights in January 2017 on sustainability performance ranked Intesa Sanpaolo 20 on the list of the most sustainable companies worldwide, and the first company in Italy. The Group's environmental commitment was recognised with its inclusion in the 2016 Newsweek Green Rankings, and with the "Industry Carbon Leader 2016" award from ET Index Research. The Group's commitment to people and inclusion was recognised with the "2016 Diversity & Inclusion Award Diversitalavoro" while its "Flexible Work" project received a mention of merit in the Italian Association for Financial Innovation AIFIn Award and an award during the ITC trade show, SMAU.

Intesa Sanpaolo was also recognised for its ability to innovate, receiving the Italian Association for Financial Innovation's "Cerchio d'Oro dell'Innovazione Finanziaria" financial innovation award, for its projects on Customer Experience and New Branch Layouts (Distribution Channels and Customer Experience category), and obtaining a mention of merit for the project Digital Factory - Innovating and digitalising Bank processes.

## THE OPERATING CONTEXT



# Economic and social scenario

## ECONOMIC TRENDS IN 2016

In 2016, the world economy continued its moderate growth trend. Commodity prices picked up. The outcome of the UK referendum on staying in the European Union led to a considerable depreciation in the pound. In the United States, growth in employment and income continued at a steady pace. In December, the Federal Reserve raised official rates by 25 base points. Asia was the most dynamic region of emerging economies, even though the growth rate slowed down in India and China, while Latin America and CSI countries reported a further downturn in GDP. In the euro area, the annual variation in GDP was just above 1.5%, which was sufficient for a progressive fall in the unemployment rate. Inflation gradually rose to 1.1%. In March, the ECB cut the deposits rate to -0.40%, the main refinancing rate to zero, and marginal lending rate to 0.25%. It increased the scope of the purchase programme to 80 billion a month and the duration to the end of 2017. A new long term refinancing programme, TLTRO II, was also launched. The euro/dollar exchange rate fluctuated considerably during 2016: appreciation was followed by a gradual weakening, to close the year at 1.05.

In Italy, economic growth came to a near standstill in the second quarter, picking up in the rest of the year. The annual variation in GDP was 1% throughout 2016, for calendar-adjusted values and +0.9% for raw data. Industrial production continued to increase and employment went up for the third year running, to +1.3% from +0.8% in 2015. However, the rate of unemployment only decreased slightly (from 11.9% to 11.7% on average per year), due to an increase in the labour force participation rate (the rate of activity went up from 64.1% to 64.9%, reaching a new record high). The youth unemployment rate fell to a greater extent, although figures were still high (37.8% on average in 2016 against 40.4% in 2015). However, the positive effect of welfare cuts for new fixed-term employment on permanent employment figures diminished during the year (reduced by 40% compared to the previous year). On an international level, the Italian economy maintained a considerable surplus in current items of the balance of payments.

As for tax policies, the public deficit in relation to GDP improved compared to 2015, however the debt/GDP ratio grew marginally. The spread for German debt went up, above all due to the uncertainty of the referendum of 4 December and banking system tensions. The quick resolution to the government crisis

which followed, and extension of the ECB purchase programme reassured investors, even though various rating agencies revised their debt outlook downwards. The BTP-Bund differential, for a ten-year maturity, closed at 162 bps, up by 68 bps from June. The spread for Italian public debt reached an all-time low of 1.05% on 14 August, closing the year at 1.83%.

## THE CREDIT MARKET

Bank loans for the private sector picked up in 2016, albeit at a moderate pace, reaching around 1% in autumn. The recovery was supported by the dynamics of household loans, which gradually increased to a figure of 1.9% yoy in December. The upswing in household loans was driven by a very buoyant residential mortgage sector, due to new loans and the renegotiation of existing ones. Specifically, the growth in fixed-rate loans continued, due to the very low levels of interest rates applied and a smaller spread between fixed and floating rates. The increase in new loans is consistent with the upturn in the residential property market, with double digit dynamics. Consumer credit also went up, driven by purchases of durable goods.

On the contrary, the trend in loans to non-financial companies was still sluggish overall. The increase in medium term loans continued to be offset by the negative performance of short term loans, in a scenario where the liquidity of most companies is rated as sufficient or more than sufficient. The trend is due to different dynamics per sector and size of business. In particular, loans to the manufacturing industry, after increasing in the first half of the year, weakened, while the decrease in loans for the construction industry was accentuated. Conversely, loans for the services sector recovered during the year. As regards borrower size, loans to medium/large companies came to a standstill, while loans to small businesses continued to decrease. The business loan trend must be considered in the context of a demand/supply which was still improving during the first half of the year and then settled during the second half, with a selective boost from demand from some segments. According to a credit survey of banks conducted by the Bank of Italy, demand from businesses, after a particularly robust start to the year, gradually weakened. Conversely, ratings and expectations of household loan applications remained extremely positive throughout 2016, recording a considerable increase. Demand for mortgages was

particularly buoyant and consumer credit also picked up. Company ratings also confirmed improved credit access conditions.

Credit quality indexes improved. After a slow-down in growth, non-performing loans started to fall in the last part of the year, due to disposals and securitisation. Non-performing loans stabilised in relation to total loans. The number of new non-performing loans slowed down visibly, reaching a record low since mid-2008 in the third quarter, in terms of flow in relation to performing loans.

Credit market conditions were favourable, with bank rates at all-time lows. During 2016, bank rates fell further, and then levelled off, above all at the end of the year. As regards rates for new loans to non-financial companies, the decrease was evident above all in the two middle quarters of the year, slowing down in the last part. Spreads with the euro area were annulled for minor loans and were negative for loans above 1 million. Rates for new residential mortgages reached all-time lows, and then settled at the end of the year. In this context, rates on loans continued to fall, with the overall average falling to below 3% from halfway through the year, to all-time lows.

## SAVINGS AND BANK DEPOSITS

The growth in real disposable income supported the savings rate of Italian households in 2016. However, negative periods of financial markets, with uncertainty and considerable volatility, had an impact on household loan operations, with figures slightly down year on year. In terms of investment approaches, trends of ongoing investors' asset restructuring were confirmed. In a context of very low interest rates, household investments were mainly focused on asset management, albeit to a lesser extent than 2015, and bank current account deposits continued to grow considerably, due to the low-cost opportunities of holding liquidity. Conversely and also as a result of banks' reduced funding needs, the collapse of bonds continued and time deposits confirmed their downturn. Similarly to the four previous years, divestments of government securities – penalised by low yields – continued. Despite a considerable uncertainty, the asset management industry was robust, with a positive performance and increase in stock. Funding was fairly substantial in the first quarter, and then affected by the outcome of the UK referendum, picking up in the second half of the year. Therefore, the financial portfolio of households saw a further increase in the incidence of mutual funds and insurance and pension products.





# PERFORMANCE



# Financial capital



Financial capital includes funds and profit from operations to create value shared with our stakeholders.

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RESOURCES	ACTIONS AND RESULTS	IMPACT ON STAKEHOLDERS
<p>Direct deposits from the banking business: 394 bn</p> <p>Direct deposits from the insurance business: 144 bn</p> <p>Due to banks: 73 bn</p> <p>Shareholders' equity: 49 bn</p>	<p>Total assets: 725 bn, with liquid assets worth 150 bn</p> <p>Loans to customers: 365 bn</p> <p>Net income: 3.1 bn (2.7 bn in 2015)</p> <p>Net operating income: 16.9 bn</p> <p>Operating margin: 8.3 bn</p> <p>Economic value generated: 15.4 bn</p> <p>Stock Exchange mid-cap: 37 bn</p> <p>Average listed price for the period: 2.22 euro</p>	<p>New medium and long term loans for the real economy: 56 bn</p> <p>New medium and long term loans for social enterprises: ~200 m</p> <p>24,000 Italian companies back to performing loan positions from non-performing loan positions (over 52,000 since 2014)</p> <p>Environmental loans for over 1.7 bn (3.1% of total new loans)</p> <p>Loans for initiatives with a high social impact amounting to 4.6 bn (8.3% of total new loans)</p> <p>Nearly 66,000 renegotiations of mortgage loans to financially vulnerable households for a total residual debt value of approximately 6.2 bn</p> <p>Economic value distributed: 14.1 bn</p> <p>Dividends: 3 bn</p>
	<p>Management of social and environmental risks in lending activities: 14 projects for 2.04 bn screened based on Equator Principles</p> <p>Monitoring of the health and safety of employees</p> <p>Cyber risk management</p> <p>Group brand value, indicatively close to 6 bn</p>	<p>Reduction of social and environmental costs resulting from the financing of potentially harmful activities</p> <p>Minimisation of risk factors for the health and safety of employees: a 4.6% decrease in accidents</p> <p>Number of robberies: 25 (- 59.7% compared to 2015)</p> <p>Blocking of fraudulent transactions amounting to over 31 m</p> <p>The synthetic index of image on the population (IPSOS) shows Intesa Sanpaolo at the top of the banking system, despite the sector's reputational crisis</p>



## ECONOMIC AND FINANCIAL PERFORMANCE

In an economic context with moderate growth, the Intesa Sanpaolo Group ended 2016<sup>1</sup> with a net profit of 3.1 billion (+13.6%) recorded in the income statement. This performance was achieved despite considerable expenses paid by the Group relative to banking system stability, comprising ordinary, extraordinary and additional contributions to resolution funds and deposit protection and guarantee schemes, as well as value adjustments of related investments, which overall totalled 820 million (559 million net of taxes). Value adjustments for credit risk went up considerably compared to 2015 (+402 million), due to an increase in hedging. A capital gain of 881 million from the disposal of Setefi and Intesa Sanpaolo Card was also recorded for the year.

Specifically, net operating income amounted to 16.9 billion, down by 1.5% compared to 2015 figures, mainly due to the decrease in net interest and, to a lesser extent, in net commission, and to basically stable results in the insurance segment as well as a better performance in trading and increase in other net operating income. Operating expenses fell slightly compared to the previous year, thanks to effective cost-cutting actions. In relation to the above trends, the operating result fell by 2.3%. Particularly prudent credit adjustments along with an increase in the hedging of non-performing loans, net provisions for risks and value adjustments for other assets decreasing overall and profit on assets held for sale increased gross profit on continuing operations by 8.3%.

As for regulatory capital, customer loans increased (+5% compared to the end of 2015 at 365 billion) as well as direct deposits, in both the banking segment (+5.8% to 394 billion) and insurance (+8.4%, to 144 billion). Indirect deposits were close to 469 billion (basically stable compared to the end of 2015), affected by the downwards trend of share prices that devalued stocks of assets under management and custody. Specifically, assets under management recorded an increase (+11.6 billion), while assets under custody recorded a decrease (-11.1 billion) due to a heightened market volatility.

The persisting headwinds in the macroeconomic environment and the financial markets' volatility require

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 remained high: as at 31 December 2016, both regulatory indicators envisaged by Basel 3 (LCR and NSFR), and adopted as internal liquidity risk measurement metrics, reached a level well above fully phased-in requirements. At the end of the year, Central Banks eligible liquidity reserves came to 150 billion euro (117 billion at the end of December 2015), of which 96 billion, net of the haircut, was unencumbered (78 billion at the end of December 2015). The loan to deposit ratio at the end of 2016, calculated as the ratio of loans to customers to direct deposits from banking business, came to 93%.

In terms of funding, the widespread branch network remains a stable, reliable source: 73% of direct deposits from the banking business come from retail operations (289 billion euro). During the year, over 1.5 billion USD of Tier 2 subordinated bonds, 1.25 billion euro of Additional Tier 1 and 1.25 billion euro of guaranteed bank bonds were placed on the wholesale international market. With particular reference to Additional Tier 1 instruments, a further 1.25 billion euro were placed in January 2017. In June 2016, the Group participated in the first TLTRO II operation for approximately 36 billion euro (against a maximum that may be requested of approximately 57 billion euro) after the repayment in full of the TLTRO I, outstanding at 27.6 billion euro. In September, the Group participated in the second TLTRO II operation for approximately 5 billion euro and in December, it participated in the third operation for 3.5 billion euro. As at 31 December 2016, the Group's participation in the refinancing programme therefore amounted to approximately 45 billion euro.

Intesa Sanpaolo Group leverage (6.3% as at 31 December 2016) remained at top levels recorded in the sector.

The capital base was also high. At the end of December, the total capital ratio stood at 17.0%; the ratio of the Group's tier 1 capital to its total risk-weighted assets (tier 1 ratio) was 13.9%. The ratio of Common Equity Tier 1 (CET1) to risk-weighted assets (Common Equity Tier 1 ratio) stood at 12.7%.

<sup>1</sup> Comments refer to reclassified data published in the 2016 Consolidated Financial Statements of the Intesa Sanpaolo Group. Annual percent changes were calculated based on restated 2015 figures, where necessary, to take into account variations in the scope of consolidation. Amounts are in millions of euro. For additional details or information, see the 2016 Consolidated Financial Statements of the Intesa Sanpaolo Group.

## INTESA SANPAOLO STOCK PERFORMANCE

In 2016, the performance of Intesa Sanpaolo ordinary shares mirrored that of banking sector indices, with a drop at the start of the year, until the first ten days of February, followed by a recovery until mid-March and a subsequent downturn, which accelerated sharply at the end of the half year, when the lowest point was reached, to then gradually recover, with a strong rise in December, which brought the shares to record a fall of 21.4% compared to the end of 2015. The price of Intesa Sanpaolo savings shares decreased by 21.2% at the end of 2016 compared to the end of 2015. The discount in relation to ordinary shares at the end of 2016 remained in line with the figure of 8% at the end of 2015.

Intesa Sanpaolo's capitalisation went down to 40.6 billion euro at the end of 2016, from 51.6 billion euro at the end of 2015.

The Board of Directors will submit a proposal to the Shareholders' Meeting to allocate a unit amount of 0.178 euro on ordinary shares and 0.189 euro on savings shares, totalling approximately 3 billion euro.

## CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

Economic value generated is calculated according to instructions from the Italian Banking Association (ABI) and in line with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required by Bank of Italy Circular No. 262. The economic value generated, which in 2016 was 15.4 billion euro, came from net income from financial operations and the insurance business – which therefore takes into account impairment losses on loans and financial assets available for sale – plus realised gains and losses on

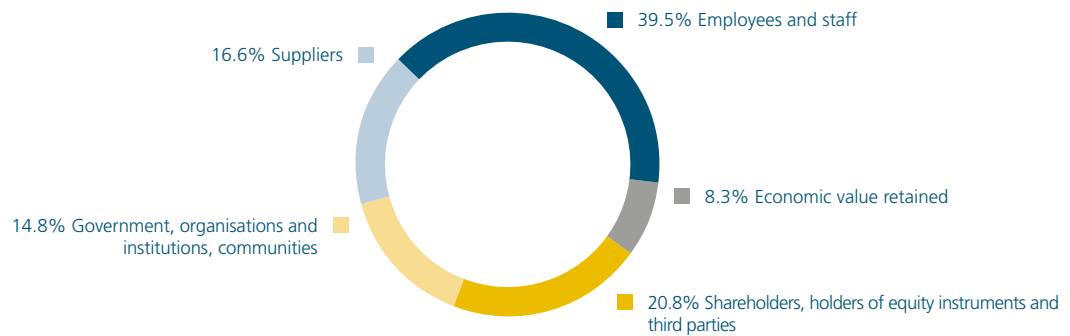
investments and discontinued operations and other operating income. The amount of economic value generated expresses the value of wealth produced, most of which is distributed among stakeholders with whom the Group interacts in various ways on a daily basis. In particular:

- employees and other staff benefited from over 39% of the economic value generated, for a total of 6.1 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;
- suppliers received approximately 17% of the economic value generated, for a total of 2.6 billion euro as payment for goods and services;
- government, organisations and institutions recorded a total flow of funds of 2.3 billion euro, equal to around 15% of the economic value generated, over 800 million euro of which referring to taxes on income from continuing operations, almost 900 million euro to indirect taxes and duties, and 578 million to levies and other charges concerning the banking industry, consisting of ordinary and extraordinary contributions to resolution funds and guarantee schemes. There were also numerous social and cultural initiatives and other actions taken to support the charity funds and social and cultural disbursements;
- approximately 21% of the economic value generated was allocated to Shareholders and minority interest, and mainly for the proposed dividend, for a total of 3.2 billion euro.

The remaining amount, of around 1.3 billion euro, was withheld by the corporate system. This refers to deferred tax assets and liabilities, amortisation, 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.

ECONOMIC VALUE	Millions of euro	[%]
ECONOMIC VALUE GENERATED	15,373	100.0
ECONOMIC VALUE DISTRIBUTED	-14,104	91.7
Employees and staff	-6,075	39.5
Suppliers	-2,555	16.6
Government, organisations and institutions, communities	-2,275	14.8
Shareholders, holders of equity instruments and third parties	-3,199	20.8
<b>ECONOMIC VALUE RETAINED</b>	<b>1,269</b>	<b>8.3</b>

## Breakdown of 2016 economic value



## MANAGEMENT OF BUSINESS RISKS

In 2016, the usual close oversight of risk-acceptance strategies was maintained, which are summarised in the Group's Risk Appetite Framework (RAF), and in particular a specific RAF was defined for credit risk (Credit Risk Appetite Framework - CRA). This identifies areas of growth for loans and areas to control using an approach based on ratings and other predictive statistical indicators, to steer the growth in loans, optimising the management of risks and expected loss. In 2016, the CRA was implemented with credit process restrictions, through the quantification of specific limits that define the maximum risk tolerated for the most risky transactions. The limits identified are approved in the RAF and continually monitored by the Credit Risk Management Head Office Department. In 2016 a project launched in 2015 continued, identifying qualitative information such as success factors for SMEs (sector, innovation, certification, patents, brands, training, awarding legal ratings etc.), their competitive positioning (performance, sales trend, etc.), aspects connected to the presence of risks, investment policies adopted and forecasts, and membership of networks and supply chains.

These factors were identified by internal entities of the Bank (Risk Management, Credit and Marketing) and are currently being examined by the European Central Bank to be included, with full entitlement, in the new rating model which will have an impact on both credit granting and pricing procedures.

In line with Supervisory provisions, the systematic monitoring of Significant Transactions was introduced in 2014, and namely of transactions that may result in a potential significant change in the Group's risk profile. These include: acquisition or disposal extraordinary transactions which significantly alter the scope of Group risks, with a potential impact on the overall risk profile as defined in the Risk Appetite Framework (RAF); transactions that have an impact on specific risks identified in the RAF and any other transactions specifically characterised by

the presence of potential risks which cannot be regularly quantified ex ante, or because of the high risk relating to each individual transaction (e.g. renegotiation or credit restructuring transactions).

## CERTIFICATION OF SOCIAL RESPONSIBILITY GOVERNANCE

The Code of Ethics, which sets out voluntary commitments for managing relations with all entities both in and outside the Group, is the regulatory tool that includes social and environmental issues in company processes, practices and decisions. The Code specifically provides the basis for company culture and reference values for the conduct to adopt with stakeholders and is therefore a document that follows developments in the Bank's operating context, guaranteeing the utmost transparency and consistency in relationships of trust with stakeholders. The Code of Ethics was revised, with approval given in December 2016 by the Board of Directors. The revision concerned the corporate governance model and:

- customer relations, also as regards financial inclusion and project finance, specifying the standards and guidelines adopted;
- supplier relations, with information about awareness of sustainability issues and equality;
- relations with the community, with information about empowering, safeguarding and promoting historic, artistic and cultural heritage.

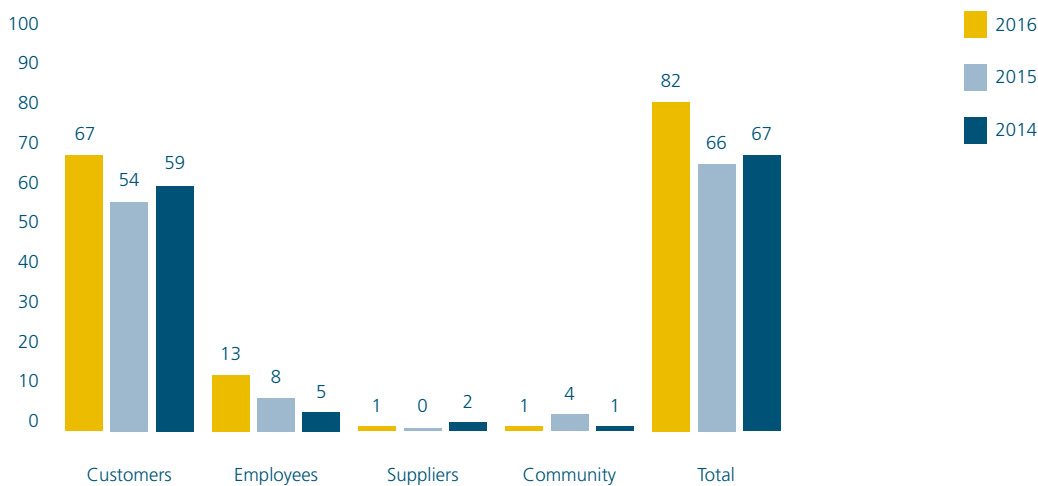
The revision also indicated the model implementing the Code, clarifying the role of the CSR Sub-Department in activities implementing and governing the Code, with specific reference to monitoring the consistency of company decisions and involvement in developing actions to disseminate a culture of sustainability. In this framework, the Sustainability Report provides an overview of the consistency of actions in relation to the Code's principles.

Compliance with the principles and values in the Code of Ethics is also monitored with the assistance of the Internal Auditing Head Office Department, to report annually to the Management Control Committee and Supervisory Authority pursuant to Legislative Decree No. 231/2001. The Compliance and Auditing functions monitor activities concerning the Bank's ethical and social responsibility commitments. The process to monitor the Code of Ethics – integrated with Sustainability Report management processes – includes an audit and relative certification by an independent body on the level of implementation of the Code's principles within the Group, pursuant to the principles

and contents in the Guidelines as of ISO 26000. The certification indicates the methodology adopted and results, separately assessing activities concerning respect for human rights.

As regards alleged infringements of the Code of Ethics, based on provisions in the Code and in company regulations, the CSR Sub-Department receives, processes and checks complaints which may be sent by any stakeholder, and then replies, together with the units involved, guaranteeing that persons reporting information are protected from any type of retaliation, discrimination or penalisation and ensuring the utmost confidentiality, save for legal obligations.

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



In 2016, 82 reports of non-compliance with the Code of Ethics were received: 70 refer to Italy and 12 abroad. The total number of reports increased from the previous year, due to the complex ongoing economic situation and stakeholders' new awareness of engagement with the Bank. Most of the reports (67) were from customers. A recurrent theme is the accessibility of branches and services (10 reports), and in particular new problems due to the ageing of the population in relation to new technologies. Moreover, responsible conduct in credit management, in the case of particularly delicate situations, was also an issue that was raised (17 reports). In this regard, the Proactive Credit Unit reviewed seven reports with a positive outcome for four customers in particular difficulty. First-time reports from customers who have immigrated (5 reports) suggest the need for the Bank to adopt new approaches more focussed on cultural diversity. As regards information reported about people, two reports were received from trade unions

concerning alleged pressure on branch personnel to achieve business results. One report concerned the smoking ban on company premises, with new signs and procedures now in place. Issues concerning non-discrimination were carefully monitored.

As part of a global campaign, numerous complaints were received about Intesa Sanpaolo's involvement in project finance in the pool of banks funding the DAPL (Dakota Access Pipeline): this pipeline will transport crude oil in the United States, from North Dakota to Texas, and is opposed by the Standing Rock Sioux Tribe. The funding was screened using Equator Principles and given an A risk rating (see the website [\[i\]](#)).

## REPUTATIONAL RISK ASSESSMENT AND MANAGEMENT

Considering the increased awareness of business ethics and growing interest of investors in the measurement of intangible assets, Intesa Sanpaolo has developed a model to manage its reputation, with a view to preventing and minimising potential negative effects.

Intesa Sanpaolo's reputational risk governance model has a strategic supervisory and control function overseen by corporate bodies and in particular by the Risks Committee which is on the Board of Directors.

The reputational risk management system is based, on the one hand, on systematic and independent monitoring by company entities with specific duties to protect reputation, and on the other hand, on a Reputational Risk Management process steered by the Enterprise Risk Management Head Office Department – in agreement with the Chief Compliance Officer as regards non-compliance risks.

With reference to the Reputational Risk Management process, the main evidence provided by company functions can be used to identify and define the main risk scenarios the Group is exposed to, which are assessed by company management to identify, where necessary, adequate communication strategies and specific mitigation actions.

In particular, this processes uses the outcomes and findings from: compliance risk management activities, internal and external communication, monitoring of anti-trust regulations, investor and rating agency relations, stakeholder engagement and materiality analysis as part of Sustainability Report management processes, as well as monitoring of the adoption of the Code of Ethics (see the sections: "Relations with stakeholders: engagement" and "Certification of social responsibility governance").

### VALUE OF THE BRAND

In the banking sector, where products and services are intangible, the image and reputation of a bank have a great importance in influencing decisions and perceptions of consumers. Aware of the fact that the brand is a major strategic asset, Intesa Sanpaolo is always focused on the measurement, enhancement and protection of the image and reputation of its brand.

For this reason, Intesa Sanpaolo has been involved for several years in an observatory on the Group's brand, to assess developments over time, in view of the social/political/economic framework and reference sector.

In 2016, in a highly unstable climate in the banking industry, Intesa Sanpaolo stood out for its solidity and financial strength. The synthetic score of its image on the population, constructed by Ipsos based on 26 issues, ranked it at the top of the banking system and well above the average for market image.

The brand, as a corporate asset, is also economically quantified each year by the Bank's internal bodies in order to measure its value. To this end, an average of three important international estimation models is used: Brand Finance, Hirose and Royalty Relief. This value is also compared with synthetic brand equity indices calculated by leading research institutions based on: visibility, image and ability to attract new customers. Special attention was also paid to monitoring online image, where network engagement platforms can identify discussion volumes, main sources of discussion, as well as the issues and mood/sentiment of these conversations. In 2016, Intesa Sanpaolo retained its position as the third most talked about brand, with top ranking for conversations about customer communication and services. Intesa Sanpaolo is increasingly active on social media, with Facebook taking the lead for the number of followers.

Aware that every contact with the brand is a chance to shape the Company's image, the effects of sponsorship and cultural activities on image and reputation are monitored.

The successful sponsorship of Expo, centred on sharing experiences and emotions, encouraged the Bank to continue its involvement in art, creativity, projects, ideas, history and music. In this context, the Bank made a novel and innovative decision to be a main sponsor of X Factor 2016. Post-sponsorship surveys showed positive outcomes about image and reputation from people who remembered the sponsorship, compared to those who didn't. The sponsorship was effective in assisting brand positioning and increasing brand consideration, above all among younger people. Trust in the brand went up by 29% among people watching the programme on tv.

### VALUE OF THE INTESA SANPAOLO BRAND

Considering Brand Finance assessments and adopting internal models based on the Hirose and Royalty Relief methods, a value close to 6 billion euro can be attributed to the Intesa Sanpaolo Group brand (considered as indicative), based on 2016 data. This figure is slightly up on the previous year, in a context where the perception of brand value of main competitors decreased.



## MANAGEMENT OF SOCIAL AND ENVIRONMENTAL RISKS IN LOANS

Considering environmental and social risk in loan management is required not only for large-scale projects screened using Equator Principles, but also for the transactions of some types of Bank customers, most exposed to these risks.

To identify the most effective procedures to assess social/environmental risks associated with the activities of business customers, the rating assessment model already includes a specific questionnaire on company exposure to these risks.

During 2016, activities already adopted in 2015 to assess environmental risk were completed. In particular, the questionnaire on environmental risks to give to customers was revised and the target group of business customers was analysed, using criteria relating to their relative economic segments and size.

During the test stage, a defined sample of customers will be requested to compile and sign this questionnaire. The data obtained will be used by the Bank, along with the other qualitative and quantitative information, in the overall assessment of the credit worthiness rating of the customer/applicant and included in the loan granting process. Based on test results, procedures for adopting the process on a larger scale will be evaluated.

In September 2016, Intesa Sanpaolo signed an agreement with the Christian Union of Business Executives (UCID), with the aim of promoting the personal commitment of businessmen and women to adopting virtuous behaviour for the common good of all stakeholders. According to the agreement, Intesa Sanpaolo will take into account qualitative information processed by the GRSI® model when assessing the credit rating of companies which are members of the UCID. The GRSI® model measures the degree of social and environmental risk of a business and correlates that risk with the company's competitive strength and ability to create economic value, through safeguarding social and environmental aspects of management, in relation to a reference benchmark.

## THE EQUATOR PRINCIPLES

The evaluation and management of social and environmental risks is fundamental in the case of loans for large industrial and infrastructural projects.

The Equator Principles (EPs or Principles) are international guidelines for banks that adopt them on a voluntary basis in managing risks arising from project financing. Applying these Principles in a structured, integrated manner in a bank's operations also allows emerging risks to be managed in countries that are vulnerable from a social and environmental viewpoint and in sensitive sectors.

The Principles, based on criteria of the World Bank's International Finance Corporation (Performance Standards) concern: assessing social and environmental

impact in projects to finance; protecting workers' rights; preventing pollution and promoting energy efficiency; risks to the health and safety of communities in countries where activities are carried out; consulting populations concerned and protecting their rights; safeguarding biodiversity and the sustainable management of natural resources; preserving cultural heritage.

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

The scope of the Principles includes the technical form of Project Finance and business loans, if earmarked for the development of a specific project; the EPs apply to the two forms of loans, if above the threshold of 10 and 100 million USD respectively.

### The social and environmental risk assessment process according to the Equator Principles

Intesa Sanpaolo's "Operating Guidelines for implementing the Equator Principles" are included in the Group's credit policies, in order to identify, from the application stage, all loans covered by the scope of the EPs.

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 independent assessment (due diligence) provides suggestions and recommendations in the event that the work performed has to be integrated with in-depth studies or mitigation measures to ensure that the project meets the requirements of international standards.

Mitigation actions requested are included in contract requirements and monitored with a frequency based on the level of risk identified.

Customers are required to submit regular reports demonstrating implementation of the mitigation measures required by the Bank and which may also be verified by on-site inspections. In the event of non-compliance with the agreed conditions, the Bank may take appropriate measures, to be evaluated on a case-by-case basis.

Part of the assessment process also envisages the involvement of local communities, in order to understand possible social impact and identify further mitigation measures. In fact, the Equator Principles imply an ongoing relationship with stakeholders, from the design phase and throughout the entire project, via stakeholder engagement and a process to manage complaints (grievance mechanisms).

### Participation in the international debate

Adoption of the Equator Principles also means participation in the association activities and the international debate conducted by the EP Association. Once again, in 2016 Intesa Sanpaolo participated in

annual events dedicated to members and in conferences with other member banks, and also meetings with our stakeholders – mainly the IFC, NGOs and the industry business associations. Lastly, the Bank continued to make its contribution to discussions on the issue of biodiversity, as part of the specific Work Group created in 2013 (Cross Sector Biodiversity Initiative).

### Projects completed in 2016

Since 2007, 315 loans have been screened based on the Equator Principles with financial closure, of which 14 in 2016.

In 2016, the amount agreed for projects following the Equator Principles assessment process, totalled 2.04 billion euro, equal to approximately 10% of the total amount agreed for loans in the scope of the Principles<sup>1</sup>. This scope includes all Intesa Sanpaolo entities involved in project finance to which the Principles are applicable, in Italy and abroad, and three international banks: VÚB Banka, Privredna Banka Zagreb and Alexbank.

The table below shows the number of projects that were financially closed in 2016, with breakdown by category.

	Total	Category A	Category B	Category C
<b>Project finance</b>	11	4	6	1
<b>Business loans associated with projects</b>	3	2	1	-

### CONTROVERSIAL SECTORS

Banks are required by numerous entities and organisations to make responsible financial management choices in controversial sectors such as armaments, nuclear energy, and fossil fuel extraction. In particular, specialist NGOs, groups from civil society and customers are increasingly involved in pressure and awareness campaigns targeting Banks' decisions.

Intesa Sanpaolo is aware of the importance of correctly and responsibly managing funding, according to social and environmental sustainability criteria, and focuses specifically on the in-depth study of issues associated with the most sensitive sectors. In recent years studies on the coal, waste-to-energy and water industries have been conducted and circulated within the Group.

Among the sensitive sectors monitored by the Bank, the production and trade of military weapons is of particular importance and is governed by an internal policy.

Group rules on transactions in the armaments industry ban any type of banking or financing activities connected with the production and/or trade of controversial weapons and/or weapons banned by international treaties and in particular: nuclear, biological and chemical weapons; cluster bombs and munitions;

weapons containing depleted uranium; AP mines.

Save for the above ban, transactions and financing relative to the production, domestic sales/purchases, imports, exports, EU transfers and the transaction of armament material used on a permanent basis by the armed forces and relative entities, as well as by local police forces, are permitted: a) in and between countries within the European Union and NATO; b) regardless of the country of production and / or origin of the weapons, if the end user is a Ministry, an Italian Governmental Authority, the Italian armed forces or police. Any exceptions shall be authorised by the Managing Director and CEO.

In 2016, the total number of transactions reported to the Ministry of Economy and Finance, referring to loan disbursements and payments amounted to 408 million euro.

A project is underway to produce a self-regulation policy for financing in sensitive sectors, starting from the coal and oil & gas industries.

### HEALTH AND SAFETY RISK MANAGEMENT

In compliance with regulations in force and with the most important national standards, Intesa Sanpaolo adopted an Occupational Health and Safety Management System, identifying within its organizational structure, responsibilities, procedures, processes and resources for implementing the corporate policy on the protection of employees. Risks to the health and safety of employees are evaluated according to a multidisciplinary approach, considering the combined effect of the environment, processes and equipment with the subjective conditions of workers.

Constant workplace monitoring, the reporting of risks, accidents and incidents and the annual programme for risk mitigation allowed the Risk Assessment Report be kept up to date and available to all employees.

The risk management process adopted at Group sites, in close association with relevant company functions, made it possible to reduce risks overall. As in previous years, measures adopted in 2016 led to a reduction of around 20% in critical factors.

In relation to the new branch concept, the Safety Department evaluated the impact of solutions adopted, in terms of employee health and safety. In particular, issues connected with environmental factors and namely the microclimate, lighting and noise, as well as the ergonomics of new workstations, were assessed. The assessment process continued with the on-site evaluation of pilot branches in Milan, Rome and Turin, using highly specialized personnel. The assessment of ergonomics checked compliance with regulations. A questionnaire on staff's perception of the ergonomics of workstations was also given out at pilot branches. Compliance with microclimate requirements was also assessed through environmental monitoring at the pilot branches.

This approach made it possible to turn evidence into

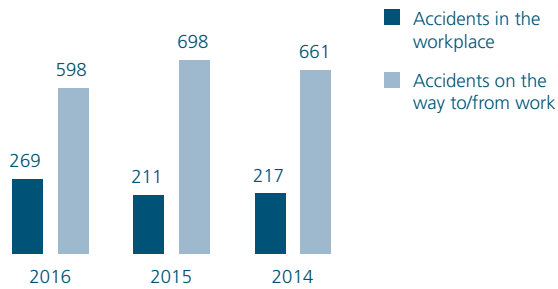
<sup>1</sup> The percentage only refers to project finance transactions, excluding project related corporate loans.



concrete proposals for improvement, which in turn were shared with the working group and in particular with the department in charge of property planning. Identified solutions have been adopted at the new concept branches being developed.

The same level of involvement and assessments took place starting from the last quarter of 2016 for the “New Office Concept for Governance Entities” project, which the Company has launched to trial innovative layouts, for management areas as well.

## Accidents



## Assessment of work-related stress risk

To mitigate work-related stress risk arising from critical areas identified during assessment activities, specific measures were defined in 2016 (summarised in the Risk Assessment Report), by context and work content, referring also to agreements signed in October 2015 by Intesa Sanpaolo and trade union organisations. During the year, the effectiveness of measures taken for critical aspects identified during the in-depth assessment, was analysed.

A specialist from the Department of Clinical and Community Science, Milan University, conducted 5 control Focus groups involving 43 colleagues, to further investigate the changes perceived by these people during the year, following measures adopted by the company after the agreements were signed.

As regards Online Branches, and as part of activities to revise the stress risk assessment, the Bank decided to repeat the in-depth assessment stage using specific questionnaires produced by Clinica del Lavoro di Milano Luigi Devoto – a centre specialising in occupational medicine (which oversaw the first assessment), as well as the subsequent focus groups held by psychologists from this centre. Activities already involved the Lecce and Milan offices in 2016, with a total of 6 focus groups, and 2017 planning is now underway. One of the objectives is to check the effectiveness of measures adopted by the Bank in terms of a greater variety of work duties, greater opportunities for professional growth, the possibility to change entity, switching from the Online Branch to retail branches and vice versa, improved environmental comfort, with a review of office layouts and the use of relaxation areas.

Regarding the overall assessment concerning work-related stress situations at the Intesa Sanpaolo Group and in order to identify any mitigation measures, the

results of the epidemiological report of the last three years were taken into account. This report documents the general health of more than thirteen thousand employees (in 2016 alone, company-appointed doctors performed more than 6,000 health inspections and in 98% of cases these inspections were completed with a fit for work rating and in 2% of cases the fit for work rating was pending).

## Working safely

With regard to the protection of employees and customers by taking action to prevent branch robberies and manage employees in emergency situations, personal protection continued to be the key principle behind all initiatives undertaken to protect branches from the risk of robbery. A number of activities were carried out for the systematic prevention of risks and the mitigation of existing and potential vulnerabilities, through the consolidation and innovation of technological security measures, plus the development of information tools and a culture of integrated security as well as the publication of operating procedures.

The analysis of robbery risk at branches continued: following improvements to security systems already in place, the level of protection at high risk sites and specific branches was followed up.

Robberies have been on the decrease for several years now. In 2016, the number of “professional” robberies (that produce the greatest impact in economic terms and on staff) went down.

Prevention activities already adopted with specific action plans to modernise branch security systems (with particular attention paid to branches with safety deposits and security boxes), and a plan to replace security guard services with technological services, helped to achieve results that met expectations.

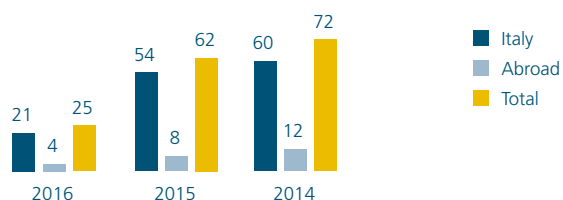
As part of the “post-robbery support” programme, 63 specialist sessions were held by qualified doctors and psychologists from Milan University, involving around 200 members of staff. Initial counselling was held, with “debriefing techniques”<sup>1</sup> i.e. understanding what happened, what worked and what did not, and managing the potential trauma of personnel; a second “follow-up” stage then took place to assess the re-stabilisation of pre-event emotional and psychological conditions. Since 2016, medical assistance has been provided in the case of all attempted or actual robberies, regardless of their severity. The psychological support programme was also extended to cases where colleagues have been attacked, as well as for natural disasters, such as the recent earthquakes in Italy.

Activities continued to implement the database prepared in 2015 on information about personnel involved in robberies, also in the case of relocation to other branches, to identify and pay particular attention to victims of several robberies, planning tailor-made support and focussing in particular on

<sup>1</sup> Psychological/clinical intervention to eliminate or alleviate the emotional consequences of an emergency situation.

situations that could more easily turn into post-trauma stress disorder. For very severe cases, because of injury or severe involvement by employees, specialist psychologists from Milan University are called in immediately to provide an even more structured support programme. In all cases, the local company-appointed doctor is available to assist requesting employees, with medical examinations to assess if they are fit for work, following the traumatic event.

### Number of robberies



During 2016, the security information programme continued, with domestic network updates, classroom courses and online training sessions, as well as the alignment of contents with new risks.

In managing events related to natural disasters and crisis events, activities to maintain and consolidate oversight, business continuity solutions and crisis management mechanisms confirmed their effectiveness, allowing for service continuity and customer and staff protection. As regards specific aspects of business continuity, activities continued to expand the model to include Banks and Group Companies. In particular, the new Group Business Continuity Management (BCM) model, aligned with requirements of the Bank of Italy Circular of 285/13 which requires an extensive approach to defining organisational and business continuity measures commensurate with risk levels was extended to include international banks. In keeping with projects started in 2015, training workshops were held for BCM officers from all international banks.

### IT RISK PREVENTION

For the Group's Italian banks and for some of its international banks, Intesa Sanpaolo has activated an anti-fraud system that analyses all transactions carried out via Internet Banking in real time and identifies those considered questionable. Alerted transactions are verified at a central level by a specialist team that checks the truthfulness and accuracy, directly contacting customers and unknown transactions are revoked. If the customer cannot be contacted by telephone, the branch is notified immediately in order to find another

contact method. In the event of ascertainable fraud or fraud attempt, the customer is also assisted in filing a report with the relevant authorities. All customers are informed about the rules of conduct for a proper and safe use of online tools (e.g., updated anti-virus software, detection of phishing emails, correct use of personal codes, etc.). A section on the company intranet has been set up, to promptly inform branches about new phishing campaigns.

Constant monitoring of fraud resulted in the blocking of nearly 10 million euro of fraudulent transactions for retail customers and around 21 million euro for corporate customers in 2016.

During 2016, the process to consolidate the Intesa Sanpaolo CERT (Computer Emergency Response Team) was started. The team was appointed as the operating interface for critical cyber events concerning external stakeholders, and as a promoter of cyber security awareness, through specific project actions and cooperation. CERT was involved in initiatives at various levels: in Europe, with involvement in the European Cyber Security Organization (ECSO); at a financial industry level, with a proactive and key role in setting up the sector CERT (CERTfin); with the Postal Police forces; at a national level, supporting the adoption of the National Cyber Security Framework for its own supplier chain.

The Group CERT is also active on various fronts, including participation in Cyber Threat Intelligence (FS-ISAC, BitSight, Recorded Future) services, internal infosharing services (Banks and Group Companies) and external infosharing services (national CERT, CERTFin, other CERTs) and reporting to supervisory authorities in the case of serious IT security incidents.

During the year, projects/activities for the forward-looking definition of policies and processes to internally manage cyber security were focussed on in particular. For example, the 2016/2017 Cyber Security Programme was launched, which aims to increase Group maturity through a more efficient and effective management of threats and to consolidate expertise and structures necessary to mitigate risk from cyber attacks. Activities to analyse the management of citizens' digital identity, which are a part of the government's digital agenda (SPID), continued, as well as activities on cryptocurrencies.

As in previous years, the Bank remained committed to obtaining and maintaining independent certification of its own security and business continuity activities as a guarantee of the quality and adequate monitoring of the services it provides [1].

## SUPPORT FOR THE BUSINESS SYSTEM

In keeping with the 2014-2017 Business Plan, Intesa Sanpaolo continued to support the development of the “real” economy and communities where the Group operates.

In 2016 Sanpaolo granted new medium/long term loans to the real economy for approximately 56 billion euro (48 billion in Italy, up by 16% compared to 2015). Of this total amount, 40 billion (up by 19% compared to 2015) comprised loans for households and SMEs.

Information from the Intesa Sanpaolo network represents a unique source of data about local economies and the Research Department prepared an internal survey for managers of Banca dei Territori Division businesses to give their opinions on the economic situation: albeit with considerable differences among segments and geographic areas, the businesses rated economic recovery and an approach that was only moderately in favour of investments, due to uncertainty and bureaucracy.

To support growth and benefit the business community, actions targeted credit access and support for customers still in difficulty (Proactive Credit, agreements at an ABI and Confidi level to facilitate access to loans and the renegotiation of mortgages), a reduction in loan disbursement times, micro-businesses (self-employment, young entrepreneurship), the development of SME production chains, industry agreements (with Confindustria, Confcommercio, Confagricoltura and Coldiretti), activities serving the Third sector, the disbursement of loans along with international banks for investment projects (EIB, EBRD and others), training and the promotion of new forms of entrepreneurship (women in business, businesses managed by people from non-EU countries), loans and services for businesses investing in internationalisation and innovation.

### CREDIT ACCESS AND SUPPORT FOR CUSTOMERS IN DIFFICULTY

The adoption in full of Proactive Credit management processes, to assist customers in potential difficulty, made it possible to promptly identify the first signs of tension so that 24,000 Italian companies could return to a performing loan position (over 52,000 since 2014) from a non-performing loan position in 2016 (use equal to 1,673 million euro).

The “2015 credit agreement”, signed on 31 March 2015 by ABI and main trade associations and in effect since 31 December 2017, includes targeted initiatives to access loans, for:

- recovering companies, with the possibility for all SMEs “in good standing” 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 their short-term loans and credit for farm activities;

- developing companies, in support of the entrepreneurial projects of SMEs;
- companies and the Public Administration, for the factoring of companies' claims on the Public Administration.

Overall, transactions suspended in 2016 numbered 1,541 for a total residual debt of 725 million and 90 million euro in deferred debt. For the extensions, accepted applications were 136 for a total residual/deferred debt of 47 million, while recapitalisation loans were 36 for a total amount of 8 million. In 2016, Intesa Sanpaolo disbursed 582 loans through the “Imprese in sviluppo” (Business Development) initiative, for 222 million euro. The factoring of companies' claims on the Public Administration resulted in 46 loans for 1.3 million euro.

Intesa Sanpaolo cooperates with major Confidi organisations that issue guarantees (with 50% coverage on average) in favour of the Bank, facilitating businesses' access to short, medium and long term financing for business and production activities. Agreements with Confidi organisations (particularly for the use of the Guarantee Fund pursuant to Law No. 662/96, which provides for operational development against a State guarantee, with a reduction in capital absorption for Banks and Confidi), had a beneficial impact in terms of price and/or the higher number of loans disbursed. In 2016, 14,400 loans guaranteed by Confidi were granted for a total of over one billion euro.

Since 2013, Intesa Sanpaolo has adopted specific processes and procedures for loan renegotiation, which enable SMEs in temporary financial difficulty

to renegotiate loans, facilitating the sustainability of financing by extending the duration of the repayment plan for residual debt, so that repayments can be based on actual available cash flows. This allows for the prompt monitoring of positions which, despite being affected by temporary financial difficulties, show solid prospects of positive development.

During 2016, loans with payment arrears were renegotiated for over 2,500 Corporate customers and Retail Companies. In addition, 263 lease agreements for Corporate customers and 175 for Retail Companies were reviewed.

The adoption of new credit management processes made it possible to reduce net flows from performing to non-performing positions to 3.1 billion (down by 46% compared to 5.7 billion in 2015).

### REDUCTION IN DISBURSEMENT TIMES

The reduction in disbursement times is important to facilitate credit access: a Mediocredito Italiano project, which covers all product ranges (medium/long term loans, leasing and factoring) was adopted, with a monitoring system for disbursement times, the digitalisation of documents and formalities from the Sales Function to the Credit Function and the introduction of a pre-assessment stage, to speed up the assessment process relative to real estate. Average disbursement times were shorter, compared to 2015, decreasing from 23 to 17.7 days for MLT loans; from 25.2 to 23.9 days for leasing and from 17.2 to 16.6 days for factoring.

### A FOCUS ON MICRO-BUSINESSES

The “Finanziamento Microcredito imprenditoriale” (Entrepreneurship Micro-Credit Loan) is for young people and micro-businesses to help them start up new business activities or invest in growth projects, with the chance for borrowers without necessary economic and capital guarantees to access credit also without collateral. This is possible thanks to a special part of the Guarantee Fund for SMEs set up by the supplementary decree of the Ministry for Economic Development on 18 March 2015.

The loan is to finance the start-up or development of self-employment or micro-businesses or to promote the inclusion of people on the labour market. With a maximum duration of 7 years and maximum amount of 25,000 euro, the loan can be used for purchasing assets (including commodities), or services for activities carried out (including lease payments), paying salaries of new employees or partner staff and paying for training courses to improve professional, technical and managerial skills.

Borrowers can also benefit from additional assistance and monitoring services free of charge: before the loan is granted (support for preparing the business plan and assessing project feasibility) and after the loan has been granted (analysing solutions for improvements and consistency in relation to the business plan). 388 loans for 8.1 million euro were disbursed in 2016.

### Production Chain Development

The Italian business system is wide-ranging and extensive comprising small and medium-sized businesses operating in production systems with very strong links to the local area.

Intesa Sanpaolo considers this particular aspect of the Italian system as a great opportunity for the growth of numerous manufacturing companies that excel, thanks to the “Production Chain Programme” – a new and innovative model of cooperation between the bank and businesses, based on three areas:

- investments, with loans offered at special conditions and training for participating companies;
- innovation, with new criteria for access to credit, including the identification of the industrial production chain and signing of a specific contract – the production chain agreement – with the lead company;
- a new approach to granting loans, with the formalisation of the production chain, and a risk assessment that takes account of qualitative elements, the establishment of a production chain limit, and tailor-made commercial offerings dedicated to both companies and their employees.

The “Production Chain Programme” enables businesses to improve credit access conditions, with investments in industrial supply chains and a risk assessment which chiefly considers quality factors. Programme uptake was considerable, with 377 company customers involved as Lead Production Companies at the end of 2016.

The Programme offers considerable potential for production growth: besides developing contracts with lead production companies, over 15 thousand suppliers may be involved overall, for a turnover of more than 64 billion euro and a workforce in excess of 80 thousand employees.

Lead production companies are distributed in 16 regions in Italy, covering all other regions in Italy with their supply chains: the three regions with the highest level of representation are Lombardy, Emilia Romagna and Piedmont.

The production chains are operative in 21 business segments. The main sectors involved are the food and agricultural industry (27% of production chains), the mechanical and engineering industries (24%) and the



fashion industry (12%), followed by furnishing, the chemical industry and electrical engineering industry. As part of the programme, Mediocredito Italiano tested the new “Conforming” product in 2016, which is an evolved type of indirect factoring for lead production companies, with a more efficient management of trade payables and payments to production systems and credit access procedures/conditions that are particularly favourable for suppliers.

### SPECIFIC SUPPORT FOR BUSINESS GROWTH

The Intesa Sanpaolo Group consolidated important agreements with trade associations to support business growth.

Cooperation with Confindustria Piccola Industria continued. The agreement “Una crescita possibile” (“A possible growth”) was extended to include new areas added such as company welfare and capital market access for SMEs, along with financial benefits for investing companies.

The government's proposed 2016 Stability Law included a “Package for Businesses” with a number of benefits and tax relief measures. Tax relief up to 140% of the value of capital goods will be granted (“invest 100 and deduct 140”) immediately for taxpayers making investments. In 2016, Intesa Sanpaolo assisted companies wishing to make investments, offering a combined medium/long term loan (maximum duration of 5 years, including prepayment up to 2 years) and a short term credit line to support current assets, provided as an advance on trade receivables generated by company growth with the investment made (up to a maximum of 40% of the amount invested).

An agreement was also renewed with Confindustria Piccola Industria in November 2016 (the sixth since 2009) for the 2017-2019 period, with the shared aim of repositioning the industrial system in a central role in the country's development. The agreement, called “Progettare il futuro. Accelerazione, trasformazione digitale, competitività” (Planning the future. Acceleration, digital transformation, competitiveness) has earmarked 90 billion for companies to lever opportunities of the “fourth industrial revolution” to digitalise the production system.

The agreement focuses on the following areas:

- financing growth, accelerating company investments, through the use of a new rating model (that considers intangible assets along with purely financial and economic factors of individual companies), and targeted MLT solutions;
- empowering human capital in companies, with training, the inclusion of young people in production (alternating school/work) and offering company welfare solutions;
- consolidating business integration and creating ecosystems or networks among companies;

- creating a digital platform – the Tech-marketplace – to support internationalisation and some important Italian sectors such as tourism and artistic/cultural heritage (see the section “Intellectual and infrastructure capital”, page 110).
- promoting the creation of new businesses, also through the development of a new model to assess innovative start-ups, women in business and companies run by non-EU citizens.

The agreement signed in December 2016 with Confcommercio shared the objective of supporting the re-qualification and innovation of trading and service companies. Human capital and generational change, support for women and young people in business, e-commerce and POS, valuing Italian manufacturing, loyalty initiatives and training all feature in the agreement.

To support agriculture and food industry companies in Italy, Intesa Sanpaolo and the Ministry of Agricultural, Food and Forestry Policies signed a three-year agreement for cooperation in the food and agricultural sectors, in 2016. The agreement has a three-year limit of 6 billion euro, mainly for promoting and developing Italian production chains, generational change, e-commerce, technological innovation and products. Agreements with main trade associations were also renewed. The “Plafond Creditagri Italia” (Italy Credit Agreement) was renewed with Coldiretti, and a partnership with entered into with Confagricoltura to train members (Enapra), with whom the tender “Social Agriculture” was called. The commitment of international banks to agriculture was significant. Some of the actions taken in 2016 are listed below. Intesa Sanpaolo Bank Romania continued to provide financial support for small and medium-sized agricultural companies during seasonal changes, for young farmers and rural start-ups. Intesa Sanpaolo Bank Albania supported the local agricultural industry with advisory services and loans, and involved around 300 farmers in events and seminars for implementing new financial tools for the sector. Banca Intesa Beograd started the “Agroprotect” project for Serbian farmers.

### THE INTERNATIONALISATION OF ENTERPRISES

Intesa Sanpaolo supports all Italian companies in Italy and abroad in internationalisation processes, through dedicated structures, loans and trade and cash management products available in Italy and on the international network.

During 2016, 50 events were organised to give participants knowledge of markets and international business dynamics, and companies support for preparing international development plans (identifying qualified advice and assistance, operating support and local services in 84 countries representing the main markets of interest for Italian businesses).

With a view to increasing its size and presence on

global markets, and to promote relations with major international groups, the Corporate and Investment Banking Division underwent a major reorganisation, to increase its specialisation in various sectors (industries) and provide assistance for business expansion abroad, through an international network in over 40 countries with branches and representative offices and coordinated by three hubs in London, New York and Hong Kong. Transaction Banking products were made available, with specific reference to advice and specialist assistance for Cash Management and Trade Finance. These initiatives are geared towards promoting the growth of companies and Italian Groups that are increasingly present on international markets.

### **PARTNERSHIP FOR BUSINESS INVESTMENTS**

To support Italy's real economy, Mediocredito Italiano, which is the sole manager of EIB funds for Banca dei Territori, entered into agreements with the European Investment Bank for loans totalling 850 million euro. At the same time, Mediocredito Italiano committed to providing its own resources, for the same amount, to beneficiary companies, thus increasing the total amount available to support the Italian economic system to up to 1.7 billion euro:

- 600 million is for financing mid-cap business projects in all sectors
- 1 billion is for smaller-scale companies
- 100 million is for the "Italian Risk sharing facility", a joint initiative of the EIB, Italian Ministry for Economic Development (MISE) and Italian Ministry of Economy and Finance (MEF) to support research, development and innovation projects of SMEs.

Mediocredito Italiano also offers "tailor-made" financial solutions for businesses investing in plants producing energy from renewable sources or in energy efficiency processes (see the section "Natural capital", page 119). The Group's international banks are also very active in supporting local production with services and subsidised lending for small businesses and SME customers. Initiatives are often carried out in partnership with multilateral banks for regional development (e.g. The European Bank for Reconstruction and Development) and through local economic development programmes (e.g. The Ledib program for the development of the Balkans) or government funds aimed at ensuring the growth of small businesses and the development of high value-added activities.

Overall, new medium/long term loans for approximately 8 billion euro were disbursed for the real economy at an international level.

### **TRAINING AND PROMOTING A NEW ENTREPRENEURSHIP**

The Research Department investigated the age of entrepreneurs on business performance, in order to analyse the effects in the medium/long term on the competitiveness of the Italian economy.

Conducted on a large number of manufacturing companies, the survey highlighted the considerable prevalence of young people in smaller businesses. These types of companies stand out for their performance (a far higher growth in turnover with fewer sacrifices in terms of margins), and the energy of younger company managers seems to have generated benefits in the recent past. However, the survey also showed that these companies do not have sufficient "key competitive factors" in the current competitive scenario, such as adequate protection of their innovative output through patents or significant recognition through brand policies at an international level.

The development of the "AdottUp" project, which also continued in 2016, meets the need to actively promote a new, quality entrepreneurship.

Intesa Sanpaolo is a strategic partner of this Piccola Industria Confindustria programme for the adoption of start-ups. "AdottUp" turns the best entrepreneurial ideas into sustainable businesses thanks to training provided by established companies which become their "tutors" and guide them in their development.

Intesa Sanpaolo gathers business idea applications, submits them to a joint Committee (Intesa Sanpaolo and Confindustria) which evaluates them, selects them and provides high level training and work areas, and creates the "Vetrina delle migliori idee" (Showcase of the best ideas).

In 2016, loans for a total of 87.6 million euro were granted for 235 start-ups (of which 46.5 million to 48 companies receiving the Nova+ innovation loan).

In 2016, the Intesa Sanpaolo Group business school continued to provide business expertise for customers working on start-ups or ready to launch on the market. "Officine Formative" delivers educational courses through the online acceleration and mentoring platform to support more mature start-ups.

The Skills4Business project continued, with three training programmes in partnership with Confindustria, to assist businesses in developing digital skills.

An important training project "Digital4Export" was organised in partnership with ICE, the Italian Trade Industry, and Confindustria, for companies that want to use digitalisation as a way of transforming and developing their business on international markets.

## WOMEN IN BUSINESS

Intesa Sanpaolo supports women in business, in setting up and managing successful businesses, helping them as they build up their expertise.

Women in business have a major role particularly for SMEs (accounting for 13% of total businesses) and especially in the north east of the country. The strategic profile of these companies highlights a greater tendency to serve international markets and focus on marketing and technological innovation. Intesa Sanpaolo has developed an agreement with Confindustria to support women entrepreneurs in creating and managing successful companies, through a systematic growth process that supports them from the outset.

With "Business Gemma", the Bank has allocated a total of 600 million euro – available until 31 December 2017 – for businesses run by women and for women freelance workers. 450 loans for 15.8 million euro have been disbursed.

The "Business Gemma" loan also offers the chance to freely benefit from the special segment guarantee of the "SMEs Guarantee Fund" dedicated to female businesses and to request, once during the repayment period, up to twelve-month suspension of the instalment repayment of the loan principal amount in the event of maternity leave, serious illness (also of the spouse and 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 to address the problems of achieving a work/life balance. The areas of action envisaged are maternity, assistance, aid and legal protection in times of difficulty of the private life of the business woman and illness. 288 new policies were underwritten during 2016.

In Albania, a total of 200,000 euro was disbursed to fund 6 business women (the project started halfway through 2016); in Serbia, 411 loans were disbursed amounting to 4.6 million euro (575 loans totalling 6.3 million since 2015); in Slovakia, VÚB Banka continued to partner the Business Academy during 2016, with training workshops for women who want to set up their own business (20 participants).

Additional training workshops and mentoring also took place thanks to a partnership with the Impact Hub incubator: more than 300 women were able to hone their technical skills and apply them to developing new business initiatives.

Entrepreneurship among non-EU nationals will be increasingly important for a more inclusive social and economic development (individual companies opened by non-EU citizens in 2015 went up by nearly 23,000, to total over 350,000). Under the agreement signed by Intesa Sanpaolo and Confindustria, initiatives may be identified to carry out jointly to support businesses set up in Italy by non-EU nationals.

## FINANCING AND SERVICES FOR COMPANIES INVESTING IN INNOVATION

The Nova+ financing programme continued to support Italian companies investing in innovation and research. Nova+ supplements traditional credit rating analysis with a technical and business assessment of investment plans, conducted by a team of engineers specialised in various product sectors and with in-depth knowledge of technology trends. In this regard, Mediocredito Italiano continued to partner a number of reputable Italian universities which offer their technical and scientific support to assess the technological risk of more complex and ambitious projects.

Overall, nearly 200 projects were financed from 2014 to 2016, for total funding of more than 245 million euro. 48 projects were funded in 2016, for a total of approximately 46.5 million euro.

The decrease in Nova+ loans highlights the difficulties of recent years concerning loan applications for innovation made by Italian companies, at a time when the signs of a recovery in the investments cycle have not yet been consolidated. In 2016, Mediocredito Italiano renewed the Nova+ programme, which will be implemented in 2017 as part of the "Industria 4.0" initiative, to support business investments, also in light of incentives in the 2017 Stability Law, which extend tax relief measures in the 2016 Stability Law.

Initiatives supported by the Group include Rome Med – Mediterranean Dialogues 2016, organised by the Ministry for Foreign Affairs and International Cooperation together with the Italian Institute for International Political Studies. The 2016 edition developed a "positive agenda" for the Mediterranean region based on four fundamental areas (Shared Prosperity, Shared Security, Migration and Civil Society and Culture). Ideas to relaunch economic interaction, promote a broader-ranging regional cooperation and ensure adequate incentives for sustainable development were dedicated to business leaders and civil society and their role in promoting political and economic stability in a region with important opportunities in terms of new commercial possibilities and energy channels.



## OFFERING INVESTMENTS BASED ON SUSTAINABILITY CRITERIA

The Intesa Sanpaolo Group's product ranges includes ethical funds made available by Eurizon Capital SGR, the company specialising in asset management for retail and institutional customers, and by Fideuram whose operations target high profile customers.

Ethical funds are mutual investment funds that invest in the financial instruments of issuers (Companies, international organisations and governments), selected based on sustainability and economic/financial performance criteria.

### **Eurizon capital's "ethical system" and fideuram's ethical funds**

Eurizon Capital SGR was the first operator in Italy, from as early on as 1997, to offer ethical funds, i.e. mutual investment funds in financial instruments of issuers (companies, international organisations and governments), with a high social and environmental responsibility profile. These funds envisage clear, well-defined positive and negative selection criteria for the securities to be included in their portfolio (listed in the Prospectus and Fund Management Regulations), a Sustainability Committee (external to and independent from the SGR) and the donation of revenues. The experience gained in managing these products has led to managers fine-tuning their selection criteria over the years and, in 2002, adopting ethical benchmarks in order to provide objective financial measurement of results.

In asset management and the development of sustainable and responsible investment products, Eurizon Capital SGR has confirmed its commitment to activities in line with the Principles for Responsible Investment (PRI) signed in September 2015. The company is also a signatory of the Carbon Disclosure Project.

Eurizon Capital SGR's range of ethical funds is now made up of an equity fund and two bond funds, all registered in Italy. These products have the aim of gradually increasing the value of capital subscribed by implementing an investment policy based on strict ethical principles.

Investments in ethical funds are selected on the basis of positive criteria (inclusive principle) to identify the presence of good social and environmental governance in companies or institutions under analysis and negative (exclusive principle) for those areas of activity considered to be in contrast with the ethical principles asserted by the funds. The "best in class"

principle is also used to identify companies that, in certain markets at risk, stand out for their social-environmental initiatives. Environmental screening is entirely subject to the "best in class" principle, given that all major listed companies have a notable impact on the environment, and this principle facilitates the selection of the most "virtuous" securities.

During 2016, new benchmarks provided by MSCI, one of the first companies at a global level to produce ESG (Environmental, Social, Governance) indexes and research, were added to the Ethical System. At the same time, the asset management company introduced an additional research service focussed on environmental, social and governance (ESG) issues supplied by MSCI ESG. The adoption of these criteria led to a change in the investable universe, and consequently the inclusion or exclusion of certain issuing bodies from the fund portfolio. The reasons for inclusion cover: programmes to reduce greenhouse gases, the protection of biodiversity, the use of clean technologies, the involvement of suppliers and protection of minorities in the workforce; the reasons for exclusion include involvement in the arms sector, the breach of anti-trust rules, accounting fraud and discrimination in the granting of loans.

In 2016 Eurizon Capital SGR supported its own institutional customers through the management of assets with ESG criteria, providing assistance in choosing from available solutions and according to the expectations, needs and awareness of these issues of each customer. Eurizon manages seven institutional mandates with various ESG approaches for approximately 870 million euro.

During the year, a new fund was launched – Eurizon Flessibile Azionario – which incorporates environmental, social and governance issues in the process to select issuers to invest in.

Besides the ethical funds of Eurizon Capital SGR for retail and institutional customers, the Intesa Sanpaolo Group offers ethical funds managed by Fideuram, the company serving high-profile customers.

In 2016, Eurizon Capital SGR invested approximately 900 million euro (1.3% of total funds managed by Eurizon Capital) in ethical funds. For Fideuram, segment capital at the end of 2016 amounted to around 40 million euro.

## FONDITALIA ETHICAL INVESTMENT

Fonditalia Ethical Investment is the new socially responsible investment solution of Fideuram which integrates income objectives with financial sustainability and social value aspects. The sub-fund invests in the bonds of those States that stand out for their special focus on social and environmental issues, in bonds issued by Supranational Bodies in favour of developing economies and in funds specialised in micro-finance, fair trade funds, equity funds and shares with a positive impact at social and/or environmental level.

An Ethics Committee comprising managers, qualified experts from academic communities and professionals with proven experience in the field, provides opinions, where required, on the ethics of investments.

A further element characterising the ethics behind the sub-fund is its commitment to supporting scientific research, through the placement of share units and through a donation in favour of the Italian Association for Multiple Sclerosis, AISM, and its Foundation (FISM), of an amount which is proportional to fund fees.

## SHARE OWNERSHIP

Eurizon Capital SGR was one of the first companies to sign the Italian Stewardship Principles to exercise administrative and voting rights in the listed companies in which it has invested. During 2016, it monitored the most significant corporate events relating to financial instruments in its portfolio and focused on governance with the companies it invests in. Eurizon Capital SGR voted during 87 shareholders' meetings of issuers in its asset management portfolio. It is also part of a network of international investors working in collaboration with the UN to share a set of principles inspired by an understanding of the mechanisms of the sustainability of investments through attention to ESG factors and their integration in the investment process.

Shareholder activity was also carried out by the Intesa Sanpaolo Group defined contribution Pension Fund, as concerns companies invested in, for which the Board of the Fund identified critical aspects in ESG terms. This activity translates mainly into soft engagement practices involving direct communication with investee companies, putting questions and notes on topics of particular interest on social, environmental and corporate governance issues.

The Intesa Sanpaolo Group defined contribution Pension Fund was the first in Italy to adopt an active shareholder activity strategy, interacting directly with some of the larger companies in its portfolio. Engagement focused on the chain of suppliers and enabled an assessment of the companies' conduct and recommendations of improvement measures, if necessary. To further support its initiatives, the Fund is a signatory of the Principles for Responsible Investment and the Carbon Disclosure Project.

The Fund includes a section that invests based on a sustainability benchmark, with underlyings selected using ESG criteria. The equity and corporate portfolio as at 31 December 2016 comprised some 1,300 issuers. Six engagement activities were carried out involving various companies in the IT and finance industries (Apple, HSBC, Facebook, Amazon, Alphabet, Google), equal to approximately 0.45% of the number of companies and 0.84% of the portfolio value. To give greater visibility to engagement, the Fund decided to exercise its voting rights for the above companies, through providers specialised in proxy voting.

## "CHARITY AND PHILANTHROPY ADVISORY" SERVICE

As from March 2016, Intesa Sanpaolo Private Banking, aware of its social and environmental impact, has run a "Charity and Philanthropy Advisory" service, in the HNWI Department. The service supports customers with considerable financial assets, also with a view to providing advice for financial and/or strategic needs concerning philanthropic initiatives.

In particular, assistance is provided for setting up philanthropic organisations (foundations, associations), also as a means for planning generational change and empowering businesses and the community. Customised asset management services are also provided, with a dedicated manager to select SRI investments as well as partnership agreements with management companies at the forefront of ethical issues.

## CUSTOMER PROTECTION AND RESPONSIBLE SALES

### TRANSPARENCY FOR CUSTOMERS

Main documents offering products and services, prepared based on requirements of clarity and comprehensibility, are available at branches and online, on the Bank's website, in the section Banking Transparency [i]. In particular, the Information Sheets of the products and services offered, specific Guidelines (Current Accounts, Mortgages, Consumer credit) and Documents on conditions offered to customers are made available.

Since November 2016, information sheets have been aligned with new laws on transparency concerning secured credit and consumers, and the Lending Directive which establishes, in particular, new requirements for consumer assistance, information procedures with "General information" replacing "information sheets" and the addition of three new cost indicators besides the TAEG.

### INVESTMENTS: ADVISORY SERVICE

In line with the 2007 MiFID Directive, Intesa Sanpaolo opted to give all its customers the chance to use its advisory service – which offers the highest level of protection for customers – in order to have personalised advice in making investment decisions. Offering advice means reflecting on the needs of customers and their assets as a whole, proposing customised recommendations consistent with their Financial Profile. To support investment choices, Intesa Sanpaolo has developed Recommended Portfolios that originate from a process of analysis that selects and combines the products and services offered by the Bank according to consistency with the market scenario and customer risk profiles. The combination of products and services in the Recommended Portfolios seeks to ensure diversification by market and by instrument, using both asset management and assets under administration products/services.

In 2014, a new European Directive and regulations were issued, introducing major changes. Intesa Sanpaolo started a Project to align with the regulations for the starting date envisaged (3 January 2018). In December 2016, Group Product Governance Guidelines on financial and banking products for retail customers were adopted. Although the legal context is still developing, the Guidelines introduce new processes to protect the interests of customers during the entire life cycle of products.

### INVESTMENTS: PROFILING

From as early on as 2015, the Bank carried out a complete overhaul of its profiling questionnaire aimed at obtaining, in advance from the customer, information on their knowledge of and experience in investments, their financial situation and investment objectives. The new questionnaire – developed further in 2016 –

significantly revised the profiling methodology adopted by the Bank, as the process to obtain information from customers has changed from assessment based on self-statements to an evaluation of information already available to the Bank, in terms of customer experience and assets, and includes questions which are not based on self-evaluation and instead mainly refer to "objective" parameters (such as education, profession, dependent family members, income, etc.).

### NEW PRODUCTS AND SERVICES: COMPLIANCE CLEARING PROCESSES

Intesa Sanpaolo adopts a "Compliance Clearing" process in developing new products, services and activities with operational and/or reputational risk. The process involves various entities (e.g. Marketing, Compliance, Risk Management, Legal) that give a technical opinion. The "Model to approve new products, services, the start of new activities and investments in new markets" defines the responsibilities, duties and main processes for the Bank and all Italian and international Group Companies in the prior assessment of risks originating from the introduction or revision of a new product or service, the start-up of new activities and entry on new markets in relation to applicable laws.

### COMPOUND INTEREST

Since 1 October 2016, interest on deposits and credit transactions between intermediaries and customers has been regulated by new laws which establish that accrued interest payable in these transactions cannot produce interest, save for interest on arrears.

The new rules, which define the frequency for calculating and requesting payment of interest for current accounts and relative credit openings, have introduced considerable changes that also require customer authorisation.

Intesa Sanpaolo has facilitated this change, paying particular attention to notices to customers so that they include various options in a balanced way, representing the various advantages and disadvantages for the customer.

At the same time, a detailed communication and update plan for customer managers was prepared, for them to provide the best assistance possible.

### RELATIONS WITH CONSUMER ASSOCIATIONS

Intesa Sanpaolo has long been involved in engagement activities with Italy's leading Consumer Associations, from receiving applications/appeals to finalising cooperation initiatives at a design, technical and operational level. In 2016, Intesa Sanpaolo renewed its shared commitment to consolidating an economic/banking and consumer culture with the "Mettere in Comune competenze" (Sharing Expertise) project (see "Financial culture for informed choices" page 75) and "Final Settlement" (see the website "Settlement Agreement" [i]) as a method of out-of-court settlement adopted and managed together with Consumer Associations.

The settlement 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. During 2016, 40 new applications for final settlement were received.

Concerning the technical debate on specific issues of global significance, the Bank offered to establish technical working groups focused on credit, savings, digitization and new, important products for households.

### FINANCIAL EDUCATION INITIATIVES

On a day-to-day basis, increasingly influenced by decisions connected with finance, credit and welfare, most people come up against growing difficulties in managing their money, not only and not always due to a lack of resources, but above all because of a lack of basic financial expertise.

Numerous initiatives have been adopted by Intesa Sanpaolo, particularly for its future customers (for more details, see "Financial culture for informed choices" page 75).

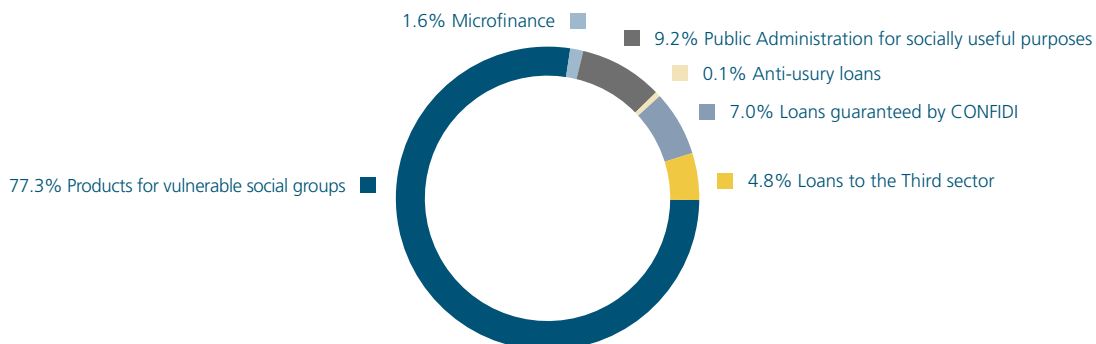
### FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT

Credit management has a direct impact on financial capital, the use of which allows us to remain faithful to our traditional vocation, being a real economy bank, for households and businesses. Promoting financial inclusion means that a bank must support recovery which is fundamental for the economic, environmental and social sustainability of the community and also represents an opportunity for growth and development.

Intesa Sanpaolo meets the different needs of consumers with a marketing focus and different approaches according to the customer segment, with the aim of accompanying customers through their own life cycle, developing a new way of banking and of looking towards the future.

### INITIATIVES WITH HIGH SOCIAL IMPACT

In 2016, the Intesa Sanpaolo Group issued new loans for high social impact activities amounting to over 4.6 billion euro (8.3% of total new loans granted), helping to create business and employment opportunities as well as assist people in difficult situations in several ways: micro-finance; anti-usury loans; loans to the Public Administration to develop socially useful services and activities; credit facilities granted to small and medium enterprises belonging to CONFIDI (consortia or cooperatives for collective credit guarantee); products and services addressed to Third sector associations and entities; products dedicated to the most vulnerable social groups to support their financial inclusion.



## HOUSEHOLDS AND PAYMENT SOLUTIONS FOR MORTGAGES

For some time, the Bank has taken specific action to renegotiate mortgages stipulated with customers in recent years, reducing the overall amount of each repayment. In 2016, 66,000 renegotiations, for a total residual debt of approximately 6.2 billion euro, took place.

To help customers who are struggling to meet their mortgage payments, a solution has been available since 2014 "Rata Leggera", allowing customers who have contracted mortgage loans, for which repayment started at least twelve months earlier, to suspend their principal payments for a maximum of 12 months, to cover unexpected expenses and overcome temporary hardship or as a means of freeing up funds in the household budget to be used in consumer goods and lifestyle improvement investments. There were 2,200 suspensions in 2016 for a total residual debt of nearly 689 million euro.

Mortgage products were revised and expanded, with new solutions to further increase flexibility for customers. Dedicated to the under-35s, including people with non-typical employment or contracts with increasing forms of protection, and with the aim of helping first-time home purchases, "Mutuo Giovani" is a new, flexible, modular mortgage, financing up to 100% the value of property and lasting up to 40 years, which allows customers to initially pay, for a period they choose and up to 10 years, a lower instalment, comprising only interest, with the possibility of suspending repayments or extending or shortening their duration.

In total, mortgages amounting to nearly 2.6 billion euro and for around 23,000 people were disbursed in this target group (in 2015, over 1.5 billion of loans were issued, for more than 14,000 people).

For customers who are already property owners and want to buy a new home and are waiting to sell, the new mortgage has a pre-payment period of one year, an initial repayment comprising only interest, so the amount is smaller, and some of the proceeds from the sale of the existing property can be used to pay off the outstanding amount owing.

Lastly, "MutuoUp" is a mortgage for first-time or second home buyers to obtain an additional sum, granted in 24 hours, a short time after the house purchase, and up to 10% of the mortgage, for any additional expenses not planned for or not envisaged, rather than for new projects. 93 loans for almost 10.4 million euro were disbursed in 2016.

As a result of the earthquake that hit the regions of Lazio, Marche, Umbria and Abruzzo, the Bank adopted a number of measures in favour of companies, small businesses, traders and families in the affected areas. In particular, repayments on mortgages, loans and leases were suspended free of charge (principal amount and interest) up to 25 February 2017 for borrowers resident or with their registered and/or trading office in one of the municipalities listed by the Government Cabinet.

Numerous system agreements were made, in keeping

with the economic and regulatory context, to help families in difficulty.

The Group participates in the Guarantee Fund for First Homes, established by the 2014 Stability Law to facilitate access to credit by households for the purchase and energy efficiency of 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 IACP – can get a guarantee on the principal amount of their loan (up to 50%). The lending Bank undertakes not to request additional guarantees besides the mortgage on the property and to apply, free of charge, the flexible options connected to the mortgage. 1,200 loans for almost 161 million euro were disbursed in 2016.

As part of the Solidarity Fund for first home mortgages, set up at the Ministry of Economy and Finance, 237 new requests for suspension were accepted during the year. Total suspensions, at the end of 2016, included over 3,700 mortgages for a total residual debt value of approximately 314 million euro.

An additional agreement between ABI and main consumer associations to suspend household loans, following provisions in the 2015 Stability Law, has made it possible to suspend up to 12 repayments of the principal amount of loans. Since its activation, at the end of May 2015, 663 applications have been upheld, of which 267 in 2016, for a total residual debt value of 20.5 million euro and deferred debt of nearly 6 million (8.8 and 2.9 million respectively for 2016 alone).

Aware that the property sector is fundamental for Italy's recovery and that the home is a fundamental value for Italians, in 2015 Intesa Sanpaolo set up "Intesa Sanpaolo Casa", the Group company acting as estate agent in the residential property sector. Since the end of 2016, thirty-two agencies have been operating in Italy with a shop in shop formula, inside Bank branches, with estate agents who are company employees. In 2016, some 1,000 sales orders were placed, 290 contracts were finalised or are being finalised and over 700 buyers are listed in the customer portfolio.

A focus on people coming up against financial difficulties, also because of losing their jobs, led Sanpaolo to promote its "Anticipazione sociale" (Welfare Advance) initiative. Starting in 2005, it grants a credit line with sums gradually released, at particularly beneficial conditions, and which can be used up until the time when social security payments are made into the customer's current account. Through agreements signed with the Authorities and local institutions in Lombardy, Piedmont, Emilia Romagna, Tuscany and Veneto, the worker does not bear any charges as these are covered by the project partners. In 2016 approximately 1.9 million euro were disbursed and about 1.1 million were used for over 400 households.

The Intesa Sanpaolo Group has joined the social initiative



project promoted by Adiconsum designed to prevent usury. "Prestito Adiconsum", the loan guaranteed by a fund financed by grants that the Italian State has made available through Law No. 108 of 7 March 1996 and entrusted to Banca Prossima, is for all persons and households who, despite having recovered repayment ability, because of previous negative positions do not have access to legal credit.

The verification and pre-selection of loan applicants is carried out exclusively by professional staff at the Adiconsum National Headquarters. The loan, in place since October 2015, is a medium term loan repaid in monthly instalments, for an amount of 2,000 to 30,000 euro, and a maximum term of 84 months. 30 loans totalling 642 thousand euro were disbursed in the year. International banks are also targeting workers and their families who are in serious difficulties because of job losses. In these cases, loans with special conditions and ad hoc financial solutions are provided.

Initiatives adopted over the years include Banca Intesa Beograd's Intermezzo cash loan project.

Started in 2003, this loan model gives customers the chance to defer monthly repayments, for up to five times during the entire repayment period, and additional peace of mind with an insurance package (at no extra charge), in the event of redundancy or disability due to an accident. In 2016, loans for over 108 thousand were granted (over 38 thousand to new customers) for a total of nearly 98 million euro.

As part of a specific course of action aimed at offering customers simple and concrete solutions, Intesa Sanpaolo offers a wide range of products.

Since mid-November 2015, the new "ProteggiMutuo" policy with insurance cover by Intesa Sanpaolo Assicura and life insurance from Intesa Sanpaolo Vita has been available. This can be combined with real estate mortgage loans to individuals granted by Group Banks and through a modular structure, these protect borrowers from serious events that may hinder their ability to repay the loan, through three guarantees: Life insurance, total permanent disability and job loss.

A range of insurance products, with similar purposes and at competitive market rates, is also included in products offered by international banks – Intesa Sanpaolo Bank in Slovenia (formerly Banka Koper), VÚB Banka, Privredna Banka Zagreb and CIB Bank – to protect customers that take out loans and mortgages, in the event of their

death, unemployment or permanent disability. In 2016, over 68,000 policies were stipulated.

"Mi Curo dei Miei" of Intesa Sanpaolo Vita is dedicated to the protection of the family, in the event of predecease.

"Tu Dopo di noi" is an insurance product designed to protect a disabled beneficiary on the death of the insured. In 2016, 243 new policies were entered in (over 1,100 policies already existing and referring to a similar product).

"Base Sicura Tutelati" has the same purpose and is a product entirely for minors and/or incapacitated persons that have capital at their disposal and require prior authorisation from a supervising judge.

In 2016, Intesa Sanpaolo adopted an insurance measure to help people affected by the earthquake which hit the areas of Rieti, Ascoli Piceno, Perugia, Macerata and Fermo: "Vicino a te". Not only customers at a Group level but also people most affected by this dramatic effect – i.e. minors who have lost both parents – are given assistance, with up to 300,000 euro being donated to each minor involved, up until they reach eighteen years of age.

With a growing demand for supplementary healthcare, Intesa Sanpaolo has launched its innovative Offerta Salute healthcare package, which at the end of 2016 included four policies to protect household economic stability: "Prevention and Health"; "Accidents"; "Surgery"; "Serious illnesses".

## LOOKING TO THE FUTURE: LOANS FOR YOUNG PEOPLE

Intesa Sanpaolo wants to be closer to the projects and dreams of young people – who represent our future – and believes it is essential to meet their needs with products and services that promote financial inclusion. For this reason it has developed a specific product range: besides Mutuo Giovani, products include prepaid cards, the ad hoc loans – PerTe Prestito Giovani and PerTe Prestito Con Lode – and supplementary welfare solutions.

In 2016, the "PerTe Prestito Giovani" loan was disbursed to more than 41,000 young customers for nearly 486 million euro (in 2015 the loan was disbursed to over 43,000 customers, totalling more than 487 million).

## PER TE PRESTITO CON LODE

This loan, which underscores the Bank's commitment to promoting the training and university careers of young people, is for students who are up to date with their courses not only at University, but also with an organisation that is a Foundation, a guarantee fund in general or a company in the welfare sector. The requirements for obtaining the loan are regardless of family income and are based solely on university attendance and merit, without any collateral.

The "Per Te Prestito con Lode" loan has been extended to students on post-graduate courses, with higher amounts and longer repayment periods, based on single agreements, offering flexible and customisable management by any participating organisation.

The agreement with the Jesuit Educational Foundation was revised in 2016, which brings together Jesuit schools in Italy and Albania, providing access to credit for families of pupils at the foundation's secondary schools. A further 13 organisations signed up. In total 27 organisations – comprising universities and further educational organisations – have signed the agreement.

519 loans for 6.7 million euro were disbursed.

The "Per Te Prestito con Lode" loan will be offered to all Italian universities, to the Ministry of Education and Italian companies, as a corporate welfare programme.

As regards supplementary welfare, the two solutions launched at the end of 2012 – an open-ended pension fund, "Il Mio Domani", and an individual welfare plan, "Il Mio Futuro" – offer under-25s a discount on the annual management fee. In 2016, over 86,000 joined, with figures up considerably on 2015 (+21.90% for "Il mio Futuro" and +50.34% for "Il mio Domani").

To promote employment and help young people purchase a home and develop a new business, Banca CR Firenze signed a partnership agreement with Ente Cassa di Risparmio di Firenze, based on which non-returnable funding of 4 million euro will be granted in the 2016-2018 period. Amounts will be allocated to individuals and companies in the provinces of Florence, Arezzo and Grosseto through participation in tenders covering five areas: Jobs Act Plus (the employment of specialist workers or apprentices), E-Commerce Evolution (the use of e-commerce), New One (the renewal and modernisation of plants, equipment and processes), Young Home (for young, first-time home buyers) and New Artist (for young people to open artisan and art businesses).

Numerous tailor-made solutions have been offered to young people and students by international banks. These include the initiatives of VÚB Banka and Intesa Sanpaolo Banka Bosna i Hercegovina.

The Slovakian VÚB Banka had already launched a loan in 2007 for young people to buy or renovate their home: Flexi mortgage for young. The Bank has based the loan on a government initiative, providing special conditions in the first five years of the loan to customers up to 35 years of age, with limited financial possibilities. A 3% decrease in interest is applied and repayments can be suspended or halved for three years in the case of the birth of a child or adoption. The loan is for a maximum of 50,000 euro and up to thirty years. In 2016, 334 million euro was disbursed to more than 5,000 applicants.

For students up to thirty years of age, Intesa Sanpaolo Banka Bosna i Hercegovina provides an Overdraft for students account. Launched in 2014, this initiative has gradually been expanded and offers a current account with overdraft facility, Internet and mobile banking, Visa Inspire and monthly account statements by email, with no charges for keeping the account. More than 4,300 new current accounts were opened in 2016 (since the offer was launched, over 10,451 accounts have been opened).

## SENIORS: THE VALUE OF RELATIONS WITH THE BANK

The products and services dedicated to this type of customers take into consideration the specific needs of simplicity and enhancement of relations with the Bank that have consolidated over time. The Intesa Sanpaolo offer features three lines of dedicated products: "Carta Pensione", "Libretto Pensione per te" and "XME Conto" that, for account-holders and their joint holders over 65, provides, in addition to conditions valid for all customers, the opportunity to join the free "Senior Health" programme.

At the end of 2016: more than 7,600 pension cards, approximately 26,200 pension savings books and over 273 thousand over-65 joint holders of "Conto Facile" and the new "XME Conto", replacing the former at the end of September, had been issued.

The Basic Account, created to comply with regulations introduced in 2012 for financial inclusion purposes, completes the range of products specifically for senior customers. The account is dedicated to customers with limited banking needs and envisages low management costs, particularly for socially disadvantaged customers.

Given the aims of this product, Intesa Sanpaolo chose to make its Basic Account product even more



convenient, guaranteeing more transactions free of charge than the limits established in regulations.

At the end of 2016, over 15,800 Basic Accounts had been registered, of which nearly 1,500 account holders are socially disadvantaged and around 4,900 account holders are pensioners with pensions up to 18,000 euro a year.

A non-banking service is also provided for health, wellbeing and leisure, including for example: protection for unforeseen events, doctors and healthcare facilities accessible at preferential terms, social, welfare and tax-related services at subsidised conditions or even free of charge, and opportunities to purchase recreational products and services at bargain prices.

With Salute Senior (Senior Health), customers can benefit from special conditions to see specialists, have outpatient diagnostic tests, be hospitalised or have surgery and dental and physiotherapy treatment at over 2,300 clinics and hospitals throughout Italy, with additional services that are free of charge or offered at special rates. During 2016, more than 287,000 customers over the age of 65 accessed this programme. Products provided by international banks for this customer segment include current accounts at special conditions and loans for pensioners from the Croatian bank Privredna Banka Zagreb.

The first, which has been on offer since 2004, is a loan that adopts a different approach to calculating merit ratings to allow low-income pensioners to have access to financing. Interest rates are fixed and the cost is just 0.50% of the amount of the loan. In 2016, more than 2 thousand loans were granted for a total of nearly 3.6 million euro.

Current accounts with special conditions target the same type of customer but have costs 50% lower than conventional accounts offering the same services for regular customers. At the end of 2016, over 180,000 people had this type of current account (including over 3,000 new customers).

### **A BRIDGE CONNECTING THE WORLD: REMITTANCE MANAGEMENT**

Immigrants continue to account for an important part of Intesa Sanpaolo's customer base, with over 1 million customers at the end of 2016 (+2.4% compared to 2015). The money transfer services offered include three complementary services which in terms of characteristics and costs make the product range complete and competitive: Getmoney to Family, which enables the sending of money to the migrants' main countries of origin thanks to agreements entered into with local banks; Express to Family, designed to transfer money to Intesa Sanpaolo Group Banks

located in Albania, Egypt, Romania, Serbia and Ukraine and Money Transfer Western Union, which thanks to its widespread agent network enables the receipt of money worldwide. "Money Transfer Western Union", which thanks to its widespread agent network enables the receipt of money worldwide.

During 2016, around 135,000 remittances were placed for nearly 74 million euro, confirming the growth trend already recorded in 2015.

Through Western Union, over 110,000 transfers were made in 2016, totalling nearly 33 million euro (from 2014 to 2016, 311,000 transactions were managed for around 95 million euro).

As for the other two services, almost 6,700 transactions for about 12 million euro were handled by Express to Family and more than 18,000 for nearly 29 million euro were handled by GetMoney to Family.

"Carta Insieme" was created for organisations operating in the social sector, to support needy or disadvantaged people such as migrants and asylum seekers.

Available in three versions, the new card can be used to disburse sums of money in favour of card holders, with specific limits which can be set for card transactions.

### **THIRD SECTOR**

The Third sector is an important part of Italy's economy and society; in 2016, a law was passed recognising this sector's importance and establishing a reform to improve its functioning. Intesa Sanpaolo has long recognised the importance of serving organisations in this sector, including religious organisations (which for the main part are not included in the scope of civil laws) and in fact Banca Prossima is dedicated to this type of customer. At the end of 2016, the Bank had over 58 thousand customers, with 7.7 billion euro in deposits (of which 3.1 billion euro direct) and around 1.7 billion euro in loans.

In 2016, new medium and long term loans for approximately 211 million euro were granted.

After the seven stages of the road show "Daterzoaprimo tour" in 2015, for Banca Prossima to meet its main local stakeholders, customers and over 400 members of staff throughout Italy and to promote the key aspects of the Third sector, a plenary event was organised in 2016, at two different venues, involving all Bank staff. Initiatives to improve operating effectiveness and efficiency, thought up by staff divided into teams, were presented and approved by the majority of those present. One idea in particular, currently being assessed, is to collect quantitative data describing the social impact of customers trusted by the Bank and to include this data (over the long-term and after checking its reliability and use) in the Bank's operating and planning procedures.

## B-CORP CERTIFICATION

In November 2016, Banca Prossima was awarded Certified Benefit Corporation (B-Corp) certification, demonstrating the benefits it has generated for the community. The certification is issued by a non-profit American organisation, B-Lab, based on replies to a questionnaire and with a core of over 80 (Banca Prossima received a score of 88).

In Italy, there are around forty Certified Benefit Corporations and Banca Prossima is the only Bank. At present, there are over 2,000 B-Corporations in the world, in 50 countries (of which half in the US) and in 130 different sectors. A dozen B-Corps belong to the banking sector including European banks (Triodos, in Holland and other countries, Charity Bank in the United Kingdom and Cultura Bank in Norway).

## Subsidised loans to the Third sector

Banca Prossima has gradually launched a series of initiatives to grant subsidised loans to the Third sector. These loans are sustainable for the Bank through a number of low-cost deposit methods. The benefit for the Bank of lower deposit costs fully translates into lower lending rates. Essentially, this mechanism has been adopted in three areas: the use of loans from the ECB for investments, raising funds on the Terzo Valore crowdfunding portal and the issue of "Serie Speciale Banca Prossima" bonds.

As for the use of EIB funds, approximately 29 million euro was disbursed in 2016 for 10 loans as part of a three-year programme (2014-16) providing 120 million euro in favour of 43 beneficiaries. The considerably high amount of the loans (around 3 million for each operation) was important; although typical of EIB funds, this is not common in Third sector operations. At the end of 2016, another agreement was signed between the Intesa Sanpaolo Group and European Investment Bank making available a further 50 million euro for Banca Prossima over the next three years.

Terzo Valore [\[i\]](#) is a crowdfunding portal which allows anyone to lend money or to directly fund non-profit organisation projects, without intermediaries and with principal repayment guaranteed by the Bank. Since its launch in 2011, Terzo Valore has financed 86 projects with loans granted by external subscribers for about 7.3 million euro, plus 1.4 million euro of donations.

Intesa Sanpaolo issued two "Serie Speciale Banca Prossima" bonds in 2013 and 2014. The Bonds are issued at lower rates than those normally adopted for securities with the same characteristics in terms of rate type and maturity. Total funding was used as loans to the Third sector, amounting to approximately 45 million euro and divided among 218 projects of various types of organisations, primarily including social cooperatives, associations and religious organisations.

To support social enterprise ideas encouraging access to employment for deserving university students, Fondazione San Patrignano – in partnership with Banca Prossima – launched the Social Start-Up award "Giovani idee per il social business" (Young ideas for social business), an ideas competition addressed for university students and young people enrolled in a master's course or a Ph.D. (not older than 35 years of age).

The competition is designed to award the best three social enterprise projects with a loan up to 25,000 euro, granted by Banca Prossima, guaranteed by a fund set up in 2013 by the Foundation. Through this initiative, Fondazione San Patrignano and Banca Prossima aim to activate business culture operating in the social field, assisting emarginated or excluded people and making itself known on the market to guarantee – in addition to transparency, responsibility and environmental protection – real economic sustainability. In February 2016 the Third edition was launched.

One of the most important Third sector partnerships is with the SPIN-Sport Insieme Consortium, a non-profit organisation set up by main associations promoting sport at a national level to build new sports facilities, renovate or modernise existing sites and promote sport in Italy. The SPIN credit access model is innovative: the association takes on the risk by investing its own capital (minimum 20% of the amount) and undertakes a project study and analysis process together with the Consorzio. Banca Prossima's credit decisions are supported by SPIN's certification, which investigates some aspects, such as the investment's economic and financial sustainability, the cost adequacy and necessary authorisation process, which are key factors for the project's success. In 2016, 30 projects were analysed and assessed for a total value of approximately 23 million euro and 24 were financed for an amount of about 13 million euro.

## MICRO-FINANCE SOLUTIONS FOR VULNERABLE SOCIAL GROUPS

A desire to play a part in the social growth of communities where it operates has led Intesa Sanpaolo to work with shareholder foundations and local charity organisations in numerous micro-credit projects and initiatives targeting the prevention of usury, with around 76 million euro disbursed in 2016.

### Prestito della Speranza

Since 2010, the Group has been involved in the "Prestito della Speranza" (Loan for Hope) initiative promoted by the Italian Episcopal Conference with ABI to support families temporarily in difficulty and businesses and to create micro and small businesses.

The initiative was renewed in 2015 in an exclusive partnership with the Italian Episcopal Conference,

with the aim of disbursing 100 million euro of loans guaranteed by a 25 million euro CEI fund entrusted with Banca Prossima, through the Caritas charity network and under the aegis of VoBIS-Volontari Bancari per le Iniziative nel Sociale (the volunteer association of former bank employees that operate throughout Italy for social solidarity initiatives).

The new Prestito della Speranza 3.0 programme has two specific goals, with dedicated initiatives: life choice projects and entrepreneurship for the young as well as start-up businesses. The loan is structured either as a Social Loan (Credito Sociale) for 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 disbursement in one payment of a maximum of 25,000 euro.

Following the complete revision of the agreement with the Italian Episcopal Conference, Intesa Sanpaolo is the only Bank to which new applications are made. Since March 2015, Intesa Sanpaolo has assessed over 5,000 applications for around 41 million euro, granting loans of approximately 26 million for over 3,400 applications.

### Other partnerships

The system of a guarantee fund through Banca Prossima offered by an organisation, which is usually a charity or religious organisation, associated with an agreement with Intesa Sanpaolo for loans to private customers or small businesses in difficulty, was replicated with a number of parties. Significant initiatives include Intesa Sanpaolo's involvement as partner to Fondazione Lombarda Antiusura and Fondazione Welfare Ambrosiano.

Fondazione Lombarda Antiusura has been operating since 1997 to defend individuals or small businesses in financial dire straits or at risk of usury. The Foundation, set up by Cariplo S.p.A. in collaboration with Fondazione Cariplo and Caritas Ambrosiana, has provided the guarantees required to cover the credit granted free of charge. The selection of the applications takes place through sector experts, employees or retired members of the Group, who act as a listening and guidance centre in identifying the financing solutions required to remedy critical situations. Thanks to the work of the Foundation – acting as guarantor or to cover interest – over 600 entities have been able to gain access to Intesa Sanpaolo loans for a total of almost 10.2 million euro since it was set up.

Fondazione Welfare Ambrosiano, an entity financed by the Municipality of Milan, which also involves the participation of Fondazione Lombarda Antiusura, entails micro-finance initiatives both of a "social" nature, to provide income support for households, and of a business nature, for the creation of micro and small enterprises. Users are mainly in the Milan area and Intesa Sanpaolo is one of four financial partners involved. Since the start of activities in 2011, a total

of 3.4 million euro has been disbursed (two thirds as social funding and one third as business loans), with approximately 60% from Intesa Sanpaolo, above all referring to social funding.

Fondazione Welfare Ambrosiano is one of Intesa Sanpaolo's partners in the "Anticipazione Sociale" initiative (see page 69).

In July 2016, an agreement was signed by Banca Prossima, Banco di Napoli and Finetica Onlus, which manages a guarantee fund for social micro-credit activities (2-15 thousand euro per loan) and business loans (up to 25,000 euro). Banco di Napoli disburses the loans.

In October, an agreement was entered into with the Cesare Pozzo mutual aid cooperative, that deposited a guarantee fund – currently comprising 3 million euro, but which will increase – with Banca Prossima. Members of the cooperative may ask apply for a loan from any Intesa Sanpaolo Group bank for family expenses (such as health or school expenses) at very favourable conditions.

Another, recent project concerns the NEETwork agreement signed in October. This is an agreement relative to the Young Peoples' Social Fund "Garanzia Giovani", which provides additional contributions for non-profit organisations that employ NEET (young people who are not in education, employment or training) with a fixed-term contract. The aim of the agreement is to ensure that the process for paying apprenticeships is streamlined and made easier by Banca Prossima, that finances 100% of total payments to apprentices (the monthly amount is 400 euro, of which 100 paid by the organisation, 100 by Fondazione Cariplo and 200 by the Lombardy Region).

A partnership has also been ongoing with Fondazione Cariplo for Funder35 – a number of initiatives taken by foundations to identify, in an annual tender, the best projects presented by cultural organisations established by the under 35s, giving them a chance to grow and develop through non-returnable funding and assistance. The Bank helps finance the winning organisations and if necessary advances contributions.

Several other projects have been developed in collaboration with locally active Foundations.

These include:

- the "Finanziamento a valere sul Fondo Regionale di garanzia per il Microcredito – Regione Piemonte assistito da garanzia FINPIEMONTE", dedicated to newly set-up small businesses and self-employed workers with operational headquarters in Piedmont, for the business start-up phase;
- the agreement with Fondazione San Patrignano, which entails micro-finance activities for the integration of the San Patrignano Community youth in the job market. The project includes a training stage with the support of Bocconi University and guidance through the first business experience with 250 "Credit Angels" from the VoBIS association.

## BANK THE UNBANKED

Alexbank, as part of the “Bank the Unbanked”, project, has developed various products over the years for people without access to banking facilities, to improve living and working conditions even in the poorest areas of the country, incorporating them in a single project that includes:

- micro-loans for various customer needs and for setting up small businesses. At the end of 2016, nearly 54 thousand customers had access to the loans for approximately 38 million euro.
- micro-deposits at special rates to encourage a culture of saving (over 700 accounts opened for total deposits amounting to nearly 177 thousand euro).

A platform for smart phones (MA7FAZTY Mobile wallet) is also offered, for simple and safe shared banking transactions.

## FINANCIAL CULTURE FOR INFORMED CHOICES

### Growing with our stakeholders

The Intesa Sanpaolo Group is particularly involved in projects and initiatives to disseminate a knowledge of economic and financial issues, to make people more aware (especially the young generations) of their choices. Numerous initiatives have been adopted, without marketing purposes, leveraging the experience and advice of the Group's employees and specialists. Since 2008, in order to encourage education opportunities for young people, in partnership with Osservatorio Permanente Giovani-Editori, Intesa Sanpaolo has promoted the project “Cultura finanziaria a scuola: per prepararsi a scegliere” (Financial culture at school: get ready to make choices), which aims to provide useful knowledge to individuals on how to make reasoned decisions about their future. Dedicated to high school students, the project involved 500,200 students in 2016, over 19,000 classes and 7,500 teachers. The “Young Factor” project was launched in 2014. Involving Intesa Sanpaolo, Unicredit and Monte dei Paschi di Siena, until school year 2020-2021 this project will include a series of initiatives to encourage the highest level of economic and financial education in Italian students.

### Museo del Risparmio

The Museo del Risparmio is a multi-media, interactive workshop set up in 2012 through Intesa Sanpaolo. Dedicated to families, adults and children, the museum explains the concepts of saving and investing with a clear, simple language, to help improve financial literacy. In 2013 the it founded the International Federation of Finance Museums (IFFM) in collaboration with the Museum of Global Finance in Beijing, the Museum of American Finance in New York, and the Global Financial Literacy Excellence Center in Washington, and became co-chair in 2015.

In association with member associations of the IFFM, a number of concrete proposals were made in 2016 (“Addressing the gender gap in financial literacy: a practical toolkit”) to encourage the greater involvement

of women in financial issues. Other initiatives particularly for women were also been adopted, with the aim of breaking down the gender gap in financial education. These include “Rischiare? È un mestiere da donne” (Taking risks? It's a woman's job), designed to encourage debate among adult women on how to gain more awareness and promote saving. The new “It's up to you” workshop for 11 to 14 year-olds, which is part of the same theme, helping youngsters to plan their personal finances without gender stereotypes.

Numerous initiatives were set up for all types and levels of schools, to give primary school children new learning opportunities and secondary school pupils the chance to meet affirmed business men and women and start-uppers, find out about international financial organisations and attend workshops to improve their relational skills.

The Museum also organised a number of events on financial education for young people, including: the conference “Il risparmio e la società giusta” (Saving and the right society), which was part of the investment management show Salone del Risparmio di Milano; the “No cash world” workshop, which was part of the No Cash Day and Salone dei Pagamenti di Milano; the conference “Denaro sporco: seguirne le tracce per la tutela della legalità” (Dirty money: tracking to protect legality) as part of the Forum on Fiscal and Economic Legality; the presentation of the book “Attenti a quei soldi” (Careful with that money) and children's workshops during the Turin Book Fair, in partnership with the Bank of Italy's Turin branch.

To mark National Saving Day, the Museum also promoted “Arte del Risparmio” (The Art of Saving) a week of events (exhibitions, workshops, etc.) for young children and adults, in association with Gallerie d'Italia and the Historical Archive of Intesa Sanpaolo.

Lastly, activities continued to develop new content, with the e-book “Le parole della finanza” (A finance glossary), which is the second of three publications that present comprehensible, concise explanations of the most common terms used concerning loans, finance and risk. For further information please visit the Website [\[i\]](#).

### **Mettere in comune competenze**

In partnership with the Consumer Associations, the project “Mettere in comune competenze” (Sharing Expertise) was launched in 2011 with the aim of improving 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. Two cycles of seminars were held in 2016: the first, for national executives of Consumer Associations, provided an update on the banking/financial part and introduced insurance and welfare issues; the second, for local executives of Associations in Lombardy, was part of the local training project already trialled in Piedmont, with further information about credit products.

International banks also focussed on customers' financial education. Some of the most significant projects are listed below.

Alexbank opted to use the bank's Facebook page to publish 10 videos (“Ask the Expert with Alexbank”) explaining the main concepts of banking in a simple and attractive manner, as well as terms used in contracts, and products offered (credit or debit cards; current or savings accounts; fixed or floating rate interest, etc.).

The Slovakian bank VÚB Banka launched “iPoradca” (“iAdvisor”) in 2015, a programme that has a “Digital Ambassador” at branches to help customers understand the benefits of digital services and teach them to use these services in their day-to-day lives. In 2016, the project was expanded to include internal workshops to train all branch staff to become “digital ambassadors” for customers.

Intesa Sanpaolo Bank Albania, in association with Junior Achievement Albania (the business education programme) involved some staff members – who volunteered to use their expertise – in a project for secondary school pupils to develop business management skills. The Bank also signed a partnership agreement with the Faculty of Economics, to share experience and professional expertise in various projects with an academic background.



# Social and relational capital



Social and relational capital includes the value of relations with key stakeholders and communities in specific contexts where the company operates.

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## RESOURCES

Customers: 18.9 m  
 Employees: 88,725\*  
 Investments for the Company Welfare System: 5% of overall labour costs  
 No. of suppliers (Procurement carried out by Intesa Sanpaolo and companies within the Italy boundary): 31,734  
 Cash contributions to the community of approximately 46.4 m\*\*\*  
 Direct and indirect taxes: approximately 2.3 bn

## ACTIONS AND RESULTS

People involved in the "Insieme per la Crescita" (Together for Growth) programme: 38,000 at approximately 4,000 branches  
 The new branch model: 80 branches  
 SeiOk quality monitoring system - Branch excellence index with a positive rating achieved\*\*:

- 87% of retail branches
- 99% of personal branches
- 97% of SME branches

Turnover rate -1.14 (-1.36 in 2015)  
 Integrated Welfare programme fully operative  
 Flexible work project: more than 5,700 members of staff at 13 Group companies

A new e-sourcing solution with a supplier ESG evaluation questionnaire  
 Progetto Cultura: activities continued including initiatives for disadvantaged and vulnerable groups  
 No. of employees who received anti-corruption and anti-money laundering training: 37,269 (42%)

## IMPACT ON STAKEHOLDERS

"Insieme per la Crescita": customer satisfaction (with an improved Net Promoter Score for Retail and Personal branches) and employee satisfaction (branch barometer: a synthetic rating of 7.7 on a scale from 1 to 10)  
 % of Regional Departments achieving the Net Promoter Score:

- 53% of Retail branches
- 48% of Personal branches
- 65% of SME branches

Job protection: the Plan objective reached, with approximately 4,500 people already re-allocated to priority initiatives  
 Climate analysis results: staff satisfaction increasing to 78% in Italy (67% in 2014)  
 Services provided by the Healthcare Scheme Fund to over 200,000 people and totalling more than 140 m

Added value for suppliers of 2.6 bn  
 More than 84% of national central funding from the Charity Fund allocated to vulnerable and weak groups  
 Reduction in social costs arising from corruption activities

\*Sustainability Report scope.

\*\*Branch excellence is an overall indicator comprising the weighted average of 4 sub-categories ("Net promoter score", "Service excellence", "Operating excellence" and "Credit excellence").

\*\*\*Cash contributions to the community are calculated according to the London Benchmarking Group's methodology.



## RELATION WITH STAKEHOLDERS: ENGAGEMENT AND LISTENING

To identify stakeholders' areas of interest and expectations, the Group has been involved in stakeholder engagement for years, actively involving all Bank Departments that manage relations with stakeholders. Synergies have been consolidated to define areas of cooperation for engagement activities, that can produce results for everyone. These results refer to the needs and expectations of stakeholders and help define improvement objectives for each department, in line with Business Plan strategies<sup>1</sup>.

### STAKEHOLDER MAP

The stakeholder map represents the Bank's relations; the results of engagement activities in 2016 are presented in summary form to highlight the most pressing topics identified on a materiality basis.



<sup>1</sup> For more details of the results of engagement activities, see the publication "Stakeholder Engagement and Improvement Objectives. The results of engagement activities with our stakeholders in 2016".

## ENGAGEMENT INITIATIVES AND ISSUES

Method of engagement	Issues
<b>EMPLOYEES</b>	
Employees <ul style="list-style-type: none"> <li>■ Climate survey involving Professional Areas, Middle Managers in Italy, Management Staff, International Banks (all professional categories)</li> <li>■ 1 focus group with Area Managers</li> </ul>	<ul style="list-style-type: none"> <li>■ The Group's reputation, brand value and external sources' and customers' perception of the Bank</li> <li>■ Occupational health and safety</li> <li>■ Responsible sales and transparency and clarity in customer communications</li> <li>■ Quality products and services, expertise and professionalism in relations with customers and the Bank, innovation and an integrated multichannel approach</li> </ul>
Trade unions <ul style="list-style-type: none"> <li>■ 1 focus group</li> </ul>	
International Banks Division staff <ul style="list-style-type: none"> <li>■ Web-focus on the Intesa Sanpaolo Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>■ Employee empowerment and professional training and development</li> <li>■ Quality of life at the company: welfare and work/life balance</li> <li>■ Diversity management and inclusion</li> <li>■ International Banks' implementation of the principles and values of the Code of Ethics</li> </ul>
<b>CUSTOMERS</b>	
Corporate customers <ul style="list-style-type: none"> <li>■ Net Promoter Score (NPS): 50,000 corporate customers involved</li> <li>■ Companies Benchmark: 8,000 telephone interviews of Companies operating throughout Italy</li> </ul>	<ul style="list-style-type: none"> <li>■ Analysis of main promotion and detraction issues, their significance and impact on the NPS</li> <li>■ Identification of Intesa Sanpaolo's competitive positioning, in terms of the NPS and corporate customer satisfaction in areas where the Bank operates</li> <li>■ Quality and innovation of services for corporate</li> </ul>
Retail and personal customers and retail companies <ul style="list-style-type: none"> <li>■ Net Promoter Score (NPS): 3.9 m retail customers and retail companies involved</li> <li>■ Customer experience registered at main touchpoints (around 20) used by customers to interact with the Bank: approximately 2 m retail and personal customers and retail companies involved</li> <li>■ Internal customer experience registered from nearly 40,000 colleagues</li> <li>■ Needs analysed through surveys involving the Bank's customers and prospects</li> <li>■ Involvement in themed observatories</li> <li>■ Mystery shopping surveys at 480 retail and personal branches and 475 mystery shopping surveys for the online branch</li> </ul>	<ul style="list-style-type: none"> <li>■ Analysis of main promotion and detraction issues, their significance and impact on the NPS</li> <li>■ Surveys of customer experience through all channels of interaction with the Bank</li> <li>■ Empowering customer experience by analysing customer perception in order to improve products and services</li> <li>■ Customer service quality and innovation: quality of products, customer relations and the digital experience</li> <li>■ Empowering customer experience by analysing customer perception in terms of product and service use, simplicity and efficiency</li> <li>■ Identifying customer segment needs that have not been met</li> <li>■ Identifying consumer trends</li> <li>■ Physical and online branch data, to evaluate and improve service quality</li> </ul>
Third sector customers <ul style="list-style-type: none"> <li>Customer satisfaction survey:               <ul style="list-style-type: none"> <li>■ 8 focus groups and 5 interviews</li> <li>■ 2,000 telephone interviews</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Analysis of Third sector customer satisfaction and experience and identification of satisfaction drivers, with a view to improving services</li> </ul>
Corporate customers, start-ups and innovative SMEs <ul style="list-style-type: none"> <li>Two multi-stakeholder forums:               <ul style="list-style-type: none"> <li>■ Banca dei Territori Lombardy Department: 21 participants</li> <li>■ Banca dei Territori Campania, Basilicata, Calabria and Puglia Department: 26 participants</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Adoption of credit rating systems that include social and environmental sustainability factors</li> <li>■ Support for businesses, and in particular consolidating the competitive edge of companies in order to promote innovation, the arrival of new generations and development of a new business spirit, growth and internationalisation, and the creation of networks and business combinations</li> <li>■ An integrated multichannel approach and innovative services to help businesses network</li> <li>■ Products and services to encourage business and low environmental impact solutions</li> </ul>

	Method of engagement	Issues
Large corporate customers	<ul style="list-style-type: none"> <li>2 online surveys involving a total of 669 large corporate customers</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring cash counting, deposit and procurement services</li> <li>Monitoring acquiring services*</li> </ul>
International bank customers	Telephone interviews: <ul style="list-style-type: none"> <li>Retail customers: 1,600 customers</li> <li>SMEs and large corporate customers: 1,500 customers</li> </ul>	<ul style="list-style-type: none"> <li>Retail customers: surveying customer satisfaction at 5 banks</li> <li>SMEs and large corporate customers: analysing customer satisfaction at CIB Bank and Banca Intesa Beograd</li> </ul>

## SHAREHOLDERS

Small Shareholders' association	<ul style="list-style-type: none"> <li>Interview with the Small Shareholders' Association – E.di.Va</li> </ul>	<ul style="list-style-type: none"> <li>Protecting the Group's capital strength and profitability</li> <li>Business risk management</li> <li>Financial inclusion</li> </ul>
SRI investors	<ul style="list-style-type: none"> <li>Roadshow with investors on ESG issues</li> </ul>	<ul style="list-style-type: none"> <li>Protecting the Group's capital strength and profitability</li> <li>Business risk management</li> <li>Responsible sales practices</li> <li>Personnel management and development issues</li> <li>Integrity and rigour in corporate conduct</li> <li>Service quality and customer satisfaction in engagement and interaction with the Bank</li> <li>Climate change</li> </ul>

\* Acquiring services: acquiring services are provided by credit card operators to retailers so that they can accept payments with cards belonging to the credit or debit circuit.

## OVERVIEW OF NEEDS IDENTIFIED DURING THE STAKEHOLDER ENGAGEMENT PROCESS

Needs identified during the engagement process compared to issues considered as "material" by materiality analysis are summarised below.

### Protecting the Group's capital strength and profitability

Protecting the Group's capital strength and profitability was one of the most important issues, not only for investors but for the community in general, as it is considered essential for business sustainability in the short, medium and long term and as a guarantee of customers' investments, in view of the Group's institutional role.

### Business risk management

The community, SRI investors and analysts paid particular attention to the management of reputational risk, the brand and to evaluating and monitoring social/environmental risks related to investments. The latter aspect is reflected by a growing increase in recent years in ESG investments.

In a context that is increasingly trending towards digitalisation in general and the digitalisation of information, interest in the management and control of ICT risks has increased and in 2016 specific regulations were introduced for the banking industry.

SRI investors and analysts, customers and the community showed considerable interest in a concrete commitment to using sustainability factors when assessing the credit rating of businesses.

### Integrity and rigour in corporate conduct

The development of a business model increasingly focussed on virtual services has raised awareness among stakeholders, and particularly the community and customers, of protecting privacy. In 2016 this aspect was regulated at a European level (Regulation EU 2016/679). The significance of compliance with anti-money laundering regulations has also increased, in view of the Directive (EU) 2015/849 and its implementation in the Italian legal system.

### Human resources development, management and empowerment

Achieving a work/life balance and welfare were two Group commitments that staff appreciated considerably; initiatives included flexible work and people care, and new systems to support staff with family and/or personal difficulties, such as the Time Bank.

Interest is growing in training and in tailor-made programmes that meet specific training needs and help with job transfers.

Staff think the Bank could improve its internal communication, and how it uses communication and streamlines information – particularly on standards and operating procedures.

Considering the increasing focus of national and international organisations on unemployment and particularly youth unemployment, and a quickly evolving context, interest in developing and attracting talent has increased, calling for a more proactive approach from the Group.

### Offering valued service to customers

The “design thinking” model, which has evolved from the Customer Experience model and is part of the new Banca dei Territori service model, was appreciated in particular; this model addresses how products and services are developed, starting from customer engagement, to understand specific needs. Staff consider personal relations with customers as essential for building a relationship based on trust, with an added value that is unique even when compared to new digital tools.

The integrated multi-channel approach is seen as a strength of Intesa Sanpaolo and a necessary step to remaining competitive on the market. Plus the availability of virtual channels (the website, App, online platform etc.), means bank/customer engagement is 24/7, communication and operations are more effective and efficient (appreciated in particular by younger customers, who are more inclined to use digital channels), and close customer relations can be maintained, even without actual branches.

Lastly, Intesa Sanpaolo's commitment to developing and creating innovative mechanisms for businesses (for example: the tech-market place) and services to facilitate matching and networking between businesses and local players with a high innovative potential was appreciated in general.

### Access to credit and asset management

In a context where the effects of the economic and financial crisis are still evident, more vulnerable stakeholders, such as the elderly, the young and immigrants need financial services and products more targeted to meet their specific profiles.

Corporate customers would like to see the development and consolidation of specific sector expertise to support businesses, and the capacity of the banking industry to understand, know and evaluate aspects differentiating each market. The role of the manager and a team of specialists are fundamental in this.

Advice for new businesses and start-ups with a high level of innovation is considered fundamental, with a demand for products dedicated to developing business ideas and advisory services (particularly concerning bureaucratic, administrative and tax aspects), training and networking with investors and other companies to encourage dialogue and business combinations (business networks, innovative hubs, etc.).

### Climate change

In 2016, various international initiatives raised awareness of environmental aspects, calling for a concrete commitment to reducing the environmental impact of emissions, energy, and the use and management of resources and waste (COP21, Agenda 2030, SDGs, etc.). Corporate customers consider Bank products encouraging solutions that benefit the environment as fundamental, in particular energy efficiency products that cuts costs for businesses too. Customers are also interested in products and services that provide incentives to improve the environmental performance of buildings, to extend environmental awareness to business issues and to property development or redevelopment for a better management of environmental impact.

Corporate customers hope the Group's commitment to developing a more sustainable economy will engage them further with dedicated initiatives and events, the development of products and services that combine knowledge of the financial industry and green businesses and mechanisms/initiatives to help businesses network.

## INTEGRITY AND RIGOUR IN CORPORATE CONDUCT

The Intesa Sanpaolo Group adopts an approach that 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. Moreover, we are aware that we hold specific responsibility in the fight against corruption, money laundering and financial crime, to prevent the banking system from being used for illegal purposes.

We apply the Code of Ethics and Code of Conduct that envisage high standards for all personnel.

To monitor various regulatory areas, procedures are adopted and controlled through risk assessment and an

internal control system in which compliance with the rules is achieved by all company departments and staff working together.

An internal reporting system (whistleblowing) has been in use since 2016, to encourage a culture of lawfulness and improve the organisation and its ethics. This system can be used by any employee who suspects that an infringement of regulations has occurred or could occur. During the year, 22 reports were made, which were all followed up. 3 of these were not relevant, as they did not refer to possible infringements by employees; specific investigations have been started for the remaining 19 reports.

## PREVENTION OF CORRUPTION

The Bank has adopted strict internal procedures over time to prevent the risk of corruption and extortion. In addition to the Code of Ethics, the Group's Internal Code of Conduct and Compliance Model pursuant to Legislative Decree 231/2001 on the administrative liability of organisations, a detailed set of internal regulations is in place, which all personnel must be familiar with and adopt. These regulations outline corporate processes that may potentially lead to the commission of this type of offence. The Compliance and Internal Auditing Departments ensure that the principles of control and conduct in the Compliance Model concerning corruption are consistent with applicable internal regulations and that these regulations are complied with.

Focus on the prevention of corruption risks is very high in Group companies, both in Italy and at international level. Subsidiaries operating in countries without "anti-corruption" laws are required to adopt the Group's principles and to monitor areas most at risk. To further consolidate controls on the prevention of corruption, a specific "Anti-corruption Project" was started in 2016, covering two fundamental areas:

- "customers" – to identify any possible risk aspects of customers' behaviour and thus ensure ongoing cooperation with the authorities and action, as part of controls already in place, to combat money laundering and the financing of terrorism;
- the "Bank" – to consolidate internal controls for preventing risk aspects in the Bank's conduct through its officers, top management, employees, external staff and suppliers. In this framework, Group Anti-Corruption Guidelines have been defined and issued to company bodies.

In March 2017, the Anti-Corruption Guidelines were approved as part of the Anti-corruption Project. The guidelines identify the principles, sensitive areas, roles, responsibilities and macro-processes for the Group to manage the risk of corruption and further consolidate existing regulations.

## PREVENTION OF MONEY LAUNDERING

The Group's governance system to combat money laundering and the financing of terrorism is based on Guidelines that constitute a systematic and functional framework, with active collaboration by the Group in preventing these illegal activities. Specific processes and procedures have been established on customer due diligence, the reporting of suspicious transactions, registration of relations and transactions, retention of documents, risk assessment and management, internal control and compliance with all relevant provisions to prevent and stop the completion of transactions connected to money laundering or the financing of terrorism. The guidelines and standards defined by the Parent Company are based on and implemented for individual entities, in proportion to the type and complexity of activities carried out and size and structure of the organisation, in compliance with local laws and ensuring that information is shared at a consolidated level.

Procedures have been in place for some now to automatically control Group records and transactions in order to mitigate the risk of having customers registered in black lists subject to restrictions or the freezing of assets. The Group has also adopted a more rigorous approach to legal requirements, with enhanced due diligence for credit and reputational profiles, to prevent its involvement, for any reason whatsoever, in transactions with parties or countries subject to embargoes, even when the transaction is permitted under restrictions issued by international authorities.

### Specialised training to prevent Corruption and Money Laundering in 2016

	Italy	Abroad	Group
No. of employees trained	22,914	14,355	37,269
Training hours	116,960	47,366	164,326
% of employees trained	35.7	58.4	42.0

### Relations with political parties and movements

According to internal policies, donations or sponsorships for political parties or movements or their organised branches/units etc. are not permitted. Specific rules state that the only type of funding possible for political parties, secondary associations and individual candidates, to be

decided by the Board of Directors, is an annual advance of the "2x1000 contribution" (voluntary tax donation) on sums due to parties for this type of contribution, to be notified in accordance with law. In 2016, funding was not given to political parties or movements.

## COMPLIANCE WITH TAX REGULATIONS

The Intesa Sanpaolo Group strictly complies with tax laws, convinced that this is a fundamental contribution towards the community where it operates. Intesa Sanpaolo's positive impact in this respect is confirmed by figures forecast in its Business Plan of a total contribution from 2014 to 2017 of approximately 10 billion euro, an amount comparable to a stability law. Objectives for 2015 were met in full and in particular, all Departments of the Parent Company Tax Division were consolidated. Besides a specific Department for Tax Compliance monitoring being set up, all existing

controls were consolidated and new specific controls introduced for international taxation and structured customer transactions (with training for business units most affected). Engagement with the tax authorities was stepped up considerably, to pave the way for the company to join the "cooperation scheme" (a tax authority scheme to help taxpayers identify tax risks). In addition to indirect taxes of around 877 million euro, the Group recorded accrued direct taxes for 2016 of 1,422 million euro, mainly in Italy, where the majority of operating income was earned, as shown in the table below.

Direct taxes in 2016	Italy	Europe	Rest of world
Tax contribution	1,031	326	65
Operating income	12,940	2,888	1,101

In compliance with applicable laws, Intesa Sanpaolo publishes a "Country by Country" report, with the following information for each country (according to rules established by the Bank of Italy): the gross income; the number of employees; profit or loss before taxes; taxes on profit or loss. The report is available at [\[i\]](#).

## PROTECTION OF PRIVACY

The Privacy Sub-Department of the Safety and Protection Head Office Department ensures that personal data are collected and processed in accordance with laws and the principles in the Code of Ethics. All Group personnel receive training and updates on this issue, through mandatory initiatives online, and in classroom sessions and activities focused on specific areas.

During 2016, the website's privacy policy for retaining browsing data, processing with Apps for mobile devices and information on the use of profiling cookies, with particular reference to the combined use of online profiling tools, were all updated, based on Data Protection Authority guidelines.

During the year, the Data Protection Authority issued seven claims procedures against Group companies, with necessary follow-up provided; no cases of Group customer data being lost or stolen were registered (see also the section "Claims Management").

In May 2016, the Regulation (EU) 2016/679 came into force (effective from 25 May 2018), which requires the Group to align with new requirements on privacy, including: the "right to be forgotten", privacy "by design" and "by default" and the pseudonymisation and portability of data. Project activities on this aspect have been started with other specific company functions.

## PROTECTION OF FREE COMPETITION

The International and Regulatory Affairs Department is committed at all times to managing relations with institutions and organisations, monitoring existing regulations and overseeing advocacy activities for any bills that could impact the activities of the Group and its stakeholders at a national, European and international level, with a view to limiting legal, economic and reputational risk and developing new opportunities.

The Department constantly monitors and promotes free competition, working to ensure that international, European and national rules and procedures on competition are effectively applied and complied with. It is committed to disseminating a culture of compliance with the antitrust regulations at all levels of the Group and with third-party stakeholders, trade partners, suppliers and customers.

With a view to further strengthening monitoring activities, a partial review of the Policy of Compliance with European Union Competition Law – adopted in 2009 – was started, to align with some regulatory developments and new legislative and case law guidelines regarding the Supervisory Authorities' acknowledgement and promotion of antitrust compliance programmes, rules on mergers, corporate governance, state aid and unfair commercial practices.

Consequently, the scope of monitoring was extended not only regarding more traditional antitrust areas (mergers, abuse of dominant positions and agreements), but also regarding EU regulations on state aid and recent Italian regulations in support of Italy's competitiveness. The decision to adopt an Antitrust Compliance Programme, which goes beyond regulations, involves higher standards of conduct and in this respect information and training for internal and external stakeholders continued, in the belief that protection and development of competition benefit all.



As regards anti-trust proceedings involving Group companies, a proceeding against the Italian Banking Association and subsequently against eleven member banks including Intesa Sanpaolo, to ascertain the lawfulness of the interbank agreement on the SEDA service price, offered by banks to market operators, is pending.

## LITIGATION

At 31 December 2016, approximately 17,000 disputes were pending<sup>1</sup>, for a total of 6,682 million euro.

More specifically, the disputes refer to:

- bankruptcy revocatory actions (467 million euro);
- settlements in insolvency proceedings (496 million euro);
- investment services (410 million euro);
- compound interest and other conditions (866 million euro);

- bank products (225 million euro);
- credit positions (2,143 million euro);
- lease agreements (112 million euro);
- other civil and administrative disputes (1,358 million euro).

Tax disputes concerning the Group were still pending for a total of 446 million euro.

With regard to compliance with environmental regulations, for damage caused to the environment following the bank's operations over the last three years, no sanctions of over 3,000 euro were imposed. Even with regard to compliance with regulations on health and safety, no reports or significant sanctions were received or imposed.

Details of disputes and litigation in 2016 and the most significant civil and fiscal lawsuits are given in the Consolidated Financial Statements (pages 398-402) [i].

## OFFERING VALUED SERVICE TO CUSTOMERS

Meeting customers' new needs to the best of our abilities, offering a better experience in line with action taken in other consumer areas, building a solid and lasting relationship through a higher level of expertise and quality advice are the distinctive elements of Intesa Sanpaolo's strategy to becoming the preferred bank and commercial partner of current and potential customers. Thanks to this approach, the Group has received considerable recognition from the German Institute "Quality & Finance", a European leader in quality-related market analysis. In a survey of customers from Italy's 17 leading banks (including online banks) Intesa Sanpaolo was rated as the "Best Traditional Bank" (with branches), thanks to its "excellent" score in seven areas (Products and Savings); Online banking; Banking Apps; Social media; Customer service; Price/quality ratio; Customer communication. Intesa Sanpaolo was also awarded the Gold Seal for 1st place in financial advisory services, in a survey of 500 companies in 70 sectors, with 100,000 ratings from consumers (The Best in Italy - Service Sample).

### CUSTOMER PROXIMITY THROUGH ALL RELATIONAL CHANNELS

The model adopted focuses on offering different customers – retail users to SMEs and large companies – a specialist service. Relationship managers, specialised by segment and sub-segment, are still the reference for these customers, coordinating overall service and providing specific advisory services.

The extension of the multi-channel approach ensures proximity and a quality service, with the chance for

customers to interact with their Bank how and when they want (see "Intellectual and infrastructure capital" - "The multi-channel approach").

For this reason, Intesa Sanpaolo has started a process to transform relations (launching its new Internet Banking site and mobile Apps), to steer customer interaction towards a digital approach.

The strategy behind this approach is an easy-to-use, simple, quick and customisable profile. At the end of 2016, Banca dei Territori multi-channel customers totalled 6.4 million, up by around 1.6 million since the start of 2014. Approximately 4.1 million Apps were downloaded on mobiles and around 80% of products are available through multi-channel platforms.

The Online Branch has a specific role in developing closer customer interaction, through direct channels (telephone, chats, video calls, email and social networks), and through advisory services and the commercial proposal of products and services (cards, loans and investments). The aim of the Online Branch is to solve customers' problems, and also respond promptly to enquiries about operating and commercial information. Thanks to Customer Relationship Management (CRM) systems, 26,000 product offers were finalised and signed remotely. In addition to branch sales completed with appointments and estimates made by branch colleagues, over 5 thousand products were placed (Further details are given in the section "Intellectual and infrastructure capital", page 110). During 2016, free phone numbers and customer contact channels were unified, with a single reference for operating services, customer service and commercial information.

<sup>1</sup> Excluding Risanamento S.p.A., which is not managed or coordinated by Intesa Sanpaolo.

The DigiCal (“digital channels + physical branches”) programme was developed at international banks, to consolidate interaction between physical branches and digital channels and offer retail and small businesses customers a new way to access products and services and interact with their bank. (Further details are given in the section “Intellectual and infrastructure capital”, page 110).

With Banca ITB joining the Intesa Sanpaolo Group at the end of 2016, the first proximity banking project in Italy, with a focus on instant banking, is nearing completion. With around 20,000 light operating points, the distribution network can offer a modular, simple and comprehensive service.

The new distribution channel encompasses the needs of tobacconists and their customers, with specific positions to provide assistance, support for qualified operators and a specific Bank contact centre.

### INSIEME PER LA CRESCITA

Intesa Sanpaolo's “Insieme per la Crescita” (Together for Growth) programme focuses on managerial change and new ways of employee involvement, for effective customer relations.

Mandatory conduct, depending on the type of customer, includes assisting customers when they enter the branch, offering fully comprehensive advisory services and,

for businesses, defining new roles and instruments to support customer relations, consolidate credit capability and achieve more effective commercial action.

The idea is to improve network performance through a greater focus on conduct, increasing the satisfaction level of customers and employees and thereby generating widespread and permanent change. In 2016, the programme involved over 38,000 colleagues at around 4,000 branches, with a 7% increase in the number of customer contacts and a 1% increase in the proposal success rate compared to 2015. NPS indexes show an improvement in retail customer satisfaction (+1.7) and personal customer satisfaction (+2.1), between the first part of the year (April-July) and second part (August-December).

The “Insieme per la Crescita” programme uses CRM techniques to measure customer satisfaction and directly surveys employee satisfaction using the branch barometer (a synthetic rating of 7.7 on a scale from 1 to 10, with over 230,000 questionnaires collected). Extensive online communication, including news, the exchange of experience and direct views, encourages the Bank's employees to consider change factors, on a daily basis. Over 900 colleagues were involved in training activities such as the recognition for the commitment made to the application of the programme. Further information is found in the chapter “Human capital”, page 102.

### THE NEW BRANCH MODEL

Besides longer opening hours, the actual bank where customers go has started to change considerably. Branches are changing based on a different way of doing banking, which focuses on the customer and customer relations: they have become open and flexible places, with communal areas and meeting rooms; they are venues for artistic and cultural events, for engagement and interaction, in an atmosphere that is more transparent and open to the public. The new-look branch has a modular layout designed for big cities, small towns and suburbs alike.

The new model, designed in 2014, also based on customer engagement, was implemented in 2015 (with the opening of the pilot branches in Milan, Rome and Turin, followed by another 31 branches throughout Italy) and was extended to around 80 branches in 2016. The aim is to have around 1,000 new-look branches over the next few years.

The new-look branches were showcased in the “Vividigitale Day” project, which aims to disseminate a digital culture among employees, customers and prospects. A team of “digital facilitators” (Bank staff with considerable expertise who have received ad hoc training to learn how to hold and moderate sessions) managed events to find out about user needs and help those people interested in Internet but not able to use it fully to make the most of digital services.

13 sessions were held for 150 customers.

Further information is found in the chapter “Human capital”, page 102.

The Banca Estesa (Extended Bank) project also continued, with customer and advisory services available during extended branch business hours, as well as on direct channels. The new model enables customers to go to the bank at times which are more compatible with their personal and professional commitments. At the end of 2016, 489 Group Retail branches and 441 Personal Branches were open in the early evening, on Saturdays or at lunchtimes, adapting business hours to the modern lifestyles of customers. Besides longer business hours and flexible spaces, the "Offerta Fuori Sede" (out-of-branch services) project has been ongoing for some years now: designed to meet customer needs more effectively, the project has extended advisory and commercial services to customers' homes or workplaces.

At the end of 2016, 3,485 employees in Italy were registered as financial advisors providing services off bank premises.

## ACCESSIBILITY

To allow visually impaired or blind people to withdraw cash, query their account balance or top up their mobile phone at ATMs, Intesa Sanpaolo has partnered Unione Italiana Ciechi (the Italian Association for the Blind) to develop an initiative for these users to operate autonomously and safely. All ATMs of the network of branches in Italy (around 7,155 ATMs/self-service tills) have an interface featuring easy-to-read graphics, making operations easier for the visually impaired, while the blind can listen to a voice guide on approximately 5,717 machines with the use of ordinary headphones. With the goal of continually improving access to its documents published on the Internet and on its company's intranet, Intesa Sanpaolo also works with the LIA Foundation (Libri Italiani Accessibili or Accessible Italian Books), which has been a long-term partner of the Italian Association of Editors, Associazione Italiana Editori, and Italy's Association for the Blind and Visually Impaired, the Unione Italiana Ciechi e Ipovedenti (for further information, see "Human capital, the Value of Diversity", page 106). In terms of physical accessibility, the new layout project for Intesa Sanpaolo branches was recognised by FIABA the Italian Fund to Eliminate Architectural Barriers, for its total compliance with requirements for accessibility and use by the physically challenged. In 2016, information on the accessibility of our branches and self-service areas for disabled persons went online. Users can find out if branches have tactile formats for customers with sight disabilities, accessible tills with operators, accessible toilet facilities, adequate space in corridors, lifts or a platform connecting floors.

## CUSTOMER EXPERIENCE

In 2016, Intesa Sanpaolo continued its strategy to innovate services, products and processes already started in 2015, aiming to radically change how it relates to customers, with a new concept of "design thinking", that starts from listening to what customers want, to have their opinions and suggestions on different stages of the products/services life cycle and improve operating and commercial processes.

The strategy is divided into four stages, adopting a Test & Learn approach until the best customer experience for clients is achieved:

- Needs' analysis: interviewing customers in order to identify their needs;
- Service design: creating new products and services based on research evidence;
- Detail design: aligning design with business requirements;
- Customer tests and prototyping: repeating process to be in line with customer expectations.

After launching the strategy, engagement continued with fine tuning and measuring customer experience of all contact and customer relations areas (touchpoints); customer experience was systematically surveyed, results were analysed and corrective actions started to improve the service.

Needs' analysis surveys were conducted involving different customer segments from the Bank and customers of main competitors, using a number of techniques, from simple face to face interviews, interviews over the telephone, via the Internet and focus groups, to more complex ethnographic surveys, usability tests, creative workshops and conjoint analysis. During 2016 around 15 surveys were conducted on needs' analysis, mainly involving customers and in some cases managers and the Bank took part in more than 5 National Observatories.

In 2016, 480 mystery shopping interviews (and a further 475 telephone interviews) were conducted for retail and personal bank branches during surveys, with ratings of areas of behaviour identified by the Central Department and Network as part of the "Insieme per la Crescita" programme (see the section on Service Quality). The service level of the Online Branch was also monitored for customers contacting this branch by phone or Internet. Survey outcomes were important to start making changes to the service model.

### Areas of action

Numerous areas were involved in this new method of working, including: the design of the new branch layout, a thorough review of Internet banking and the new mobile App, the definition of the new loan disbursement process and development of the proximity payment solution.

Processes were revised starting from services offered by the Bank to meet Customers' banking and non-banking needs in day-to-day transactions. The aim was to facilitate a quick and simple relationship between the customer and Bank, also through new digital channels and regardless of the originating Branch, while ensuring total security and ongoing assistance, as well as new customised business proposals.

Activities which started in 2015 in over 30 areas concerning current account and debit/credit card products continued during 2016, involving over 40 project segments, overseen by work teams involving numerous Bank functions.

14 of the initiatives launched in 2015 were released and will lead, among others, to a comprehensive review of the card shipment and delivery process, innovative procedures for card activation, new text messages and

App notifications of transactions and improved customer experience in the case of fraud and demagnetised cards. Actions were stepped up in 2016 (another 17 activities were identified, with design and development taking place in 2017), increasing the number of project segments underway to over 50.

### Customer experience surveys

In 2016, customer experience surveys became systematic, regular and closely connected with processes being reviewed, to obtain feedback on critical pre-review aspects and continually monitor review effectiveness.

The surveys involved customers and Network colleagues that have direct contact with customers. Overall, 2,000,000 retail, personal and corporate customers were involved in 2016, at more than 20 touchpoints relative to the service provided by main customer contact channels (branches, the online branch, Internet banking, ATMs).

2014 surveys	2015 surveys	2016 surveys
<p>E-mail surveys on branch sales (cards, accounts, mortgages, loans and small business loans) and advisory services to retail customers:</p> <ul style="list-style-type: none"> <li>▪ 656,000 target customers</li> <li>▪ 83,000 opinions expressed</li> <li>▪ 6,400 customers contacted by the Contact Unit</li> </ul> <p><b>Net satisfaction index* : 38</b></p>	<p>E-mail and text message surveys on sales (cards, accounts, mortgages, loans and small business loans) and advisory services and cash transactions of retail customers:</p> <ul style="list-style-type: none"> <li>▪ approximately 6 m target customers</li> <li>▪ approximately 450,000 opinions expressed</li> </ul> <p><b>Net satisfaction index: 41</b></p>	<p>E-mail and text message surveys on sales (cards, accounts, mortgages, loans and small business loans) and advisory services and cash transactions of retail customers:</p> <ul style="list-style-type: none"> <li>▪ approximately 2 m target customers</li> <li>▪ approximately 250,000 opinions expressed</li> </ul> <p><b>Net satisfaction index: 45</b></p>

\* Net satisfaction index: Percentage of satisfied customers (a dark green emoticon for retail and personal customers), minus the percentage of dissatisfied customers (a dark red, red and yellow emoticon for retail and personal customers).

During 2016, Network colleagues were involved in 12 on various issues mainly concerning managers and to a lesser extent, directors. A total of 40,000 questionnaires were sent and 18,675 replies were collected (47%).

Comments made by customers or colleagues compiling the questionnaires (around 312,000) were analysed using a semantic engine, Clarabridge. A taxonomy was created, identifying macro-topics and relative sub-topics most often referred to by customers.

Another survey area concerned Third sector customers. A comprehensive survey, comprising a fact-finding/exploratory stage and quantitative stage was carried out. 8 focus groups and 5 personal interviews were

held, followed up by 2,000 telephone interviews of Third sector organisations.

### Identifying the Net Promoter Score and benchmark Observatories

Starting from 2016, the Net Promoter Score<sup>1</sup>, which measures to what extent customers are willing to recommend a company, has been a part of the four areas comprising the synthetic indicator assessing branch excellence, and used in the Branch performance Assessment System (SEIok).

<sup>1</sup> The Net Promoter score (NPS) is the percentage of satisfied customers promoters (a rating of 9-10 for companies, a dark green emoticon for retail and personal customers), minus the percentage of detractors (a rating of 0-6 for companies, a dark red, red and yellow emoticon for retail and personal customers).

## IDENTIFYING THE LIKELIHOOD OF RECOMMENDING THE BANK (NPS)

Retail customers and retail corporate customers: the survey contacted 3.9 million customers after considerable interaction with the Bank (5.5 million emails were sent, and 450 thousand ratings were received). 50,000 companies were also interviewed. Results at a single branch level were made available. Scores obtained:

- NPS Retail: 8
- NPS Businesses: 18

The NPS methodology lets customers have their say, and collects information about customer satisfaction, dissatisfaction and their suggestions. Customer comments made during each interview are analysed using semantic analysis tools and related to promotion and detractor factors, in order to assign the right value to opinions made and identify strengths and areas for improvement.

This analysis, along with an extensive plan involving the Network to raise awareness of the importance of customers' opinions, means that virtuous behaviour can be adopted on a continual basis and changes made to governance and management processes, so that each resource can help improve his/her area of influence.

The analysis and assessment of comments were combined with a structured, ongoing plan to get back in contact with customers, which involved retail and corporate customers in 2016. In particular, customers who agreed during NPS interviews were contacted again by their branch, in order to consolidate relations with advisors, encourage relations with borrowers and find out more about dissatisfaction in the case of detractor customers. The system to reward Intesa Sanpaolo network staff confirmed the importance of the Synthetic Performance Indicator, which comprises seven key measurement factors (Profitability, Extendibility, Credit Quality, Sustainable Growth, Service Quality, Co-responsibility and Multi-channel strategies), with specific indicators to assess, among others, individual

and team merit, also between different commercial areas, and sustainable performance in the short and medium term in different sectors.

The service quality indicator (Branch Excellence Indicator, which the NPS contributes to) is particularly important for determining the Synthetic Performance Indicator, accounting for 25% of the final score.

An excellence bonus is awarded for up to 20% of the best branches and for up to 30% of the best performing areas of each Commercial Segment provided that the following parameters are met:

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

This system confirms the significance of "Service Quality" indicators, where a 100% achievement of Operating Excellence objectives (indicating the conformity of branch operations) and Credit Excellence objectives are necessary in order to be considered for the Excellence award.

Specific benchmarking of Intesa Sanpaolo's competitive positioning vis-à-vis its competitors is also carried out, in terms of the NPS and related Satisfaction Indexes. In 2016, benchmarking was only carried out for corporate customers and was deferred for retail customers to a few months after the release of the new site and new Apps, so that digital customer experience can first be consolidated.

## CORPORATE BENCHMARKING

Benchmarking was carried out with 8,000 telephone interviews of companies operating throughout Italy, identifying their willingness to recommend the bank (NPS), promoter and detractor factors and level of satisfaction compared to their main Bank.

This survey, which was anonymous, confirmed Intesa Sanpaolo's market leader position in 2016, in terms of willingness to recommend the Bank and the satisfaction of business customers:

- the Net Promoter Score for Intesa Sanpaolo was equal to 18 compared to a system average of 14;
- the Net Satisfaction Index in terms of Intesa Sanpaolo customers' relationships with their Branch was equal to 28 compared to a system average of 23.



### The service quality monitoring system: SElok

SElok is the tool that allows the Network and Department to monitor the Service Quality index on a monthly basis, investigating all the different items that make it up and making it possible to intervene effectively to solve critical issues.

SElok provides a synthetic indicator that measures service quality and three families of indices to facilitate the identification of areas for improvement: Operating 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 which indicates service efficiency and quality; Credit Excellence, which indicates professionalism in helping customers, often in difficult circumstances, and the Net Promoter Score which rates to what extent the customer would recommend the bank to family and friends.

In 2016, the SElok was renewed, becoming an aggregator for branches and their excellence objective: service excellence alone allows to have such happy customers as to become the bank's promoters. For this reason, the Net Promoter Score, the index that represents the intensity of the relationship between the customer and the brand, plays a very important role in the Branch Excellence (weighing between 30% and 40%).

### Large corporate customers

New customer satisfaction surveys were also held for Intesa Sanpaolo's large Italian corporate customers in 2016.

210 customers were involved in a survey on Cash Counting, Deposit and Procurement services, with the aim of identifying areas for improvement based on suggestions and feedback.

The online survey had a 24% response rate (in particular 34 respondents agreed in ratings being disclosed and 10 were willing to be contacted again). The Net Promoter Score (NPS) index is equal to 12% and the overall satisfaction index (CSI – Customer Satisfaction Index<sup>1</sup>) is equal to 79.5 out of 100.

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

Acquiring services were also analysed, a few months after Setefi's commercial structure was transferred to Intesa Sanpaolo, to have an overview of customer perception, identify strategies to adopt and improve service/product characteristics.

The survey involved 459 customers online and was a part of surveys on transactions, allowing for the constant monitoring of satisfaction trends over time.

The response rate was 19% (in particular 56 respondents agreed to disclose feedback and 16 to be contacted again). The Net Promoter Score index is equal to 19.5% and the overall satisfaction index (CSI – Customer Satisfaction Index) is equal to 80.4 out of 100.

### International Bank customers

Listening 100% activities at the Group's international banks resumed in 2016. Two surveys were conducted with telephone interviews on a sample of retail customers and two surveys of SME customers. For the first time, surveys of large corporate customers were also conducted, by telephone and the Internet.

Specifically, benchmarking of a sample of the population and retail bank customers was carried out involving five banks for a comparative survey (Banca Intesa Beograd, Intesa Sanpaolo Bank Slovenia, CIB Bank, Privredna Banka Zagreb, VÚB Banka) and six banks for an internal customer survey (Banca Intesa Beograd, Intesa Sanpaolo Bank Slovenia, CIB Bank, Intesa Sanpaolo Bank Albania, Privredna Banka Zagreb, VÚB Banka). Around 16,000 retail customers were interviewed.

Benchmarking results showed customers are highly satisfied with reference to the countries and Group Banks monitored. In particular, international Group banks are nearly always ranked in leading positions or are close to their national competitors. For all countries involved, use of the physical network by most customers has decreased in favour of ATMs, Internet Banking and Mobile Banking Apps.

For SME and large corporate customers, Banca Intesa Beograd and CIB Bank were involved, with around 1,500 customer satisfaction interviews held.

In both surveys, customers welcomed the new initiatives, which considerably involved relationship managers as promoters of customer engagement.

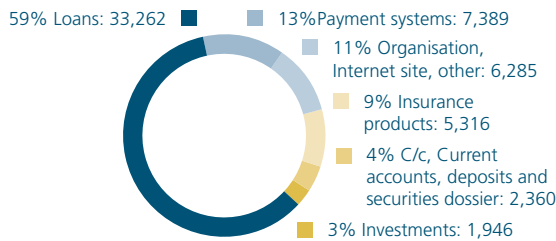


### Claims management

Careful and prompt claims management is important, to specifically identify causes of dissatisfaction. From this, corrective actions can be taken to reduce operational, reputational and legal risks and enhance bank/customer relations.

As part of Customer Experience surveys, customers who had filed complaints were also interviewed. The aim was to investigate their customer experience, as regards the clarity, timeliness and transparency of responses.

56,558 claims, complaints and appeals were received during 2016, in Italy, broken down as follows:



- Loans: accounting for 59% of the total. These mainly concern claims filed by customers or former customers, in relation to the early repayment of loans with repayment from their salary, who demanded the pro-rata return of charges and/or expenses paid when the loan was disbursed, and to a lesser extent, claims concerning processing errors or delays (which also refer to the management of requests to cancel mortgages and the portability of loans and/or subrogation), conditions or procedures for their adoption (including alleged usury and the alleged unlawfulness of compound interest effects), problems related to credit ratings and errors in reporting to the Central Credit Register.
- Payment systems: accounting for 13% of the total. Claims mainly concern fraud, failure to de-recognise payment card transactions, errors or delays in transactions, POS equipment failures and service conditions.
- Organisational issues and website management and functions: accounting for 11% of the total. These mainly refer to information and communication errors by the Bank, chiefly due to a failure to provide or a delay in providing requested documents, personnel behaviour, bank counter shut-downs, opening times, queues and waiting times.
- Insurance products: accounting for 9% of the total. The most frequent causes of complaints refer to liquidation (the conduct of adjusters, the payment of insurance cover), and problems associated with administrative aspects (customer service, times and the content of disclosure during the relationship); the number of claims concerning out-of-court appeals to settle disputes for compensation for the transit of vehicles or vessels was significant.
- Current accounts, deposits, securities portfolios and investments: accounting for 4% and 3% respectively of the total. Generally, claims relating

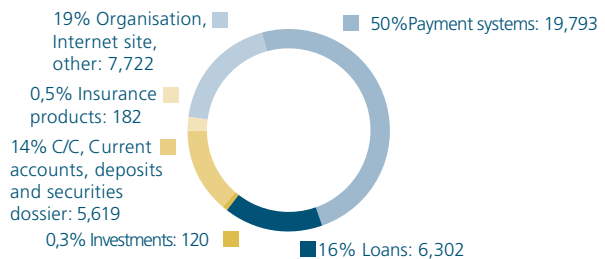
to current accounts concerned alleged errors or delays in carrying out customer instructions or account conditions, while claims relating to investments concerned in particular the negative trend of financial markets, with results not in line with investment fund, asset management and financial policy expectations

The above data include 1,420 requests for clarification from the Regulatory Authorities, after customer complaints were sent to them, and 2,752 appeals filed with alternative dispute settlement bodies. The most frequent requests for clarification from the Regulatory Authorities concerned loans and organisational problems. During 2016, a total of 54,020 claims were processed, of which 20,274 were upheld.

Average claim processing times for Italy were lower than requirements of applicable regulations.

155 customer complaints concerning infringement of the personal data protection act and 7 claims from the Data Protection Authority were received during 2016.

39,738 claims, complaints and appeals were received during 2016, for the international area, broken down as follows:



Payment systems (approximately 50% of the total) recorded the highest number of claims, mainly referring to legal disputes concerning the use of cards (16% in total), due in particular to ATM failures.

The category Organisation, Internet and Other accounted for 19% of all claims received. These mainly concern the Croatian subsidiary Privredna Banka Zagreb and problems with access to remote banking.

Claims concerning loans (personal loans and mortgages) account for 16% of the total, decreasing after the settlement of claims concerning foreign currency loans and unilateral changes to interest rates to the detriment of customers of the Hungarian subsidiary CIB Bank and loans in Swiss francs concerning the subsidiary Privredna Banka Zagreb.

Claims relative to Current Accounts, Deposits and Securities were limited (14% of the total), while claims concerning insurance products (0.5% of the total) and investment services (0.3% of the total) were negligible, in line with the relative business sectors of individual subsidiaries.

During 2016, a total of 39,517 cases were processed, of which 17,624 were upheld.

Average processing times vary depending on the subsidiaries and are generally in line with requirements of local regulations. As concerns alleged infringements of the data protection act, figures are not provided for 2016, as alignment is still ongoing, to make reporting at a Group level uniform.

## THE QUALITY OF LIFE IN THE COMPANY

### ENGAGEMENT

Developing a common culture based on corporate values and fostering a sense of belonging among colleagues: these are the main objectives of internal communication activities. An integrated system of tools, such as the Intranet, Corporate TV, company publications and structured staff engagement promotes the dissemination of new business and professional models providing personnel with adequate information and encouraging them to become involved, share objectives and actively take part in changes.

During 2016, engagement involving the entire Group took place, with Climate Analysis and extensive and specific actions targeting various departments and business divisions, with surveys and specific quantitative and qualitative initiatives. 2016 climate analysis took place between late October and early November and involved three areas: professional areas and middle managers, executives and personnel of international banks. The number of colleagues replying, from all three areas, went up compared to the previous edition in late 2014: from 51.3 to 55.2% for the first area, from 88.5 to 92.9% for the second and from 51 to 52.1% for the third. The survey showed a wider perception of Intesa Sanpaolo as being more innovative, modern and with an international slant, capable of representing added value for the Group. Professional areas and middle management in Italy reported an increased satisfaction, up from 67% in 2014 to 78%, while figures were mainly stable for international areas (77% in 2016 and 78% in 2014).

Engagement through focus groups was also extensive, with 32 sessions were held on climate analysis. During the year, other ad hoc events were held for Operations, Integrated Operating Strategies Area, International Subsidiary Banks Division.

Ad hoc surveys of various company departments were also carried out and feedback collected, with over 60 ad hoc surveys were conducted in 2016. In particular, the "Survey of Ideas for Banca dei Territori" involved all colleagues in Italy to improve the Division's services. A selection of the 12,994 ideas submitted was discussed during over 400 round tables with branch directors.

Colleagues are also regularly involved in providing ideas and suggestions or are called on to express their level of satisfaction with top management Web TV interventions. All Group colleagues, in Italy and abroad, were regularly informed of the progress of the Business Plan's implementation in various sectors of the Group. Communication and information activities targeting people working in the company continued, as regards both services and industrial relations.

### WEB-FOCUS ON THE CODE OF ETHICS

In March 2016, a project was launched targeting engagement with international bank managers and the Code of Ethics. Online focus groups were used. Around 110 managers from different functions took part in a total of 17 web-focus sessions on the Code of Ethics applied to their own contexts. The sessions all had a common theme, including the most representative values for their activities, the importance of the Code of Ethics as a stand-out feature for the Group and Bank, its function in guiding behaviour and decision-making processes. Thanks to contributions from the managers, ideas and broad-ranging and specific priorities were identified, to improve the adoption of the Code of Ethics.

The web-focus sessions revealed a need to increase training on and communication of the Code through a single, yet concrete approach, based on different activities and/or situations and possible circumstances. Main improvement actions being assessed include new e-learning programmes, featuring numerous real-life examples and case studies.

In the Insurance Division, the "Progetto Ascolto" (Listening Project), which was started in 2015, enabled the Division Manager to meet all staff in person, in 44 plenary sessions organised for each department/unit, to listen to needs and plan new initiatives also for exchanging ideas and internal mobility. These initiatives include regular "Company breakfast sessions" and "Adopt a colleague" to get to know other company functions. The "Progetto Ascolto" also led to the idea of "Myinsurance", the in-company portal offering services for colleague's specific needs, from a single access point.

## ONEDESK

OneDesk is the cooperation and co-working portal for international banks, launched in September 2016. The portal is mainly for colleagues at the head offices of the international banks division, of banks and Parent Company units working with them, but is potentially extended to all Group colleagues. OneDesk promotes interaction and cooperation among colleagues, breaking down geographic barriers and increasing networking opportunities on both a professional and personal level. It is a considerable information source about international banks and also showcases the Group's international dimension. This has improved efficiency and effectiveness at work, thanks to a virtual workspace where individuals and work teams can share and work on the same files and projects. At the end of 2016, 4 workspaces were active (new workspaces for other professional areas will be implemented in 2017), and there were over 2,800 registered users (out of a target of around 9,000 colleagues).

## AN ADVANCED AND ENGAGED WELFARE SYSTEM

Intesa Sanpaolo has chosen a corporate welfare model that operates within an integrated system and includes: a supplementary pension scheme, supplementary healthcare, the cultural, recreation and sports association for Intesa Sanpaolo Group employees (ALI), and mobility management activities and activities focused people and a work/life balance.

Starting from continual engagement with employees, the model targets the main aspects of a better work/life balance for employees and their families, with the aim of promoting solutions and projects which are sustainable and consistent with their expectations.

From the very start, the Group has adopted a structured welfare system also developed through work with trade unions, to offer a comprehensive programme featuring supplementary pension and healthcare schemes, flexibility for a better work/life balance through permits, leave, flexible working hours both morning and afternoon, part-time options, etc., and subsidies and economic contributions, such as benefits for families with disabled children, out of the workplace accident policies, loans, mortgages, meal vouchers and study grants.

With the 2014-2017 Business Plan, debate with trade unions on welfare issues was even more effective, with a joint body set up – the Welfare, Safety and Sustainable Development Committee – directly involving company technical functions in specifically overseeing these issues. Innovative measures have been jointly developed by the works of the Committee and incorporated into agreements that put the Group at the forefront of welfare management.

## WELFARE

Following agreements signed in 2015, it was possible to set up a single Pension Fund with defined contributions from the Group, incorporating nearly all equivalent funds and staff registered with open funds or who are not registered with any welfare schemes. In July 2016, the project was finalised with staff registered with Group pension schemes, as well as 4,000 employees previously registered with open pension funds on a collective bargaining basis being switched over to the defined contribution Pension Fund of the Intesa Sanpaolo Group. New recruits and colleagues with no supplementary welfare schemes also joined the pension fund in the same month. The operation involved over 60,000 people.

The minimum contribution from the employer went up to 2.5% as from January 2016, and to 3% as from January 2017. It will go up to 3.5% in January 2018. As from 2016, these payments by the employer are guaranteed, regardless of contributions made by registered members. Various welfare schemes of the Group's international companies are also being monitored to assess the possibility to start streamlining processes.

## FUTURE SUSTAINABILITY

To help younger staff of Intesa Sanpaolo to access credit facilities, the Bank has provided the opportunity for under 35's to apply for loans up to 100% of the property value and with maturities of up to 40 years.

## SUPPLEMENTARY HEALTHCARE

The Healthcare Scheme Fund protects the health of over 200,000 people benefiting from the scheme's services, with amounts reimbursed to scheme members and medical services provided directly during 2016 amounting to over 140 million euro. This figure is far higher than previous years and reflects an increased interest in the scheme, which is one of Italy's leading healthcare schemes and a principal player in supplementary healthcare.

As from 2016, the Scheme has been trialling the reimbursement of innovative treatment medicines for severe illnesses that are already included in the Italian Medicines Agency (AIFA) Directory, but not covered by Italy's National Health Service.

During the year, the scheme worked with the International Banks Division and the Intesa Sanpaolo Welfare Department to provide healthcare for employees of the Group's international subsidiaries who are not covered at present. A solution was identified for 2017 providing cover for more risks, through a healthcare policy for around 23,000 staff members at international subsidiaries of the Intesa Sanpaolo Group.

The cardiovascular prevention campaign which ran during the second half of 2015 and the first few months of 2016

was successfully completed: around 13,000 questionnaires were compiled, centres administered “600” diagnostic “packages” free of charge and activities to raise awareness of cardiovascular risks were extensive (specific material published on various Intranet/Internet channels and sites was viewed online 65,000 times).

From November 2016 to the end of May 2017, the “Colours of Health” initiative launched a new campaign on the prevention of osteoporosis, a widespread disease that above all affects women.

The initiative is for all Healthcare Scheme female members aged from 40 to 60 years. To take part in the campaign, members have to fill in an online questionnaire: high-risk subjects can have a free bone mineral density scan.

The “Guide with practical advice on a healthier lifestyle”, with tips to reduce the risk of osteoporosis, is available to all members, and can be consulted/printed from the “Colours of Health”/Prevention section of the Scheme’s site.

The Scheme took extensive action, contacting members by email and through online channels to support the campaign and raise awareness among members of the correct prevention of this illness.

At the same time, a regular column with articles by experts and qualified professionals was launched on the Healthcare scheme’s website, which can be accessed by all scheme members.

The Insurance Division set up a “Wellbeing at work” section on the internal portal, with three themes covering various initiatives to promote every type of wellbeing: Nutrition; Body and Mind; Smoke Free. In particular, “Healthy Nutrition Sessions” were promoted, in conjunction with the San Raffaele Resnati Hospital and involving 145 members of staff.

The “Smoke free” theme covers images, stories and features to encourage awareness and the direct involvement of staff. In particular, an awareness meeting was held with the Director of the Anti-Smoking Clinic for the Milan area.

## SERVING UP HEALTH

As part of the “Gusti Giusti” (Right Taste) project launched in 2008 in collaboration with the Slow Food Association and active today in all eleven canteens of the Group, Intesa Sanpaolo has developed various activities and projects over the years, to promote the principles of good, tasty and sustainable nutrition. In June 2016, the second stage of the “Taste the World” project, launched in 2015 to celebrate the international dimension of the Group and its added value, was completed. The project came about from a joint initiative of the international Banks Division, the CSR Sub-department, the Welfare Department and General Services Department, involving staff from International Banks working in Italy, who gave recipes of traditional dishes from their own countries to serve on particular days in one of the Milan canteens. 44 recipes were collected and 10 days have been dedicated to the initiative.

## A VEGETABLE GARDEN IN THE COMPANY

In 2016, the “Urban Vegetable Garden” initiative of the Milan Insurance Division continued. This is a long-term project from an idea of some colleagues and developed in association with Slow Food, inspired by the values of “good clean and fair”. In detail, an agri-ecological vegetable garden especially created on the terraces of Viale Stelvio in special containers was tended, and a series of learning sessions for the group of employees who look after the garden on a regular basis were held. The project was also awarded by the Workplace Health Promotion Lombardy programme, as part of initiatives to promote wellbeing and a better work/life balance.

## THE VALUE OF TIME: ACHIEVING A WORK/LIFE BALANCE

Level-two collective bargaining of the Intesa Sanpaolo Group includes a number of measures to promote a better work/life balance. These include the “Time Bank”, an annual “bank” of hours of paid leave for employees, who can use the time in case of serious, proven personal and/or family situations if they need additional leave. The time bank was given 50,000 hours by the Company in 2016, and was topped up by voluntary donations of holiday leave, public holiday leave and hours worked as “time bank hours” by employees plus the same amount of hours from the company, with a particular focus on cases of seriously ill minors.

Employees donated 8,078 time bank hours during 2016, with the same number of hours donated by the company, in addition to the initial 50,000 hours. This made it possible to give employees with difficulties over 2,000 days of leave, giving them concrete support in managing difficult personal and family situations.

The Group has also provided extra hours of paid leave which may be used by colleagues who do “voluntary work” for specific projects/initiatives with social purposes outside the Group, also promoted by external bodies, selected by the Intesa Sanpaolo Onlus Foundation and/or Banca Prossima. During the last quarter of 2016, the first initiatives were promoted, involving 10 different associations in Italy and 75 colleagues, over 76 working days. The Bank has also introduced an option for employees to take days off on a voluntary basis, without the need to give justification, for a maximum of 15 working days; in this case the Company will pay 35% of standard remuneration. A comprehensive set of measures has been introduced to encourage the involvement of fathers in family care (including supplementing remuneration in the case of parental leave taken by the employed father). Permits are available for specialist visits for employees suffering from serious diseases as well as permits to support home schooling activities for children with specific learning disabilities.



## FLEXIBLE WORK: BENEFITS FOR BOTH PEOPLE AND THE COMPANY

After an initial trial, “Flexible Work”, i.e. the possibility for colleagues to work from home, from a company hub or from the customers' premises, rather than from their office desk, following an agreement between the Company and trade union organisations, became an operating procedure to gradually extend to all Group entities in 2016. The project aims to achieve a better balance between staff and production needs. In 2016, more than 5,700 colleagues from 13 different Group companies were involved in “flexible work”.

Managers were key in deciding to include their own departments in the trial: they believed in their people and in a new way of dealing with their daily work. But the greatest success came from colleagues. They showed how a different way of working can improve the quality of work as well as personal and family life, increasing motivation and productivity.

“Flexible work” is on a voluntary basis, involving individual colleagues and focussing on inclusion, meaning it is open to all people from identified departments who satisfy some basic requirements. The project is particularly innovative because it allows people to work from home up to 8 days a month, also divided up, while flexible working from the hub and at the customer's office does not have specific limits.

Positive feedback, in terms of satisfaction and business productivity, led the company, and the Welfare, Safety and Sustainable Development Committee to continue with the “Flexible Work” project, paying particular attention to

network entities operating in Italy and the possibility of smart learning for professional training.

Alongside this flexible work project, Intesa Sanpaolo participated in the “Flexible Work Day” event organised by the Municipality of Milan. The initiative is aimed at private companies and public authorities trying out alternative working methods. The objective is to improve flexibility of the organisation and productivity, and reduce the time spent on commuting from home to work, thereby contributing to improving individuals' quality of life and reducing environmental pollution.

## EXCELLENCE - FOR LITTLE ONES TOO

Five company crèches – our “baby nurseries” operating in Milan, Florence, Naples, Turin Moncalieri and the new Turin Headquarters – accommodating 255 children in total, offer considerable support for families. The quality service meets requirements of the PAN Consortium's Quality Manual, prepared by a Scientific Committee, which covers all aspects of educational and organisational management. High educational standards go hand in hand with facilities that comply with environmental sustainability principles, favouring the use of FSC (Forest Stewardship Council) and PFEC (Programme for the Endorsement of Forest Certification) certified materials. To integrate the service, a number of agreements are in place with the PAN Consortium and, with a view to enhancing the options offered under intercompany agreements, the pilot project for a corporate crèche shared with Telecom Italia continued in Milan for Intesa Vita staff.

## CRÈCHE FOR CHILDREN IN LONG-TERM HOSPITAL CARE

Based on its significant experience with company and community welfare, a pilot project began in late 2016 for a crèche for children in long-term care at the outstanding Paediatric Oncology/Haematology Unit of the Regina Margherita Hospital in Turin. The project offers free nursery care five hours a day, five days a week, throughout the year, for all children aged from 6 to 36 months – of employees and others – who are at the hospital. The service can also be used by children who have been temporarily transferred from other departments for treatment.

The project, which is sponsored by the City of Turin, helps children overcome the social and psychological isolation caused by their condition, by debilitating treatments and long-term hospital stay. The patients are assisted by specialist, qualified nursery staff who help the children in their cognitive development with tailor-made educational activities. The service also gives families concrete support to help them adapt to circumstances which are far from their normal routines.

## INTESA SANPAOLO WORKERS ASSOCIATION

As part of the integrated company welfare system, the Association – with 125,000 members – is providing a new type of welfare, catering for the diverse needs of people and offering leisure solutions – encompassing tourism, culture and sport – at special rates. A website with management system streamlines administrative formalities, and also offers services for a better work/life balance. At the end of the year, an agreement was reached with Coopselios and Cadiai to implement Welcare family services and offers services at special rates from parenting to caring for the elderly and persons who are no longer self-sufficient, with a view to achieving a better work/life balance.

Families with children in full-time education can benefit from summer holiday initiatives; open to children and students from 4 to 25 years, camps organised by the association were attended by 1,800 children, while 2,700 families opted for other camps with a contribution paid by the Association. For families with children affected by disabilities, the contribution was doubled.

Since 2016, 10 grants have also been provided for an intercultural programme to study abroad for a year/six months, as well as 10 grants for summer study programmes. An important new addition to the Association's initiatives is the chance to buy school textbooks at discounted prices, and also receive a special contribution, with 3,100 children of association members benefiting.

To further support the household spending of its members, the Association gave out 15,000 contributions for sports and leisure courses, and over 4,000 contributions for medical check-ups for participants of competitive sports.

Over 46,000 vouchers to purchase books were given out, and members can access LEA, the new Laterza

book streaming platform, free of charge. Over 180,000 discounted cinema tickets were also made available.

During the year, a webticketing service was also provided, generating 13,000 contacts.

In September, the second edition of "Push to Open" took place. This programme was set up to help young people enter the world of work, in partnership with Jointly, and involved over 330 young people in the last two years of high school. "Push to Open" is a programme comprising several stages based on direct contact and interaction with experts and people from the world of work, encouraging young people, promoting contact and offering useful information to help make their ideas and university and professional choices a little clearer.

In autumn, the ALI IN FESTIVAL was held, the first of its kind dedicated to Intesa Sanpaolo staff and their families, with two days dedicated to knowledge. Over 800 members from throughout Italy met up in Florence for events, culture and shows. The festival was attended, among others, by Zygmunt Bauman, who held a talk on "Finding happiness in a consumer society" and by Gianrico Carofiglio, who spoke of the power of language. The Fondazione Banco Farmaceutico Onlus (Non-Profit Pharmaceutical Bank Foundation) was present at the Festival; this foundation has set up a project in partnership with Intesa Sanpaolo to collect unused medicines which have not expired, to promote initiatives encouraging donations of medicines. The project – which already covers Milan and Turin – is in addition to support from over 150 members who volunteered during the Medicine Collection day.

## MOBILITY

Intesa Sanpaolo continued to focus on sustainable mobility issues in 2016, researching and suggesting innovative solutions for personal mobility needs (see the section on "Natural capital", page 119).



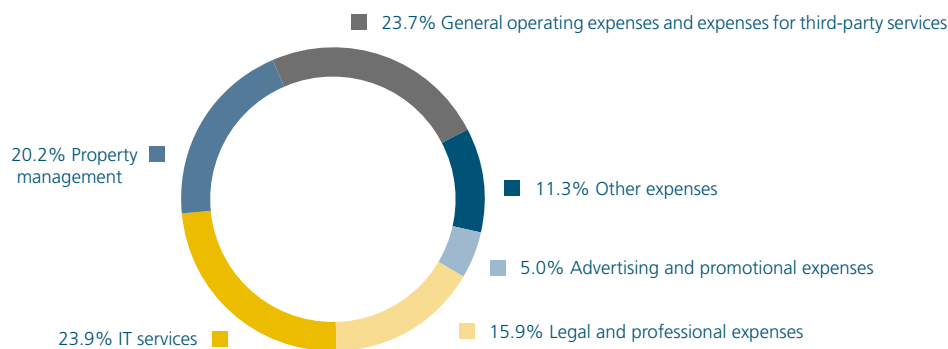
## RELATIONS WITH THE SUPPLY CHAIN

Intesa Sanpaolo is committed to effectively managing the implications and risks of an ethical, social and environmental nature of its supply chain. For this purpose and in compliance with the principles in the Code of Ethics, it has adopted Group Procurement Guidelines and Purchasing Rules, which observe social and environmental responsibility criteria and must be adopted by all functions involved during the sourcing process.

Since 2012, a project has been underway to centralise Group purchasing, with the main aim of making the purchasing model, rules and processes uniform. In this context, during the second half of 2016 contract standards were revised, to streamline relations with all suppliers, including international suppliers, and subsuppliers, to improve monitoring of specific issues.

In 2016, overall expenses incurred by the Intesa Sanpaolo Group totalled over 2.6 billion euro, broken down as follows\*:

### Breakdown of 2016 administrative expenses [%]



\* The figures and comments refer to the reclassified consolidated income statement published in the 2016 Financial Statements.

## FAIRNESS AND TRANSPARENCY IN RELATIONS WITH SUPPLIERS

To ensure transparency and fairness, the purchasing process is based on company procedures that require fair negotiations and a competitive comparison of the technical and economic aspects of bids made by selected suppliers and their sub-supply chain. Generally, Intesa Sanpaolo Group selects suppliers based on pre-contract qualification to assess their economic/financial and technical/organisational characteristics. If the qualification process is successful, suppliers are registered in the Group supplier database.

In 2016, the Procurement Department continued to use the "Suppliers' Portal": this platform is for the qualitative assessment of suppliers and provides an online negotiation system. The portal makes it possible to impartially compare a number of bids for the same procurement event, differentiating the evaluation of the technical and/or administrative part from the purely economic part. Each supplier can view the status of procurement procedures, in a special section, and post their bids.

The process makes it possible to purchase products and services at the best market conditions, which meet specific requirements for functionality, quality, safety and environmental protection, complying in full with applicable laws and regulations.

In this context, market comparison ("Tenders") is currently the standard purchasing procedure, both in Italy and abroad, since it is the only procedure that allows for greater fairness and transparency in managing bids and awarding the tender.

To guarantee the Procurement Department's assessment of the entire supply chain, the registration and qualification process was also extended to subsuppliers in 2016, with mandatory registration in the Suppliers' Portal. Operating Guidelines were also issued on managing sub-contracting and contract templates were published, to streamline the subcontracting authorisation procedure.

To consolidate the monitoring of business ethics, compliance with human rights and the protection of workers' rights and the environment, a project was started in the first half of 2016 which will gradually replace the "Suppliers' Portal" currently in use with a

new e-sourcing application called the “New Suppliers' Portal”. The new solution, with a module tested in 2016 on 15 suppliers, requires potential suppliers to meet some obligations from as early on as registration. The “New Suppliers' Portal” has a questionnaire on CSR issues. Information of mandatory documents must be updated at least annually. The new supplier qualification process will also make it possible to obtain a Supplier rating that integrates CSR information, which will be monitored over time.

International banks are also increasingly aware of these issues in relation to their local suppliers. For example Intesa Sanpaolo Bank Albania has published all its contracts on its website since 2016, and requests suppliers to provide evidence of the certificates of origin of supplied products.

### ASSESSING THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF SUPPLIERS

The “Suppliers' Portal” used by the Procurement Department requires registration when candidates are requested to view Intesa Sanpaolo's Compliance Programme (Legislative Decree 231/2001), Internal Code of Conduct and Code of Ethics. If registered entities become qualified Intesa Sanpaolo Group suppliers, contract clauses of the agreement signed require them to comply with the principles in the above documents. Standard controls are also carried out on documents certifying the technical eligibility of companies (registration with the Chamber of Commerce, presentation of Chamber of Commerce records, of welfare contribution records), and their financial and capital strength, as well as the absence of detrimental events concerning suppliers and subsuppliers.

Out of the 8,777 suppliers on the “Suppliers' Portal” recorded in Italy by the Procurement Department, 5,263 (equal to 60%) completed registration and replied to specific questions on social/environmental issues in 2016. Analysis of replies shows the following breakdown: 11% declared they publish a social and environmental report, 4% hold SA 8000 certification, 19.17% have a code of ethics or policies describing their social commitment, 13% hold environmental certification and 8% have an environmental policy. These percentages have all increased compared to 2015 and show that the Group's focus on social/environmental issues have led suppliers to be more aware of these aspects as well.

International banks using the Suppliers' Portal (VÚB Banka, Banca Intesa Beograd and Privredna Banka Zagreb) also report a good coverage of CSR issues. Suppliers of these banks completing registration and the questionnaire totalled 473 in Croatia, 639 in Serbia and 292 in Slovakia out of a total of 2,085

suppliers surveyed (equal to 67%). Analysis of replies shows the following breakdown: 16% declared they publish a social and environmental report, 1.3% hold SA 8000 certification, 25.9% have a code of ethics or policies describing their social commitment, 13.3% hold environmental certification and 16.1% have an environmental policy.

With the gradual changeover to the “New Suppliers' Portal”, all suppliers and subsuppliers will be required to complete the CSR questionnaire.

Another line of action, which helps strengthen the wider-ranging activity of supplier monitoring, is the technical assessment of performance in ICT supplies of the ICT Systems Department. This initiative, based on a survey conducted internally at this department, is in its fifth year of operation and covers a group of suppliers that in 2016 represented approximately 94% of orders by the ICT Systems Department, for a total of approximately 291 suppliers assessed. The process involved 155 colleagues replying to an electronic questionnaire on supplier assessment, based on four categories according to the type of service/product purchased (application services, infrastructure services, hardware and maintenance, software licences and maintenance). The replies to the questionnaires helped to identify any areas for improvement and to rethink supplier relationships from a strategic point of view. In parallel, in cases where findings showed a failure to meet contract service levels, specific warning letters were sent to suppliers (53 letters in 2016).

To monitor the supply chain and CSR issues more effectively, courses on “Responsibility and Systemic thinking” and “Disseminating a risk culture and impact on the sourcing process” were held for some Purchasing Department staff in 2016, while seminars were organised by the ABC Procurement and Cost Management consortium on CSR issues and business sustainability.

### HEALTH AND SAFETY OF SUPPLIERS OPERATING ON OUR PREMISES

In 2016, Intesa Sanpaolo's activities targeted not only employee protection but also to the protection of suppliers conducting their activities on Bank premises in Italy. In particular, the process to manage measures to coordinate interference that may occur during outsourced works of various suppliers and bank personnel, is governed by specific internal regulations available on the company intranet. In the case of worksites, evaluations and relative measures are included in the Safety and Coordination Plan and in specific Operating Safety Plans prepared by competent positions appointed by the Client/Works Director.

## RELATIONS WITH THE COMMUNITY

The Intesa Sanpaolo Group takes a responsible and active role in support and collaboration in local areas and communities where it operates. It also promotes some international projects in areas where it does not have business activities, but which are vulnerable in economic, social and environmental terms.

The Group is committed to the community through: donations, for managing temporary situations of difficulty in local areas, and for long-term solidarity; the sponsorship of projects with a positive impact on the community; substantial investments in art and culture; company volunteering initiatives and programmes involving all Group personnel.

### 2016 CONTRIBUTION AND BREAKDOWN

Cash contributions to the community by type in 2016	[thousands of euro]
Monetary contribution to the community	46,412
Goods and services donated to the community	27
Time contributions	146
Operating costs	3,682
<b>Total</b>	<b>50,267</b>

Cash contributions are classified based on the reason and broken down as follows:

- 51.6% comprise community investments: contributions characterised by long-term plans and/or strategic partnerships and/or of significant amounts. This figure is steady compared to 2015 and accounts for the largest portion of cash contributions, showing the strategic nature of the Group's activities targeting long-term cooperation that can produce real benefits and values for local areas and communities;
- 37.9% refers to commercial initiatives (sponsorships) for social causes, which also promote the Intesa Sanpaolo brand and business;
- the remaining 10.5% 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).

### SUPPORT FOR CULTURE

#### PROGETTO CULTURA

A focus on art and culture is a priority of the strategy driving activities supporting the community. The Progetto Cultura (Culture Project) is a strategic reference framework for the long-term planning of the Bank's cultural initiatives and has several objectives. On the one hand, it aims to encourage an increasingly large public to use its important artistic, architectural, publishing and documentary heritage, which is a result of the history and tradition of patronage of financial institutions that have become part of the Group. On the other, it aims to contribute to safeguarding Italy's cultural heritage. Promotion of the Bank's artistic heritage is implemented along various lines: the study and scientific cataloguing of works; restoration; projects for a permanent exhibition of some of the collections (Gallerie d'Italia in Milan, Naples and Vicenza); the planning and organisation of temporary exhibitions; support for scholarships for training opportunities and research for young people in partnership with universities; loaning works to temporary exhibitions.

In 2016, the programme for the conservation and public use of the Group's artistic heritage continued, with a view to disseminating and promoting historical, artistic and cultural knowledge. Restoration projects took place, works were loaned and exhibitions held at Gallerie d'Italia to showcase the wealth of the Group's collection with thematic readings and critical analysis for different research possibilities.

Partnerships with universities and centres of excellence for scientific research continued, to recover, safeguard, protect and value archaeological, historical and artistic heritage. Grants were given for young graduates to benefit from significant opportunities to develop professional expertise in the field of cultural assets.

The exhibition on Francesco Hayez was of national importance (some 120 works were presented, with over 180,000 visitors), as well as the exhibition on

Venetian landscape painting "Bellotto e Canaletto. Lo stupore e la luce" ("Bellotto and Canaletto. Wonder and light"), with some 100 works displayed at the Gallerie d'Italia - Piazza Scala, Milan.

The seventeenth edition of "Restituzioni", the project which has been running since 1989 for the recovery, protection and promotion of Italy's artistic heritage, presented the results of restoration works to the public at large, with a final exhibition held for the first time in Milan "La Bellezza ritrovata. Caravaggio, Rubens, Perugino, Lotto e altri 140 capolavori restaurati" ("Beauty rediscovered. Caravaggio, Rubens, Perugino, Lotto and another 140 restored masterpieces").

### INITIATIVES WITH A PARTICULAR SOCIAL FOCUS

In 2016, Gallerie d'Italia – above all in Milan – proposed a number of initiatives dedicated to disadvantaged and vulnerable groups:

Projects	Category	Description	Partner organisations	Meetings and users involved
A hands-on museum	Guests of Day Centres for the disabled and applicant refugees	Educational activities	The day centres MI (Via Treves, Casa Gabbiano) and Farsi prossimo Onlus	20 sessions
A tour of Milan's museums	People affected by Alzheimer's	Art therapy	Fondazione Manuli Onlus	28 sessions
For other eyes	People with sight disabilities	Museum collections	<ul style="list-style-type: none"> <li>■ IRCCS Fondazione S. Maugeri Pavia</li> <li>■ Museo Omero di Ancona (Omero Museum, Ancona)</li> </ul>	10 guided tours
Art: a bridge between cultures	Citizens from other countries	Interculture	FAI and Amici del FAI	2 training sessions + 10 guided tours held by mediators
Affection - Effects of Art	Subjects with psychological difficulties	Training at work to access culture and wellbeing	Third sector Families, Coordination of the Milan Association for Mental Health, Ala Sacco Regional Innovation Project	11 sessions

One of the many initiatives of the Gallerie di Palazzo Zevallos Stigliano in Naples benefiting vulnerable groups was the theatre workshop run by women from a socially disadvantaged area (Forcella) as a forum on inclusion.

The "Art and Memory" project continued at the Gallerie di Palazzo Leoni Montanari di Vicenza, with a programme of weekly events for guests at residential and day centres for the elderly, conceived to promote intergenerational engagement. Another cultural event involved people affected by Parkinson's in an activity combining art, music and contemporary dance, focussing on the health impact of dance on the neurological system of sufferers of this disease. The "Music beyond barriers" project was held at special venues: at the city's prison, in hospital oncological units and at residential homes for the elderly.

### HISTORICAL ARCHIVES

The fundamental objective of the Historical Archives is to increase accessibility to the archives records – including special photographic, iconographic and multimedia sections – by increasing the number of inventoried data and digitalised documents (hundreds of thousands of pages available online). Digitalisation has concerned particularly valuable documentary sources and key documents (minutes of Board Meetings) from the bank's archives.

Guided tours open to the public, lessons for university students and professional seminars have increased steadily. The involvement of universities has continued, through the funding of research projects that offer younger researchers from different areas the chance to carry out scientific research using sources in the Historical Archives.

Activities to protect the archives continued, saving and obtaining documentary sources at risk of being lost and increasing work to restore existing documents.

Management of the iconographic and museum collections was consolidated considerably during the year.

### EDITORIAL AND MUSIC EVENTS

Editorial and music events in 2016 underscored Intesa Sanpaolo's commitment to sharing and using cultural assets with the public, to disseminate knowledge and promote literary heritage and learning for young people. On the editorial front, the multimedia Vox Imago series on opera continued. Historical/architectural guides on the Group's historical sites were made available, as well as the series Milan's Museums and Galleries (a scientific catalogue of the city's artistic heritage produced by young researchers).

Music events covered various genres, from ancient to classical and contemporary music, in partnership with acclaimed, innovative music organisations. A series of free concerts was held for the public at venues made available by the local authorities. As regards education, numerous courses were organised for disabled children and teenagers and study meetings open to the public.

### DONATIONS - CHARITY FUND

The 2016 Intesa Sanpaolo Charity Fund Plan, approved by the last Supervisory Board meeting, confirmed the strategic focus on national and local projects with a significant social impact in favour of more vulnerable individuals, hit hardest by the economic crisis, with the objective of allocating over 80% of national contributions to this category. In 2016, this objective was widely met. Besides international initiatives for poorer countries, over 84% of national contributions were earmarked for vulnerable and weak categories (projects for the disabled, solidarity, social inclusion, to combat poverty, training and work for vulnerable people and healthcare initiatives in the field of research and assistance for sick people).

As for donations made at local level, managed by the Regional Departments of the Banca dei Territori Division, objectives were met (more than 60% of donations were made for projects for more vulnerable groups of the population), accounting for over 68% of the total, and increasing by over 3% compared to 2015.

Since April 2016, the Charity Fund has been directly managed by the Chairman of the Board of Directors and at the end of July new regulations were established with revised mechanisms to select organisations and proposed projects.

In particular, organisations involved in legal disputes, in matters concerning organised crime and that do not respect human rights, peaceful coexistence or environmental protection are excluded.

Projects are chosen if specific, with a clear social impact and the proven ability of organisations to achieve the objectives declared in the programme, in previous direct experience or for similar organisations. A rotation system was also introduced, to guarantee a broader and more flexible use of the Fund and, in particular, a maximum limit of three consecutive years' support for the same project, subject to the monitoring of achieved results.

To promote the aims of the Fund and facilitate the presentation of projects and access to applications, the Group's website includes a specific section on the Fund (which can be consulted in the Bank and Company area). Support for communities affected by the earthquake in central Italy was particularly significant (donations to local authorities and associations to rebuild schools and deal with public emergencies; support for schools for safe classrooms and for canteen services, sharing a project with the Prosolidar solidarity foundation, for over 325,000 euro).

During the year, some projects receiving central donations were selected to evaluate their impact according to the London Benchmarking Group model; the results were presented in the "2016 Community Paper" published on the company's website [1]. The Community pages in the Sustainability section of the website are regularly updated, with case studies of social initiatives and the relative impact assessment. Three-year international cooperation projects supported by the Fund were monitored and evaluated by CICOPS – the International Centre for Development Cooperation of Pavia University. This Centre evaluates the reporting produced every six months by organisations, certifies the progress of activities and results achieved in relation to objectives established at the start of projects and rates the degree of interaction of activities with the policies of host countries. Any deviations are reported to the organisations so they may plan necessary revision processes.

## COMMERCIAL INITIATIVES WITH BENEFITS FOR THE COMMUNITY

Intesa Sanpaolo partners local and national organisations and authorities in its commitment to commercial initiatives with benefits for the community, developing cultural, artistic, social, sporting and production activities and events.

Group initiatives are mainly focussed on achieving the following objectives:

- safeguarding and promoting the country's cultural heritage, encouraging the dissemination of culture through support for cultural and musical events that can be accessed by a wide-ranging and diverse public;
- supporting research to promote new opportunities for economic and social development through partnerships with leading foundations and institutions;
- promoting sustainability as a value for businesses and a confidence factor for customers through participation in initiatives within the scope of Corporate Social Responsibility;
- promoting training opportunities for young people and the inclusion of women in the world of work;
- supporting initiatives for the socially disadvantaged;
- promoting the value of sport, particularly among young people and the universal values of playing sport, such as commitment and respecting rules.



# Human capital



Human capital refers to the expertise, skills and experience of working people, sharing values and commitments for the continual improvement of the service offering to customers.

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RESOURCES	ACTIONS AND RESULTS	IMPACTS ON STAKEHOLDERS
88,725 employees* 37,113 university graduates 47,871 women 31.1 m in training costs 5.3 bn euro personnel expenses	Development and reorganisation programmes designed to protect employment and strengthen market competitiveness Training days provided: 1.3 m Managerial assessments: 947 Planning the Group Talent Management system	Employer branding & recruiting: partnerships consolidated with leading Italian universities 85,743 employees with permanent contracts 4,121 new hires 2,331 new hires under 30 years of age 3,804 promotions 24% of all executive staff female

\* Sustainability Report Boundary.

## JOB PROTECTION

Employment is one of the priority areas in which a series of measures are adopted to motivate and engage people in terms of flexibility, efficiency and productivity. In 2016, the Intesa Sanpaolo Group had a workforce of 88,700, 46% men and 54% women. With 4,100 new hires, the turnover rate was -1.14%, compared to a turnover rate in 2015 of -1.36%.

To protect jobs, the Business Plan envisages the re-employment of 4,500 surplus personnel over the period 2014-2017; by the end of 2016 the process had been largely completed, with the proviso that the re-employment process can only be considered finalised once the economic and asset targets in the Business Plan are met.

## EMPLOYER BRANDING AND RECRUITMENT

Partnerships with leading Italian universities were further strengthened in 2016 with regards to recruitment and employer branding, with new methods for engaging and selecting young talent. Through the Make It Real brand, the company attracted over 200 millennials, offering them experience of company business games on ground-breaking themes (Big Data - Blockchain, User Experience - Cognitive Computing, etc.) with in-house tutors over two consecutive days, at the end of which the most talented individuals were given a position in the company. Three Make It Real events were organised in conjunction with the Polytechnic and University of Turin.

On LinkedIn, Intesa Sanpaolo continued to strengthen its brand profile as an outstanding place to work both in Italy and abroad through a programme of editorial and communications activities for the recruitment drive.

Tried and tested Employer Branding activities also continued with the aim of supporting students and graduates as they take their first steps in the world of work: career days, events and workshops, and scholarships for specialist master's degrees.

Overall, more than 50 initiatives were organised at universities and on Bank premises, in Italy and abroad, involving around 200 personnel as Employer Ambassadors, with 210 internships offered.

## SPECIAL PROJECTS

With the aim of developing new areas of business, in line with the Business Plan, opportunities for new jobs were created and specifically selected projects launched in close collaboration with the business structures. With this in mind, and within the context of real estate brokerage, the creation of Intesa Sanpaolo Casa has seen the launch of personnel retraining for those showing interest in the project and a recruitment programme for real estate professionals with the aim of creating a network of over 200 staff throughout Italy.

The ICT Department, as part of a redesign of processes to develop digitalization and a multi-channel approach, has

launched a challenging recruitment programme involving more than 550 new employees, including young and recent graduates and industry experts.

To strengthen and expand the Banca dei Territori Division, 100 young graduates were hired through a recruitment drive in the Online Branches at the centres in Turin, Milan, Padua and Naples.

## MOBILITY WITHIN THE GROUP

In 2016, the Group Internal Mobility Service, set up in 2015 to facilitate the management of mobility across divisions, functions and companies within the Group, is now fully operational and has reallocated about 400 people. To support the Direct Job Offering tool (mainly aimed at company projects with significant personnel requirements), the Job Posting tool was relaunched in 2016. The tool facilitates the posting of new job opportunities within the Group, allowing employees to apply of their own accord as positions are advertised by the company. Job Posting has helped to promote motivation and expertise within the Group by facilitating mobility across the Group and developing the internal labour market. In 2016, there were more than 1,700 applications for the 39 Job Posting campaigns.

## THE COMMITMENT TO THE DIFFERENTLY ABLE

The diligent management of inclusivity practices regarding people with disabilities has gained recognition from Italy's leading national organisations and associations: in June 2016, Intesa Sanpaolo again received the Diversity & Inclusion Award Diversita-lavoro, given to companies that promote policies to provide work for people with disabilities, aiming at developing talent and skills. In addition, two projects were undertaken in conjunction with universities and associations that involved 12 visually impaired and blind employees and external collaborators.

## YOUNG PEOPLE AND THE WORLD OF WORK

### Alternating school and work

The law called La Buona Scuola ("the good school") introduced the requirement for an alternating school and work programme during the final three years of secondary education, with at least 200 training hours for secondary school students and at least 400 hours for students at technical/vocational colleges.

In the last four months of 2016, Intesa Sanpaolo launched a three-year course of increasing complexity, adapted for students at secondary schools and at technical/vocational colleges, providing an understanding of the world of work and that, over the three years, fully meets the legal requirements. The pilot involved 16 educational workshops for third-year students held in squares in Milan, Turin and Florence (9 for secondary schools and 7 for technical/vocational colleges), attended by a total of 298 students.

A memorandum of understanding is currently being formalised with the Italian Ministry of Education to officially launch the partnership in 2017 and extend it to other cities across Italy.

### **Soft skill lab**

In 2016, under the “#My Place in the World” initiative, the partnership continued between the Training Department and the Museum of Saving in Turin with a series of workshops for senior school students on communication, teamwork, assertiveness and conflict mediation.

## **EMPLOYEE ENHANCEMENT**

Employee enhancement, motivation and strengthening a sense of belonging are identified in the Business Plan as key factors for achieving strategic Group targets. Drawing on the inspiration behind LECOIP, investment plans that in 2018 will allow people to benefit from sharing the value created by the Business Plan, a significant commitment has been made regarding actions and processes to drive the engagement and motivation of people, developing real opportunities to build merit, professionalism and skills. Value has also been created through a system of industrial relations that maintain social cohesion and develop innovative and sustainable solutions focused on developing the supplementary welfare system for employees and their families. Finally, we continued to invest in ongoing training, focusing on important projects to support the Bank's strategic decisions.

## **DEVELOPMENT PLATFORMS AND INITIATIVES**

### **On Air**

Again in 2016, professional management and development at the Intesa Sanpaolo Group were facilitated by the “On Air” platform, which promotes personal motivation through a structured process involving making a statement about one's experience and abilities and signing up for professional growth and development.

Additionally, in the Banca dei Territori Division, the “skills census”, was relaunched, involving two steps: self-evaluation in the first, and the manager's evaluation in the second.

This skills survey enables the identification of the mix of skills available in each organizational unit, the setting up of targeted training materials and assistance with professional development choices, as envisaged by the Accordo Integrativo (Supplementary Agreement) in 2015. In 2016, there were 19,219 applications (9,851 women and 9,368 men). In response to the changing demands and the emergence of so-called new trades, and thanks to the mapping of expertise, skills, motivation and aptitude made available by On Air, the Direct Job Offering process continued,

allowing targeted job search campaigns based on the nature of the open positions and skill requirements in the Company. An internal job market approach has created opportunities and space for growth across the Group for interested and motivated employees. There were 730 applications in 2016.

### **Managerial Development**

In 2016, Intesa Sanpaolo established new guidelines on managerial assessment that identified two types of assessment: the Manager of Managers level for internal positions of responsibility over other Heads and Area Managers; and the Manager of Professionals level for positions of responsibility over Professionals and/or Branch Managers, focused on the application of a dedicated competency model adapted to the complexity of the managerial challenge. In Italy, during the year, managerial assessments were held involving more than 661 people.

The Corporate and Investment Banking Division continued with the individual development programme for to all managers (Thorough Managerial Feedback), involving about 110 managers (92 men and 18 women).

A Managerial Assessment project was also conducted at the International Subsidiary Banks, primarily targeted at second line managers, with a total of 286 managers (174 men and 112 women). The aim of the project was to highlight the target population's compliance with the new Group managerial expertise model and define development initiatives in line with the improvement areas underlined by the assessment at both individual international bank and cross-country level. In line with the action taken in Italy, and in order to support managerial development locally, a tool, known as International Consequence Management, was extended to the International Subsidiary Banks enabling the creation of courses on personal development to strengthen skills with the potential for improvement.

## Leadership Styles

The aim of the “Feedback 180°” project is to strengthen leadership styles by entrusting people with responsibility and making them aware of prevalent styles in order to support managers in the development of their leadership approach and bring them in line with business challenges. In 2016, the project involved 455 people (354 men and 101 women). “Feedback 180°” involves an initial assessment of leadership actions and how these impact on corporate efficiency. This is followed by a look at the results and a discussion on the strengths and areas for improvement that emerged. The course then involves the definition of individual and group development and empowerment programmes, and monitors the changes and improvements achieved.

The International Subsidiary Banks Division has also prioritised the support for management in achieving business objectives and the enhancement of leadership quality, making it a distinctive feature. In this light, the “Excellence 360°” project was launched for all 41 managers at Head Office and for the banks' first managerial lines, including CEOs and deputies (118 individuals), a total of 159 participants (106 men and 53 women). “Excellence 360°” is a tool aimed at making participants aware of their leadership styles, highlighting strengths and areas for improvement and creating the conditions to implement a behavioural change that would enable improved performance. Specifically, the skills under assessment were divided into 4 areas: Business Orientation, Driving to Excellence, Cross-functional Collaboration, and Managing People. The behaviours included in the feedback questionnaire were evaluated by the participant, by his/her line manager, and by 5 evaluators for each of the following categories: peers, employees and cross-functional customers/suppliers, with each participant (about 2,700 in total) receiving feedback from 17 individuals. Questionnaire results were made into individual reports and given to participants by a senior consultant in a two-hour coaching session, in which the elements where development efforts should be focused were identified. By January 2017, all participants had received their reports.

## Performance Assessment

The new “PerfoRmer 2.0” performance assessment system is based on qualitative performance indicators that are more concrete and in tune with the less technical language of employees. The indicators are expressed on a qualitative scale with five levels of effectiveness. A new assessment form for heads of individual structures is also available. Another new addition is “People Portfolio Management” which, through a matrix dedicated to the manager, correlates performance (final summary judgement) with leadership styles: the aim is to support and guide the managerial actions

of managers towards the issues of the development and growth of employees and to strengthen the importance of the dialogue between managers and staff, which is key to professional development.

Performer 2.0 has been operational across the Group since January 2016 – apart from the International Subsidiary Banks that have an assessment system known as the “Global Performance System”.

The system is inspired by principles of impartiality, merit and the long-term sustainability of the results achieved, and aims to promote the dissemination of a performance culture based on the assessment and recognition of individual merit. In 2016, a project to implement the tool was launched with the aim of improving certain technical functionalities and making the system's methodology more flexible and more advanced, as well as facilitating the trickle-down of objectives.

## TALENT MANAGEMENT PROJECTS

### Intesa Sanpaolo International Talent Program

In 2016, the focus was on completing the design and construction of the Group Talent Management System, which in 2017 will be devoted to implementing the first Intesa Sanpaolo International Talent Program, aimed at contributing to the development of part of the next generation of the Group's middle management.

The program is in line with some of the Business Plan's central objectives – including talent and leadership development, strengthening motivation and a sense of belonging – and is also one of the first talent management initiatives devoted to Group employees globally. It will also help to improve internal mobility management. The key points are: a structured selection process; an innovative training offering with a high level of professional and managerial specialisation; and tailor-made career paths with 3 mobility levels (inter-divisional, cross-functional and international) specifically designed according to professional experience, aptitude and individual motivation.

The first phase will involve over 1,000 Group employees, invited to participate in a multi-stage selection process that will identify the first “class” of about 100-150 Talents, i.e. the first group of employees who will access the Programme during 2017. The medium-to-long-term goal is to involve 400-500 employees once the Programme is fully operational.

The initiatives include: courses (3 to 5 years) customized according to profile and aptitude; international experience (at least one year) in the various Group structures; specialised managerial training in English; mentorship programmes with Group senior managers.

To ensure high standards of quality and performance, the International Talent Program concludes with a

monitoring and evaluation system via an IT platform. The assessment is annual and based on specific value-based indicators to detect programme effectiveness in terms of business impact, participants' professional development and contribution to achieving objectives.

### International Career Paths

Intesa Sanpaolo strives to develop and motivate its people through the creation of international and inter-departmental career paths. International mobility is therefore currently regarded as a strategic management tool both for the development of the skills and expertise of personnel and for the strengthening and consolidation of a common culture at Group level.

During 2016, regulations on mobility within the Group were revised, highlighting the important role of all actors involved.

### FAIRNESS AND VARIABLE REMUNERATION

Following the agreements reached in 2015, and as part of the of the second-level collective bargaining agreement, a union agreement was also signed in 2016 that provides for, in lieu of the Company Bonus and the Incentive System, a Variable Results Bonus (VRB) for personnel employed in Professional Areas and in the middle management category. The experimental

nature of the VRB was reconfirmed this year, as was the rationality in allocating bonuses to ensure recognition of the professionalism and commitment from each person in the Group towards realising the Business Plan.

The Variable Results Bonus has three components:

- the base bonus, primarily 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 policy. 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 the role or seniority and the professional category;
- the excellence bonus, which rewards individual merit and the distinctive contribution made to achieving the team's results.

In light of recent changes to the regulatory framework, the Parties have identified various innovative tools that enable bonuses to be recognised in the form of welfare services (the so-called social bonus), building also on what has already been tried and tested within the Intesa Sanpaolo Group.

### THE VALUE OF DIVERSITY

Intesa Sanpaolo's approach continues to focus on inclusivity and non-discrimination. These values characterise all the various corporate projects and tools developed to improve the company's performance, promote talented women and contribute to the work-life balance of all Intesa Sanpaolo employees. It represents an informed approach to the management of diversity in the company, whether these differences relate to culture, age, gender or different abilities. Intesa Sanpaolo believes diversity is an asset. In 2016, the Group committed to defining targeted and collaborative actions to promote respect and appreciation of differences and to increase awareness, particularly among management, of the positive benefits of being an inclusive company, including in competitive terms.

The company workforce comprises an equal balance of male and female employees, with 46% men and 54% women. In line with this, the Group is committed and proactive on gender management issues.

The approach is primarily managerial and organizational, with ad hoc initiatives to enhance merit, facilitate a work-life balance, and support the return of employees after maternity/paternity leave and long absences.

The recognition obtained by the Group at national level in 2015 for the care with which it handles inclusivity practices regarding people with disabilities has given new impetus to proposals that, during 2016, were developed as part of the Welfare, Security and Sustainable Development Committee (a bilateral company/trade union body operating within the

Group); attention was particularly focused on managing age diversity and the issues that the extension of professional working life can bring in terms of professional development and integrated welfare policy.

In this context, it is worth noting that the "Sexual orientation and identity diversity regulations" have been adopted, which require the relevant functions to define operating procedures, beginning with unions between people of the same sex, in registered partnership situations or situations regulated by legal systems recognised by the Italian system, to provide them with the benefits foreseen by company regulations or similar benefits, also offering paid casual leave to employees in same sex unions or registered partnerships. In 2016, the project "From gender balance to the leadership of difference" was launched, involving the Group's Divisions and main structures, with the aim of drawing up a Manifesto summarising Intesa Sanpaolo's approach to valuing gender difference, and of indicating the first measures to be implemented in 2017.

"Risorgimento al Femminile" (Women on the Rise) was an event over three evenings on the theme of women and employment, dedicated to the Group's female managers. The event was held at the Gallerie d'Italia and embraced art, history and business, as well as providing an important networking opportunity within and beyond the Group. The WorkHer project was also introduced at the event, a web platform for women entrepreneurs, of which Intesa Sanpaolo is a sponsor and partner. Intesa Sanpaolo is also



a founding member and sponsor of Valore D (D Value), an association that promotes women's diversity, talent and leadership for the growth of companies and the country.

Group employees took part in various events, including female empowerment programmes and the forum "Il Tempo delle Donne" (Women's Time).

The partnership with "Valore D" also gave rise to two research programmes to identify best practices and positive leadership models both in Italy, among associated companies, and across Europe on a sample of companies from various sectors.

In October 2016, workshops were held on "The Leadership of Difference", genuine collaborative workshops on the theme of male and female experiences and views.

In support of equality and women's entrepreneurship, Intesa Sanpaolo promotes various initiatives and sponsors major awards, such as "The XXIX<sup>th</sup> Marisa Bellisario Award – Women Value Company 2017 – Intesa Sanpaolo", in

conjunction with the Marisa Bellisario Foundation, for those who have particularly distinguished themselves in the field of gender equality. The prize will go to two Italian companies, one medium and one small, which have adopted practical and innovative policies and strategies to ensure equal opportunities for men and women and recognition in their careers.

## INCLUSIVITY AND DISABILITY

As part of the project "Tutti in Formazione" (Training for All), courses for employees with visual and hearing disabilities were provided, using accessible training methods adapted to the type of disability. The courses focused on the company's most recent financial results and new collaborative work tools to enable everyone to contribute to business objectives. A total of 147 employees were involved, of which 86 had visual disabilities and 61 hearing disabilities.

## TRAINING

In 2016, in line with the Business Plan, training focused on updating the skills needed to strengthen the company's professional competence was accompanied by projects designed to support the development of the banking sector and customers' needs. Indeed, the Bank continued to invest in custom training initiatives aimed at strengthening the skills of all Group personnel. In 2016 began the task of defining the rationale, methods, tools and technologies for designing training courses organized as an "ecosystem of content accessible at any time and place" to support everyone in their daily activities and in their work.

The model favours digital channels with simple, fast and interactive engagement methods: the platform supports all learning and development methods by providing access to training content with an integrated multi-channel approach (multi-format and multi-device). The design is realized through the Learning Factory, a new way of co-creating content through the direct and parallel involvement of all interested structures and end recipients.

### A BANK AIMED AT SERVING HOUSEHOLDS AND BUSINESSES

Many training initiatives have supported the development of the skills required to improve the quality of the service provided to Household and Corporate customers.

The project "Insieme per la Crescita" (Together for Growth) a change management program involving 38,000 employees and 4,200 branches, continues for the dissemination of behaviours and practices for exceptional service in the Banca dei Territori. The goal is to improve business results and the satisfaction of customers and employees through improved communication. The essential behaviours identified at the beginning of the programme by people from the network were communicated through

specific focus groups and video conferencing throughout 2016. The programme is supported by the online platform "Pro" for professionals from the network. In this initiative, the Pro platform supports participants in effectively implementing what they shared and learned, and collects stories of network achievements. There have been over 23,000 accesses on the platform in 2016.

Starting in November 2016, the behaviours identified, currently focused on macro activities conducted in branch – reception, transactional, relationships, development and management/coordination – are undergoing review through engagement activities across Italy. The behavioural review is designed to be the natural development of the programme to define each professional's contribution to the life of the branch and to the satisfaction of employees and customers. This work is carried out with the support of the Team of Change, personnel chosen by the Regional Departments to enable "Insieme per la Crescita" closer contact and greater presence in local communities. In 2016, several initiatives were launched:

- some devoted to individual professionals to share successful experiences and reflect on the value of communication (Area Managers Training), and focus groups to develop the role of coordinators as a guide and coach for Branch employees (Companies and Retail Coordinators' Meetings);
- others on cross-cutting themes, with the participation of Area Managers and Branch Managers of the 3 areas Retail-Personal-Business (Focus Group Collaboration).

Alternative communication tools were also used, such as the publication on PRO of the follow-up novel Ugo Robot, a comic-book story that recalls the importance of essential behaviours through the adventures of Ugo, Fred and Margherita. On average, each episode recorded over 6,000 visits to the platform.



Concerning the information on the programme's positive impact on the business, the customer satisfaction index (NPS - Net Promoter Score, see Social and Relational Capital) registered an improvement, both for retail customers (+1.7, from 7.6 in April/July 2016 to 9.3 in August/December 2016) and for personal customers (+2.1, from -0.8 in April/July 2016 to 1.3 in August/December 2016). There was also a 7% increase in the number of contacts and a 1% increase in the rate of converting meetings into success compared to 2015 (Retail and Personal areas cumulative data).

Again with a view to improving customer service, the Integrated Multi-Channel Approach project is designed to strengthen integration between branch activities and digital channels, and to offer customers new remote services and products. All the new instruments available were examined through specific online training lessons. A social learning platform then made it possible to widely disseminate the training content (making written communication more effective) and, through chats and social instruments, to share successful and widespread "multi-channel" experiences. There were over 1,000 hours of online training on the multi-channel approach. Within the Flexible Work project (see the chapter "The Quality of Life in the Company"), targeted training continued for all managers and employees involved in the trial. Half-day classroom sessions were provided for managers, as well as an online training initiative for other personnel based on mini training sessions, themed in-depth analyses and educasts (by the end of 2016, a total of 800 attendees for 100 man days).

In early 2016, in collaboration with Training, Managerial Development and Managers' School, the Insurance Division launched Insurance Academy, a permanent training, development and innovation platform dedicated to all employees who work in the insurance business. Insurance Academy follows the model of the Professional Academies already active in Intesa Sanpaolo and is aimed at strengthening professional skills and individual abilities for the optimal oversight of current and prospective roles.

The activities are grouped into three distinct areas:

- Skills: the strengthening of professional technical skills and of managerial and behavioural abilities;
- Development: development initiatives, including in relation to job rotation and internal mobility, while respecting the specific nature of individual structures;
- Factory: spreading a culture of innovation, including in conjunction with the Innovation Center.

The Insurance Academy is supervised by a Strategic Committee, which oversees alignment between the Division's strategic goals and the progressive roll out of initiatives, and by a Scientific Committee, which ensures the suitability and continual updating of content regarding job skills, focusing on the entire professional family in question and on new job trends. The Insurance Academy also has an internal faculty and operates in a network with teachers from the best specialist

universities and schools.

In 2016, the first nine Area Skill professional technical modules were activated, in accordance with the priorities identified by employees in focus groups conducted at various Division sites.

## VIVIDIGITALE - DISSEMINATING DIGITAL CULTURE

The growing digitisation of customer interaction, a process that has been ongoing for some time in all sectors, calls for new service models and an important evolution in the role of the Bank. To support these goals, it is necessary to invest in the ongoing development and improvement of the digital skills of our people and customers. To this end, a series of "Vividigitale Day" (Live-digital Days) were held, 13 meetings with 150 customers to discuss new technologies and channels and introduce them to the Bank's digital products and services.

## BIG DATA ACADEMY

Big Data refers to high volumes of information by which areas of improvement trends are revealed within the entity that can help in analysing potential external markets. The Big Data Academy is an advanced training course, distinctive and exclusive to Intesa Sanpaolo, for building, strengthening and supporting the development of skills in this area, and one of the initiatives envisaged by the 2014-2017 Group Business Plan. Over the coming years, coordinating such information sources will increasingly provide an important competitive advantage for companies that invest in this area.

During 2016, four out of the eight planned modules were delivered, with a total of 69 attendees and 4,230 man-hours of classroom training.

## THE CULTURE OF RISK

The culture of risk governance and of the control system has strategic importance and occupies an increasingly important position on the company's scale of values. In 2016, more than 24,000 employees participated, with about 18,000 hours of training delivered. The initiative does not only cover company functions dedicated to monitoring this area, but involves the entire company. To spread this culture and increase the awareness of these issues, various training initiatives were planned with the aim of involving all the company employees in a gradual and targeted way. The initiatives are supported and enhanced by a special section dedicated to risk awareness and control systems on the Regulatory Training portal. Alongside the permanent training offering, employees of the various Bank structures were involved in over a hundred custom projects. Multiple managerial and behavioural themes were addressed, including, for example: business collaboration, leadership, teamwork, ageing, managing complexity, wellbeing and resilience.

In 2016, "Dimensione Impresa" continued, a modular

training plan designed to foster significant growth in technical expertise and advanced management behaviour in relations with corporate customers. The ultimate goal is to generate a virtuous advisory and business cycle that benefits all stakeholders and spreads a culture that is able to detect the extent of risk in preventive as well as final terms. For this purpose, training projects were implemented in the Banca dei Territori Division that enable all SME Branch professionals to continue to provide entrepreneurs with partnership services aimed at the increasingly effective anticipation of both risks and opportunities in complex and dynamic contexts.

In 2016, a mentoring process known as Risk Culture also began for employees of the Banca dei Territori branches, at the supply chain structures of the Control System, with the aim of raising awareness of the risks to be taken in the granting, management and classification of credit, in order to oversee them in a suitable manner.

### THE CULTURE OF RESPONSIBILITY

With a joint project between the Corporate Social Responsibility Sub-Department and the Training Department, the activities continued to transfer skills and develop awareness of specific sustainability issues, with a focus on disabilities, the supply chain, the Equator Principles and the environment.

Through a systemic interpretation of contexts and complexity in order to foster responsible supply chain management, a classroom experience was created for 20 individuals from the Procurement Sub-Department, during which specific cases were analysed to make the shared approach instantly applicable to everyday circumstances.

"Ambientiamo", set up in 2009 as a distance learning project to strengthen knowledge of environmental sustainability, is now a permanent training platform available to all Group employees. "Ambientiamo" has delivered, over the years, training modules in various formats (video, e-learning, web TV, corporate radio and magazines, educards and emails) on topics regarding climate change, renewable energy, green products, sustainable mobility, efficiency and recycling.

In 2016, a training initiative at the International Subsidiary Banks focused on integrating ethical issues into processes for dealing with customer complaints. In October, an initial pilot training course was held at the Privredna Banka Zagreb (Croatia). The initiative,

delivered in the classroom to 15 employees involved in complaints management, used exercises and actual case studies to provide a number of criteria and tools for the identification, management and monitoring of customer complaints that, depending on their characteristics, could indicate, even implicitly, potential violations of the principles of the Code of Ethics. The project will continue in 2017, with further sessions at other International Subsidiary Banks via training pills available on the various e-learning platforms of the International Subsidiary Banks.

### "Fiore dei Valori"

From July 2016, the courtyard of the Insurance Division's Milan headquarters in Viale Stelvio will host an installation called "Fiore dei Valori" (Flower of Values), which was inaugurated and presented to employees by the Head of the Division and is a strong symbol of identity. Installed in the centre of the courtyard, it represents the concept of having roots where you are.

The origins of the flower go deep, beginning in a training project developed in conjunction with the Corporate Social Responsibility Sub-Department and the Training, Managerial Development and Managers' School. The training program, concluded in mid-2015, aimed to spread the values of the Intesa Sanpaolo Group and strengthen the ability to take account of the views of all stakeholders in daily decision making. The course envisaged the use of writing as a "teaching device". Out of this classroom experience was created a collage of stories, revealing what it means for employees to work at Intesa Sanpaolo. To further develop this multifaceted depiction of the Group, made by those who work for and identify with the company, the idea was conceived for an installation that, located in the inner courtyard of the Viale Stelvio headquarters, would give everyone the opportunity to read some of the stories and become an inspiration to others to share their own.

Each petal asks a key question, referring to the "virtual place" where the answer can be given, i.e. the portal devoted to Insurance Division personnel. Conceived as a symbol of identity, the "Fiore dei Valori" has also become a focus for telling stories and meeting people, activating a corporate identity that transcends barriers.

# Intellectual and infrastructure capital



Intellectual and infrastructure capital includes values related to knowledge and ability to innovate, and to its network of branches and technological networks offering services to customers.

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RESOURCES	ACTIONS AND RESULTS	IMPACT ON STAKEHOLDERS
<p>No. of branches: approximately 4,000 (Italy)</p> <p>No. of ATMs: over 7,155 in Italy</p> <p>Investments in technology*: 869 m (663 m in 2015)</p> <p>A unit dedicated to innovation and an extensive network of specialists</p>	<p>Multichannel customers up by approximately 1.6 m since the start of 2014 to 6.4 m**</p> <p>The first multichannel bank in Italy, with approximately 80% of its products available through multichannel platforms</p> <p>Approximately 4.1 m downloads of the Intesa Sanpaolo app (+40% compared to 2015)</p> <p>A fully operative Digital Factory, with the start of the digitalisation of 12 key processes (7 already completed)</p>	<p>The best customer experience for clients, meeting new needs and consolidating relations</p> <p>The new Intesa Sanpaolo digital experience launched, with new Internet banking, a new website and new applications</p> <p>Help for business innovations in Italy, particularly for SMEs</p> <p>Opportunities to develop innovative start-ups and SMEs, bringing together the ecosystem and involving sector associations</p> <p>Support for new businesses and for creating new jobs and developing the economy</p> <p>Loans for business innovation (Nova+): 245 m since 2014</p> <p>Growth opportunities created for customers, leading to business agreements, partnerships, technological transfer and industrial acquisitions</p>
	<p>Innovative products and services and the chance to increase customer contacts and lever their purchase choices (cross and up-selling)</p> <p>Advice on innovation and support for business customers in managing strategic choices, leveraging their competitive edge in the medium and long term</p>	

\* Capital and operating expenditure.

\*\* In Italy, natural persons and legal entities (not including Fideuram).

## INNOVATION FOR GROWTH

The Business Plan will transform the Bank's operating model through a major investment plan targeting innovation in particular.

To help identify, analyse and develop innovation activities, the Chief Innovation Officer Governance Area was established, reporting directly to the CEO and working together with other Group entities. This Governance Area coordinates the Innovation Portfolio (investments equal to 159 million euro in 2016), i.e. all initiatives the Group will support concerning main emerging trends, identifying the activity plan, time frame, investments and expected returns for each one. The aim is to support and fast track the Group's capacity for business innovation, by researching, analysing, developing and promoting solutions on the national and international market that may create new business opportunities and develop local areas and economies. An "Innovation Observatory" has been set up within the Governance Area, to research and analyse main trends and ideas and possible areas of application for innovative solutions. During 2016, the Observatory issued reports on: Industry Trend Insights, Customer Trend Insights and Tech Trend Insights. These provide information on innovation relative to market trends, the best players, development drivers and emerging technologies geared to industry specifications.

Innovation services for businesses include identifying high-impact innovative services; advisory services for sectors and technologies of excellence; support for projects to develop local areas and economies; support for start-ups with a considerable growth potential,

also at international level. Digital platforms have been developed for these services, to bring together "creators of innovation" with potential users.

The Governance Area helps promote a culture of innovation, also through a network of specialist staff operating at Regional Departments and International Banks (Alexbank, Intesa Sanpaolo Bank in Slovenia, Privredna Banka Zagreb and VÚB Banka). These innovation specialists are a reference point for their area, for promoting initiatives, trialling new products and services and facilitating the supply of and demand for business innovation.

To consolidate valuable "connections" with the entire innovation ecosystem, partnerships have been forged with selected partners at a national and international level (e.g. local entities, companies, incubators, research centres and universities), that will help consolidate Intesa Sanpaolo's position in different geographic areas.

In 2016, Intesa Sanpaolo won prestigious awards, including the Italian Association for Financial Innovation's "Cerchio d'Oro dell'Innovazione Finanziaria" financial innovation award, for its projects on Customer Experience and New Branch Layout, Flexible Work and the Digital Factory; the Italian Banking Association's award for innovation in banking services, for its Tech Marketplace and Digital Factory projects; the National Award for Innovation for its Digital Factory project, and the EFMA "Global Distribution & Marketing Innovation Awards 2016" for the SElok Evolution and IN OFFERTA projects.

## AREAS OF ACTIVITY

### SMART BIZ



PLATFORMS FOR BUSINESSES



FAST TRACK FOR START-UPS AND SMEs



INNOVATIVE FINANCE

### SMART BANK



MULTICHANNEL APPROACH



DIGITAL PAYMENTS



BIG DATA



DIGITAL FACTORY

### SMART PEOPLE



SOCIAL PLATFORMS



NEW RECRUITMENT MODELS



CIRCULAR ECONOMY

**SMART BIZ** - initiatives for the growth of local businesses.

**SMART BANK** - initiatives for the growth of Intesa Sanpaolo Group: research into innovative solutions for the development of products, services and processes in the banking sector.

**SMART PEOPLE** - initiatives to improve people's quality of life.

## SMART BIZ

### PLATFORMS FOR BUSINESSES

Intesa Sanpaolo has exploited all the potential of the web to enable Italian companies to build their business and seize new opportunities for development. As early on as 2015, it started partnerships with a large number of entities and digital business matching platforms were made available.

Platform	2016 Results
<p><b>Tech-Marketplace [i]</b></p> <p>A platform developed by Intesa Sanpaolo encouraging interaction between start-ups, tech SMEs and businesses, to match technological innovation demand and supply, in order to promote partnerships, business agreements and acquisitions.</p> <p>On the business side, the platform supports research into technologies and new solutions for business challenges. For start-ups and SMEs delivering technology, it helps search for potential partners in a selected network.</p>	<p>At the end of 2016, the platform had some 5,000 businesses on the demand side, and over 1,200 profiles on the technological supply side comprising start-ups and tech SMEs grouped into about ten different sectors, including energy, software, telecommunications, transport, the food and agricultural industry and fashion.</p> <p>The platform is co-promoted as part of the agreement “Planning the future. Acceleration, digital transformation, competitiveness” with Confindustria Piccola Industria, the small businesses umbrella of Italy's main association representing manufacturing and service companies in Italy*.</p>
<p><b>Mercato Metropolitan [i]</b></p> <p>This is Intesa Sanpaolo's e-commerce portal, with an online platform promoting the excellence of Italian businesses in the food and agricultural industry. The portal enables Bank clients to showcase their activities on national and international digital markets. Each company has the opportunity to publish multimedia content about its operations.</p> <p>For example, the portal includes the agreement signed with “Movimento Turismo del Vino”, the Italian organisation which promotes a wine culture and tourism in main wine-growing areas in Italy, providing expertise for investments targeting the growth and redevelopment of wine estates.</p>	<p>At the end of 2016, an online catalogue was launched with around 3,000 top-quality wines and food products and some travel experiences in Italy. The portal has around 27,000 users and transactions for approximately 200,000 euro were recorded in 2016.</p> <p>A non-profit solidarity campaign has been running since September, to help the Bank's business customers in the food and wine industry that were affected by the earthquake that affected central Italy in August 2016.</p>
<p><b>Opportunity Network [i]</b></p> <p>Intesa Sanpaolo is the only partner bank of the network in Italy. The network helps companies from any sector and country to share business opportunities in confidence, with company partners selected at an international level. The aim is to promote opportunities for development abroad, attracting investments and identifying new business partners.</p>	<p>The network registers a turnover of around 100 million dollars a day, with companies in 128 countries.</p> <p>At the end of 2016, more than 3,000 Intesa Sanpaolo business customers were registered (out of a total of 13,000 member companies), with over 5,300 connections registered since the start of the partnership and numerous success stories.</p>

\* See also “Financial capital”, and “Specific support for business growth”, page 62.

In 2016, further action was taken to promote Italian products abroad, particularly in the tourist industry.



## FAST TRACK FOR START-UPS AND SMES



The aim of the Start-Up Initiative [i], which has been a recognised ecosystem player since 2009, is to fast track technological change for international start-ups, bringing together investors and client companies. The development and selection process gives the best start-ups the chance to attend specific events called Arena Meetings, which bring together national and international investors. In 2016, 9 national events took place (social ventures; biotechnologies; healthcare technologies; food and agricultural industry; energy and the environment; fashion and design; digital B2B; smart cities and Industry 4.0) and an international Investor Arena Meeting at the Intesa Sanpaolo Hub in London (Internet of Things & Digital, during the opening of the Innovation Centre London).

In 2016 a total of 105 start-ups were formed, with 70 of these presented to over 1,200 guests, investors (Seed/VC funds and Angel Investors), client companies and players in the innovation ecosystem.

Intesa Sanpaolo also organised a “Techshare” meeting during 2016 with Turin Polytechnic, to promote and fast track innovation supply and demand.

At this meeting, attended by over 100 bank business customers (SMEs), 26 patents were presented and over 300 one-to-one meetings between inventors and companies took place. Many of the SMEs taking part obtained a licence to test patents and develop applications.

In addition, Banco di Napoli, in association with Intesa Sanpaolo Formazione, promoted and organised meetings on Patent Box, the optional system for a lower rate of corporate tax for income deriving from the use of patented inventions.



Intesa Sanpaolo, which aims to work with all public and private operators to consolidate overall capacity for growth in Italy, has shared its expertise to help develop job opportunities, above all through investments in training.

In 2016, the Intesa Sanpaolo Group business school continued to provide business expertise for customers working on start-ups or ready to launch on the market. “Officine Formative” [i] delivers educational programmes via the fast track online platform and tutoring for more mature start-ups. During 2016, 5 new e-learning courses were registered and went online, to complete the distance training programme which now offers 12 courses on the OFF platform. A fast-track programme was also launched for 16 start-ups of the Regional Department that monitors southern Italy. In association with the Foundation for Research and Entrepreneurship, a regional programme for start-ups and a national programme for SMEs were set up, focussing on Industry 4.0, with 30 companies involved.

## INNOVATIVE FINANCE: ASSESSING THE CREDIT RATING OF START-UPS AND SMES

To support credit and credit rating operators during the assessment of loan applications for innovative start-ups and SMEs, Intesa Sanpaolo recently introduced DATS, a new tool based on a proprietary algorithm, in its lending rules, for loans guaranteed by the Central Guarantee Fund (Law 662/96). The tech appraisal makes it possible to introduce a suitable model for an initial quality rating of these businesses. This “forward-looking” assessment model for loans is based on the approach taken by Venture capital investors. An innovative tool for new entrepreneurship, DATS is part of the new three-year agreement between Intesa Sanpaolo and Confindustria.

## SMART BANK

### MULTICHANNEL BANKING

In a market that is evolving rapidly and to a considerable extent, technology is changing the way we do banking, where the emphasis is on an ever greater flexibility and adaptability. Today the customer's experience depends on every moment that they interact with the bank and every contact point they use. Banks are no longer places where customers go, but are services that are accessible anytime, anywhere.

With an integrated, multichannel approach, customers can use their bank the way they want: at their branch, over the phone with online operators, or through digital

channels. At the end of 2016, some 6.4 million customers were using digital channels, up by 1.6 million compared to the start of 2014. The integrated, multichannel approach impacted the loans process, with over 15% of loans granted same-day, thanks to revised disbursement logics for real-time processing and the greatest possible use of customer data; this meant loans went up by 20% compared to 2015, and the number of non-performing loans went down by 15%. Overall, 60,000 applications from branches and the Online Branch were signed and approved in 2016 for remote services (debit cards, prepaid cards, credit cards except for Platinum cards, and some investment services).



## BRANCHES

Branches are still the physical venues of Intesa Sanpaolo's distribution network, where customers can receive assistance in person, especially for more complex transactions. Considering the diversity of services offered on the various channels, branches in Italy are increasingly geared towards offering a focussed, personalised service with a high added value.

There are some 4,000 branches throughout Italy and 1,200 branches in central and eastern Europe and in the Middle East and North Africa.

Intesa Sanpaolo has a considerable presence in Italy, with market shares of at least 12% in most regions.

Since 2014, with the introduction of the new service model for the Banca dei Territori Division, branches have had different opening times and offered different customer services, to provide an optimal service and direct users to the quickest channel which best caters for their requirements. Branch layouts have also been transformed, becoming open places for customer engagement, meetings, communication and work. The new layout won the "Cerchio d'Oro dell'Innovazione Finanziaria" financial innovation award from AIFIn (1<sup>st</sup> in the category "Distribution channels and customer experience"). For more details, see "Social and relational capital – Offering valued service to customers", page 88). Alongside its conventional branches, Intesa Sanpaolo has an Online Branch that is managed via 8 operating sites located throughout Italy (in Turin, Milan, Bologna, Padua, Naples, Lecce, Cagliari and Trapani) with nearly 700 employees (coordinating and bank staff), and another two operating sites for outsourcing, employing a total of 1,000 people. The Online Branch has become a sales management venue offering products and services: it works through direct channels (telephone, chat, video calls, email and social networks), and offers customers advice, making business proposals for bank cards, loans and investments.

## ATMS AND SELF-SERVICE STAFF-ASSISTED BANKING

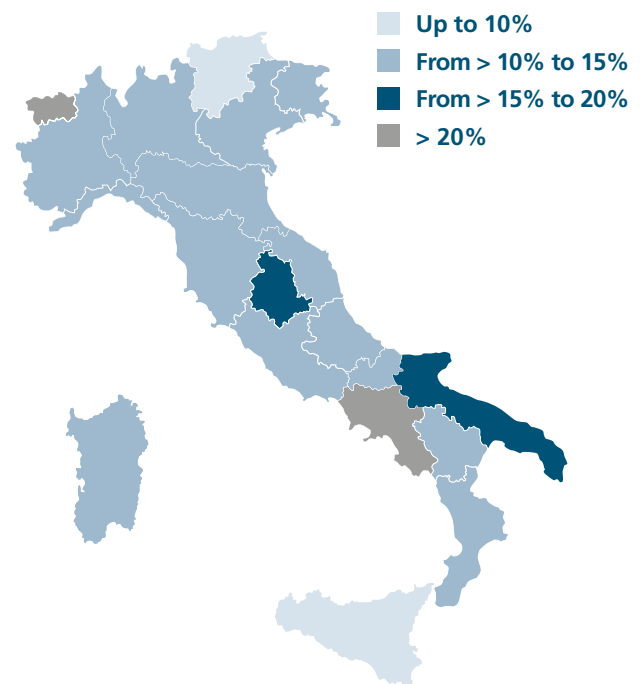
At the end of 2016, Intesa Sanpaolo had a network of more than 7,155 self-service machines in Italy, including ATMs, Cash and Deposit Machines (CDMs) and Express-Banking Kiosks<sup>1</sup>. Customers can access a wide range of services ranging from cash withdrawals using all types of cards to account and card queries, mobile phone top-ups, payments of utility bills and taxes, SEPA transfers and payments for the main local public transport travel passes.

In 2015, customers could already activate debit, credit and prepaid cards directly from ATMs, as well as through Internet banking.

<sup>1</sup> ATM: Automatic Teller Machine; CDM: Cash & Deposit Machine – an advanced version of an ATM that allows users to deposit cheques and cash and to make low-fee payments; Express-Banking Kiosks: machines that allow customers to make deposits, withdrawals and payments, where necessary with assistance from staff.

New services launched in 2016 from the new app include cardless and SOS withdrawals. Cardless withdrawals let customers make a withdrawal from the app, go to the ATM without their card, and carry out the transaction by QR code. SOS cash withdrawals let customers share a booking code generated by the app, via text message or WhatsApp, so that other people they know can make small cash withdrawals in emergency situations.

## Market share per region of branches in Italy



Updated in December 2016.

## INTERNET BANKING

The new Internet banking platform and the new site launched in July 2016 feature restyled processes for main banking products (payment cards, personal loans, investments and mortgages).

The most important functions include the digitalisation of the financial advisory service, to support customers in real time via the Online Branch, with screen sharing and interaction with the operator, to deal with all customers' needs.

The new digital experience, culminating in the launch of the new Intesa Sanpaolo Online Bank, is part of a lengthy process towards a multichannel system, that will complete the approach of a "made-to-measure" bank for customers, with physical and digital channels combined, to access when and as they want.

## MOBILE BANKING

At December 2016, approximately 4 million<sup>1</sup> downloads of the Intesa Sanpaolo app had been recorded, up by 40% compared to the previous year. Today, the mobile app is used by some 1.6 million active customers, with an annual increase of 350 thousand customers.

The new "Intesa Sanpaolo Business" app and an app with bearer-card functions were developed and released during the year.

"Intesa Sanpaolo Mobile", which is a spin-off from the "la tua banca" (your bank) app, has a new design and features for private customers, making it simple, quick and customisable. Besides day-to-day transactions (mobile phone top-ups, transfers, account transaction and balance queries), the app offers the new "SOS withdrawal" service, which lets friends or relatives withdraw money from any Group ATM using their smartphone.

On the security front, users of mobile phones with an Android operating system and biometric sensor can access their secure area of the mobile app with fingerprint recognition. This feature, already available since 2015 for iOS systems, makes it easier and quicker for customers to use the app, because they don't need to have their user code and pin with them all the time, and there is no risk of them losing their credentials.

## A MULTICHANNEL SERVICE FOR BUSINESSES

INBIZ is the service for businesses to manage their finances, accounting and administration over the Internet. From a single online platform, customers can access all Bank services, interfacing with the Intesa Sanpaolo Group's national and international network and in Italy can use Interbank Corporate Banking services.

During 2016, new services for remote invoice management were added to INBIZ, the remote banking channel for businesses. A year and a half after its launch, the "Anticipo Fatture Italia WEB" (online advance on invoices Italy) app has been used for 138,000 requests for payments totalling approximately 2.9 billion euro, and in the first five months since its launch, the "Anticipo Fatture Estero WEB" (online advance on international invoices) app has had 5,300 requests for payments totalling approximately 263.3 million euro.

Customers that use INBIZ can access features which can be used on the move, from the M-site portal. The service, which is entirely free of charge, enables customers to manage authorisation and shipment flows, view account movements and outcomes of orders, and provides an overview of liquidity. The service also locates the customer's nearest branch or ATM.

## INSTANT PAYMENT

Intesa Sanpaolo has launched two payment services, in particular for instant payments.

- GPI Swift Instant Payment enables customers to make international payments in euro and foreign currency, with amounts credited on the same day (depending on the time zone), plus added-value services such as payment status notification and confirmation of amounts being credited to the receiver account;
- Instant Payment EBA gives customers a pan-European solution for instantaneous payments in euro, with sums credited within a few seconds of orders being placed.

In 2016, the definition of infrastructural rules for the system's operation was completed, and technical/organisational alignment was started.

<sup>1</sup> Starting from the publication date of the individual apps in stores.

## A MULTICHANNEL SERVICE FOR INTERNATIONAL SUBSIDIARY BANKS

**Digical**

The DigiCal (“digital channels + physical branches”) programme was developed to consolidate interaction between physical

branches and digital channels, to offer retail and small business customers of international banks a new way of accessing products and services and interacting with their bank. The programme offers a single, uniform service for the customers of the International Subsidiary Banks.

Digical introduces new distribution channels based on new technologies (Internet banking and Mobile Banking apps), drives new digital approaches in traditional areas (such as the Digital Desk used by affluent operators and Digital Banners to promote banking products and services in branch waiting areas), and increases the number of products and services for old and new digital customers. In 2016, the activation of the services continued in various Group International Subsidiary Banks.

There was particular focus on the accessibility of digital channels, with the application of the “AA level” of the Web Content Accessibility Guidelines (WCAG 2.0), making content accessible to a higher number of people with disabilities.

### THE DIGITAL FACTORY: PROCESS INNOVATION

The “Digital Factory” initiative, which began in 2015, is entirely redesigning the Bank’s main operating processes, starting from customer requirements. Innovation and digitalisation will take over, with a switch from Bank-defined processes to customer-led processes. This transformation, planned in the last few years, involves digitalising processes and focussing on keeping costs down and continually improving efficiency.

The initiative targets 35 of the Bank’s priority processes, which currently involve 80% of colleagues, and which were selected based on two fundamental areas: business potential and digitalisation potential. The importance of customers in terms of their needs and expectations, on the one hand, and the complexity of the process and its actual potential for automation, on the other hand, have therefore both been considered.

Each process is redesigned based on four fundamental objectives: offering the best customer experience, radically transforming the process with a view to streamlining and digitalising it, rapidly developing the necessary technology, and introducing a new way of working. Synergy with other Group projects has been

considerable, in particular with the “Digitalisation” project, that will reduce the environmental impact of hard copy documents at the Bank. Customers have been involved during all stages of the project through: engagement and feedback meetings; understanding needs and requirements through focus groups, interviews and targeted surveys; defining KPIs to monitor results in terms of customer satisfaction; testing developed solutions, with customer prototypes trialled in workshops. Process redesign involves multidisciplinary teams, comprising staff from all company functions affected by the specific process, who share work areas and times, for a specific period of time. This has made it possible to make the most of the Group’s professional skills set, promoting new ideas and reducing design and development times. Twelve processes were managed in 2016, with four released to the Network and which are now fully operative.

Some internal surveys were conducted in 2016 interviewing personnel involved in process redesign. Respondents were extremely satisfied with the level of engagement of the Digital Factory in the process, which considers in full the needs of end users, including Bank customers, participants of focus groups and surveys held prior to each process redesign stage.

In September 2016, as part of the National Innovation Day, the President of the Republic Sergio Mattarella awarded the “Digital Factory” project the National Award for Innovation.

### DIGITALISATION OF CONTRACTS

The contract digitalisation project continued, introducing a new way to sign documents for the sale of banking, finance and insurance products and services, with no need to print documents and contracts to send to customers or to file them. In June 2016, the target of eliminating hard copy signatures at all Retail and Personal branches was reached, with customers only signing on tablets (activated in branch by joining the service) or digitally (which they can also do independently through home banking), for contracts that have already been digitalised. Customers can view signed documents when they want, from Internet Banking or their email.

With this new process to sign documents for the sale of banking, finance and insurance products and services, digital signatures guarantee greater security, streamlined document filing and management, and benefits for the environment (see the section on “Natural capital”, page 119).

## “BIG DATA” TO SUPPORT DECISION-MAKING PROCESSES

The Big (Financial) Data Project was developed to respond to the challenging context of an increasingly extensive and intensive use of data – for example with the introduction of the Single Supervisory Mechanism\* – the Group is aiming to structurally improve the management of all Bank data. The project has two strategic macro objectives:

- consolidate the control of risks, comply with new regulatory requirements and guarantee a response to requests from the supervisory authorities which are quicker and more accurate, thanks to more robust, automated quality controls; the possibility to obtain all Bank data from a single source; clear, formal “ownership” of all Bank data; quicker and more effective reconciliation of Group data;
- generate economic value, leveraging innovative applications also with an “Advanced Analytics” approach, to improve business effectiveness; increase operating efficiency; optimise risk management; enable the Bank's evolution towards digital banking, with the development of an efficient, functional data platform.

The solution has considerable technological content: the data architecture of the entire Group is being reviewed, eliminating redundancies and guaranteeing consistent data on an information layer that will contain all main Group data when fully operative. The Project has also designed and implemented an overall Data Governance framework.

As part of the project, a training initiative – the Big Data Academy was set up, to develop skills and train future specialists (see the sections “Human capital”, “Training”, page 102).

\* Single Supervisory Mechanism: the new single supervisory mechanism overseen by the European Central Bank. In force since November 2014.

## SMART PEOPLE

### THE SHARING ECONOMY FOR INTESA SANPAOLO PEOPLE

In partnership with the Intesa Sanpaolo's Workers Association (ALI), a trial was run for colleagues and members, with a dedicated group on the “TimeRepublik, sharing economy platform” that can connect a community of people willing to share their time, passions and personal skills. After a pilot stage with around 300 colleagues, the community is now online on ALI and extended to all members.

The TimeRepublik project is a trial of the sharing economy within the Group and can help increase and improve the number and quality of personal relations.

### NEW RECRUITMENT MODELS

Innovation at Intesa Sanpaolo also encompasses new recruitment procedures for younger employees.

“Make It Real” is the brand that has enabled Intesa Sanpaolo to use professional social media platforms that have launched new formats such as “recruiting games”, whereby the Bank approached over 200 millennials<sup>1</sup>, offering them the chance to get involved in business games on leading-edge issues (Big Data – Blockchain; User Experience – Cognitive Computing etc.), assisted by internal tutors in two consecutive days that ended with the best talent being recruited.

Three editions of “Make It Real” were held in association with Turin Polytechnic and Turin University at Intesa Sanpaolo's Turin headquarters. Students, graduates

and final-year university students went head to head in a team competition where they put their knowledge and individual and team skills to the test.

Technical umpires, assessors, tutors and managers of Intesa Sanpaolo accompanied the teams during the two days of challenges, followed by the final classification and announcement of the winners who were offered a permanent employment contract and work placements.

### THE CIRCULAR ECONOMY: A NEW MODEL OF DEVELOPMENT

The Circular Economy is a new economic and development model with an entirely new take on design, production and the distribution of products and services, which separates business development from the use of natural resources that run out, particularly considering demographic growth (+2.5 billion by the year 2030) and the relative increase in demand for resources (see the section “Natural capital”, page 119). As part of the transition to the circular economy model, banks have a fundamental role in supporting the economic fabric, entrepreneurs, emerging innovators and public organisations, also through the co-design of business models and innovative relations.

To promote innovation in this context, over 30 public events were held for colleagues from different units (nearly 300 were involved in 2016) and for a wide-ranging, diverse public audience.

<sup>1</sup> Millennials: young people who came of age in the new millennium and who are the first generation in history that have full knowledge of digital technologies as adults.

## NEW AREAS OF INNOVATION

The Chief Innovation Officer Governance Area of Intesa Sanpaolo has selected further areas of activity, which are currently being developed:

- **Insurance and Health:** the possibility to offer complementary and high added-value insurance, medical and personal products and services, that can also be used through digital channels and integrate leading wearable devices.
- **Industry 4.0:** the process that will make industrial production fully automated and interconnected, thanks to new digital technologies, improving production site productivity and production quality. The Intesa Sanpaolo Group supports companies and ongoing change, promoting the competitiveness of businesses, developing services to support the transformation of the manufacturing system and adopting innovative, sustainable models.
- **Blockchain:** this technology can record and store all types of digital transactions in a distributed way, without the need for an intermediary to ensure their validity. Blockchain is an innovation with considerable potential in terms of transparency, reliability and security; its application to financial services in compliance with applicable regulatory and functional requirements is currently being assessed. In this context, several round tables with consortiums and banks have been held (BankIt, DLG R3, PTDL - Post-Trade Distributed Ledger Group). To assess the application of the technology to the conventional financial community, trials are being held by the consortium Digital Ledger Group, with Intesa Sanpaolo taking part with other leading international banks.
- **Artificial and robotic intelligence:** the rapid evolution of these technologies and possible new applications for the banking industry are being assessed.
- **Corporate Venture Capital:** this concerns investments at an international level in innovative companies, with the acquisition of share capital and indirectly with the acquisition of units in venture capital funds. In April 2016, Neva Finventures S.p.A., the Corporate Venture Capital vehicle of the Group was established, with initial funds of 30 million euro, for direct (start ups) and indirect (venture capital funds) Fintech investments with a focus on Europe, the USA and Israel.

# Natural capital



Natural capital includes environmental resources and ecosystems services, on which the company, its wellbeing, the development of society and all economic activities are based, and on which the protection and sustainability of future generations depend.

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A green culture and initiatives	page 124
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RESOURCES	ACTIONS AND RESULTS	IMPACT ON STAKEHOLDERS
Electricity consumption: 445,754 MWh Paper consumption: 7,493 t Production of renewable energy: 1,067 MWh	A 735,000 euro reduction in energy costs for the production of electricity and heat	Potential CO <sub>2</sub> emissions reduced by 15,000 tonnes thanks to lower energy consumption
	A 2,965,000 euro reduction in paper costs thanks to digitalisation	Potential CO <sub>2</sub> emissions reduced by 360 tonnes thanks to lower paper consumption
	A decrease of over 181,000 euro in energy costs thanks to the production of renewable energy	Potential CO <sub>2</sub> emissions reduced by 342 tonnes thanks to the production of renewable energy



Table summarising Group environmental data

	Unit of measurement	2016	2015	2014
Environmental loans	m	1,730	1,495	643
Electricity	MWh	445,754	467,845	469,131
Heat energy	MWh	195,756	219,714	229,731
Paper	t	7,493	7,992	8,093
Waste	t	3,456	3,534	3,245
Water	m <sup>3</sup>	2,359,444	2,381,310	2,140,026

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

Intesa Sanpaolo is aware that climate change is a challenge the Group must take up. Environmental responsibility – namely the commitment to offset climate change – is set out in the Code of Ethics and Rules on Environmental and Energy Policies, which identify the Group's responsibilities; these include the careful evaluation of the consequences of its activities on ecosystems and reducing its ecological footprint. In this framework, Intesa Sanpaolo considers the management of environmental risk and the mitigation of relative impact an integral part of its business strategy. Analysing and understanding risks and opportunities, environmental impact and relative interdependence are fundamentally important for defining concrete environmental action plans.

In particular, the Group systematically monitors risks and opportunities related to climate change, also considering developments in the international context. After the historical Paris Agreement in 2015, when all countries joined forces for the first time ever to tackle global warming, a UN Climate Change Conference was held in Marrakesh in 2016, to define the relative implementation plan. The agreement also has implications for Intesa Sanpaolo and its customers and business partners. The climate change conference outlined a vision for the next decades: to accelerate the process of transition towards a low-emission economy and focus on the growing role of renewable energies and green technologies, with an increasingly marginal

role of fossil fuels. Intesa Sanpaolo is a financial player in this scenario, funding its own contribution towards this transition.

Besides reducing greenhouse gas emissions (mitigation), the Bank's strategy includes actions to adapt to climate change underway or that has already taken place. In recent years, extreme atmospheric events have taken place at a global level, that have had considerable impact on the Bank's structures and on the activities and daily lives of our corporate and retail customers.

One such example is the flooding of the Po river and Sangone river in 2016 in Italy, with the flooding of offices at Moncalieri. Prevention measures made it possible to avoid damage to the Data Centre and guarantee customers service continuity throughout the emergency. Intesa Sanpaolo also supports families and economic operators damaged by adverse weather and climate emergencies, granting specific loans with special terms (for more than 2.9 million euro) and suspending repayments on existing loans.

For the loan disbursement process, environmental risk monitoring is ensured by an evaluation based on Equator principles and review (ongoing) of the internal credit rating process (see the section Financial capital page 50).

In 2016, a questionnaire on suppliers' social and environmental responsibility was included in the "New Suppliers' Portal" (see the section "Social and relational capital", page 77).

The following table shows the main risks, impact and actions on climate change (for complete mapping, see the Intesa Sanpaolo “Carbon Disclosure Project” questionnaire [i]).

Potential risks	Potential impact	Actions
Changes in environmental laws	Possible sanctions in the event of non-compliance with new regulations	Ongoing, preventive monitoring of possible changes to national and European laws
Uncertainty surrounding environmental regulations	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 ongoing changes
Changes in environmental regulations and standards which the Group complies with on a voluntary basis (ISO)	Costs for aligning certification process procedures if standards and regulations change	Ongoing, preventive monitoring of possible changes to standards and participation in training courses and specific workshops
Regulations and incentives on renewable energy	Negative impact on the loans of customers that want to invest in renewable energies, due to uncertainty in Italy and a considerable reduction in public incentives	Advisory services for customers on new regulations and incentives for energy efficiency sectors
Extreme atmospheric events	Possible damage to Bank infrastructure, an increase in costs related to the change in average temperature and possible interruptions to banking activities. Financial implications related to the default risk of businesses seriously damaged by extreme atmospheric events	Adoption of a business continuity plan and actions to prevent damage to Bank structures Suspension of the repayments of loans and allocation of specific funding at special conditions for customers sustaining damages
Reputational risk: involvement with corporate customers or projects that are perceived negatively by the general public, by specialist NGOs, investors, the media and other stakeholders, due to their impact on climate change	Reputational damage or crises	Implementation of Equator Principles in the finance project, with particular reference to environmental risk assessment Engagement with investors, analysts and NGOs Participation in working groups and initiatives related to the climate (UNEP FI, Italian Ministry of the Environment, the Global Compact Environment Work Group)

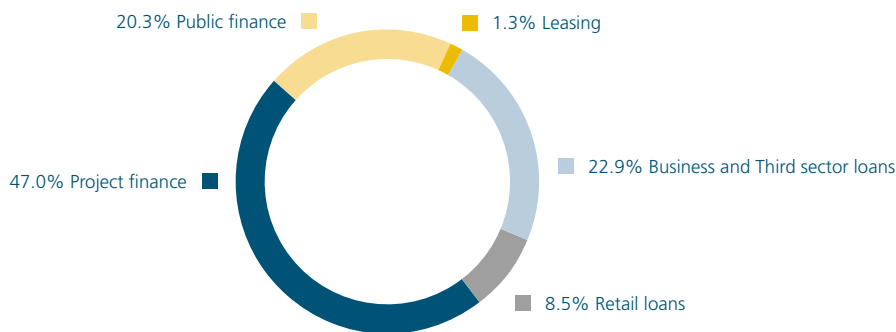
## LOANS AND SERVICES FOR THE GREEN ECONOMY

The Intesa Sanpaolo group offers a wide range of environmentally-friendly products and services with a 100% focus on quality and innovation that also improve sustainability. In 2016, activities continued to support and finance renewable energies, energy saving and environmental protection, with measures for all public and private customer segments: retail

customers, SMEs, large companies, the public administration, start-ups, third sector and major projects in Italy and abroad.

In 2016, 3.1% of all group loans concerned investments in the green sector for a total of 1.7 billion euro, up by approximately 15% compared to 2015.

### Environmental loans [%]



### RETAIL CUSTOMERS

In 2016, the Bank continued to disburse retail customer loans for environmental purposes. These loans were for, among others, the replacement of door and window fixtures and high-performance boilers, the energy-efficiency renovation of property, the purchase of ecological equipment and installation of solar and photovoltaic panels. With its loan for “prefabricated timber-frame houses”, the bank also responded to the needs of customers who are more aware of environmental issues, allocating resources to the purchase of these types of houses that meet certain safety and construction standards.

“Viaggia con me” (Travel with me) is an important product range for customers to reduce insurance costs as well as environmental impact. In 2016, the range was extended to include a distance formula, offering customers considerable discounts on travelled distances of up to 3,500 Km; this allows customers to save and encourages them to be more careful about vehicle use.

### CORPORATE CUSTOMERS

Short and medium/long term business loans supporting projects for photovoltaic panels, biomass plants, hydropower plants and energy efficiency measures continued in 2016.

7,800 “Business - Trade protection” and “Business - Agriculture Protection” policies were stipulated in 2016, which provide optional coverage for potential damage caused by wind or rain. At an international level, Banca Intesa Beograd offered its “Agroprotect” product to

fund business development projects for different types of crops, which includes an insurance policy covering crop damage caused by hail, fire and rain.

In 2016, 23 start-ups in the cleantech sector, of which 11 with investor meetings, took place as part of the “Start-up Initiative” project (see the section “Intellectual and infrastructure capital”, page 110). Moreover, the first “Circular Economy Start up Initiative” event was held in London, involving 60 investors and 8 international start-ups. The “Tech Marketplace” platform also has a considerable number of green companies among its users, with over 1,400 companies in the “Environmental Technology”, “Energy” and “Smart Cities” sectors.

In Italy, Mediocredito Italiano made an important contribution with its “tailor-made” financial solutions for businesses and the public administration investing in renewable energy plants or in energy efficiency processes developed by energy intensive or energy service companies. These loans, overseen by the Energy Desk, are preceded by project appraisals that provide advice for customers and also support the Bank's credit rating process.

The Leasenergy product continued its downturn (10 new contracts worth 22.4 million), in line with trends in the energy lease sector in Italy. Approximately 1,600 lease agreements are in place, contributing to the construction of power plants for the production of over 2 Gigawatts of energy from renewable sources. New lease agreements in 2016 will result in an estimated annual emission saving of approximately 13,300 tonnes of CO<sub>2</sub>.

Through its “Circular Economy” project, the Intesa Sanpaolo Group is seizing strategic opportunities to become an innovative and exclusive financial leader for the circular economy, redefining traditional financial tools to support transition to a new model for economic development, which is sustainable over time. As a Global Partner of the Ellen MacArthur Foundation, Intesa Sanpaolo promotes the best experience of leading international companies with Italian SMEs, creating synergies and shared value. During 2016, numerous initiatives took place and significant partnerships were forged. Firstly, a tool to evaluate the circular nature of businesses, with a specific questionnaire for production, service and distribution companies, was tested on an initial group of 13 companies. Opportunities were analysed with some 30 national and international companies active in the circular economy, to evaluate the characteristics of new business models and possibilities for partnership with the Intesa Sanpaolo Group in this sector.

### THIRD SECTOR

Banca Prossima continues to support Third sector companies that want to invest in energy efficient projects with solutions to save on energy costs and increase the overall sustainability of social activities. In 2016, approximately 1.2 million euro of funds was earmarked for projects through an operating agreement with Federesco (the National Federation of Energy Service Companies) and Banca Prossima won the “Green Globe Banking Award” in the “indirect impact” category. Initiatives resulted in savings of around 3,215 MWh in 2016, corresponding to reduced emissions of approximately 1,045 tonnes of CO<sub>2</sub>, of which 2,525 MWh alone for the project launched with Sermig of Turin.

Biodiversity is the central theme of the partnership agreement signed in December 2016 by Federparchi, Fondazione FITS! (Foundation for Third Sector Innovation of Banca Prossima) and Rinnovabili.it, for development of the “Parchi a Impatto Zero” (Zero Impact Parks) Project, supporting initiatives for land/area conservation, development and stewardship. The agreement facilitates environmental and social sustainability projects in all development and financial stages, and will be activated during 2017.

### DIRECT INVESTMENTS

Investees already involved in environmental issues and challenges include Equiter, in which Intesa Sanpaolo has a 38.3% share alongside Compagnia di San Paolo and Fondazione CRT. Besides committing its own risk capital to the environment, infrastructure and energy sectors in order to promote the social/economic development of local areas, Equiter provides advisory services for third-party funds.

In particular, with funding of approximately 190 million euro, Equiter is the first operator in Italy for the amount of assets managed in the JESSICA (Joint European Support for Sustainable Investment in City Areas) programme. JESSICA is an initiative of the European Commission developed in cooperation with the European Investment Bank (EIB) which enables Regions to use structural funds for sustainable urban development, including projects for energy efficiency and the production of energy from renewable sources, through financial engineering mechanisms such as Urban Development Funds. These funds invest by acquiring shareholdings or granting loans in profitable projects, that can generate sufficient cash flows to guarantee repayment and a return on invested capital. In Italy, the JESSICA programme has been implemented by the regions of Sicily, Campania and Sardinia, and during 2016 Equiter completed its investment in resources managed by the three regions, with funding for 41 projects, of which 29 for energy efficiency in Sardinia (for a value of 37 million euro) and 12 on urban development in Sicily (90 million euro) and Campania (63 million euro). Equiter is advisor, and also a direct investor with a 26.8% stake, of the first closed fund in Italy wholly dedicated to infrastructure in public/private partnerships. This fund (PPP Italia Fund), with 120 million euro, has invested in the development of 10 projects in the green sector for an annual production of approximately 130 GWh of electricity from renewable sources, which is equivalent to over 42,000 tonnes of avoided CO<sub>2</sub> emissions.

As regards direct investments, Equiter is the sole shareholder of Equiter Energia, an investment vehicle boasting a portfolio of photovoltaic and wind energy plants with a total capacity of 13 MWh and an annual production of around 28.5 GWh.

## A GREEN CULTURE AND INITIATIVES

Intesa Sanpaolo's environmental and energy policy objectives include promoting sustainability among partners and customers.

### TRAINING

The "Ambientiamo" platform encourages virtuous behaviour to adopt in the home and at work. In 2016, an interactive course was adopted for the correct management of waste and materials used daily by staff. The Bank also provides specific training for personnel working at operating units and central departments where the Environmental and Energy Management System is adopted. This training focuses on the requirements of applicable international standards, the System's objectives and procedures adopted to comply with requirements, and involved around 250 staff in 2016. Following the start of new maintenance and personal service agreements, specific awareness sessions on environmental issues were held, with representatives from 34 companies operating throughout Italy taking part. CIB Bank (Hungary) made a considerable contribution, implementing the new Energy Management System and training over 2,200 staff in energy efficiency and energy saving issues.

As regards funding, initiatives were dedicated to the culture of innovation in the circular economy. Various meetings were also organised between Italian and international staff on agribusiness issues, with a focus on safeguarding biodiversity.

### MEETINGS AND ROAD SHOWS

Engagement centering on the green economy continued in 2016, with meetings and road shows being held.

The "Tavolo Verde" interfunctional work team discussed new frontiers in sustainable logistics and sector opportunities, thanks to the partnership with SRM - Studi e Ricerche per il Mezzogiorno (the Research Centre for Southern Italy connected with the Intesa Sanpaolo Group) and SOSLog, a nationwide association that promotes sustainability in logistics targeting challenges and innovative solutions. Sustainable logistics were also the focus of the "Premio Rassegna Economica" (Economic Review Award) held by SRM and won by a young researcher from Urbino University, who submitted a study on RO-RO ferries that can reduce CO<sub>2</sub> emissions and the risk of accidents. SRM also oversees

an Observatory on the Maritime Economy, with the aim of providing updated figures and statistics on the most important economic and financial indicators of the maritime economy, in commercial terms and as regards alternative fuels and LNG and LPg transport (considered the sectors of the future).

On the issue of renewable energies and energy efficiency, Intesa Sanpaolo supported the Municipality of Turin, SITI-Politecnico di Torino and the Al Engineering Group during the road show in the United Arab Emirates, presenting the three-year "Renewable Energies for Palestine" project on the development of a study and pilot site at Hebron for the energy efficiency of residential buildings and storage of energy from renewable sources.

The Group made considerable contributions to panels on sustainable finance. The Bank took an active part in the panel promoted by the Ministry for the Environment, Land and Sea and by UNEP - Finance Initiative, in association with the Bank of Italy and the Ministry for the Economy and Finance, to produce the first "Italian Engagement on Sustainable Finance" report. The Group also made an important contribution to the technical panel "Sustainable finance and climate change" promoted by the Forum for Sustainable Finance together with the Italian Banking Association, ABI and Italy's National Association of Insurance Companies, ANIA. The aim of this technical panel was to increase the Italian financial community's awareness of the risks and opportunities related to climate change, facilitating integration with investment policies and with product innovation processes of banks, fund managers and insurance companies.

The Bank was also involved in numerous institutional panels on the circular economy with companies, public and private organisations, multilateral agencies and universities taking part. Initiatives included the conference on the "Circular Economy in the Fashion Industry" in association with IEF Bocconi and the conference "Innovation and Competitiveness: the Italian approach to the Circular Economy" in association with ENEA, ENEL, Costa Crociere and Barilla, as well as involvement in the first master's course in Italy on the bio/circular economy in association with Novamont and four leading Italian universities (Turin, Milan Bicocca, Bologna and Naples Federico II) in order to promote this new paradigm and the talent generation.

## “THINK GREEN” TRAINING COURSE

With the signing of the cooperation agreement between Intesa Sanpaolo and the Ministry for Agricultural, Food and Forestry Policies to support agriculture and the food and agriculture industries, the Intesa Sanpaolo Group's non-profit training centre, Intesa Sanpaolo Formazione, held the training course “Think Green” on guidance and benchmarking opportunities for all entrepreneurs in the food and agriculture industries that want to innovate and develop their businesses.

The course lasts for two or four days and aims to facilitate the digitalisation and internationalisation of Italian production chains, and further knowledge of investments in research, experiments, technological innovation and product promotion.

In 2016, around 140 farmers took part, discussing, among others, EU Agricultural Planning, biodiversity, the short supply chain and new tools for market sales.

## STUDIES

In 2016, the company continues its focus on environmental studies and research.

Some of the most important publications of the Intesa Sanpaolo Group are listed below:

- “Local Public Transport: state of the art and prospects”: this report provides an overview of a crucial sector for the economic and social development of every local area, with considerable impact in terms of environmental protection, reducing pollution, sustainability and in general the quality of life;
- “Waste management policies in the Circular Economy”: this publication takes a look at waste management and its dynamics, in view of policies and strategies encouraging transition to the circular economy;
- Innovation “Trend Report”: this report is based on the in-depth analysis of data and information obtained from hundreds of national and international sources. It looks at main mega trends, including “sustainability”, to understand what these trends are, the impact they have on consumers and how companies interpret them;
- “Fishing industry report”, which shows how the sector is increasingly trending towards models that protect sustainable fishing and international regulations to protect fish resources.

Intesa Sanpaolo has also been involved in the following, with other partners:

- “Observatory on the Metropolitan City of Milan”: on the theme of metropolitan cities, in association with Miword, Makno and Milan Polytechnic, presenting a study on prospects for development in the Milan area. Research has shown how predicted growth will give rise to the adoption of a sustainable development model, that can have a positive impact on the quality of life of the entire community, with solutions that can mitigate problems such as unemployment, economic, social and gender-related inequality and environmental degradation;
- “Renewables Energy”, “Intelligent Mobility” and “Sustainability Fashion Trend”: three studies on innovation in the renewable energies, vehicle and eco-fashion sectors, in association with Frost & Sullivan and FashionBI.

The Group was also involved in preparing numerous research reports of international partners. The most important include: the “Energy Efficiency Report”, published by the Energy & Strategy Group of the School of Management of Milan Polytechnic and the analytical study on “Italian Metropolitan Cities” promoted by the National Association of Italian Municipalities (ANCI) and developed by The European House-Ambrosetti.

## GREEN EVENTS

To raise customers' and staff's awareness of green issues, the Group is involved in various initiatives to further disseminate a culture of sustainability and good practices. Main international events, taking place in Italy and abroad, include the “World Environment Day” promoted by UNEP (United Nations Environment Programme), the “European Week for Waste Reduction” and “European Week for Sustainable Mobility” promoted by the European Commission. In Italy, the Group takes part in the Energy Saving Day, which is part of the “M'illumino di meno” initiative, while some international banks are involved in the “Earth Hour” promoted by WWF.



## ENVIRONMENTAL ASPECTS

### REDUCING ATMOSPHERIC EMISSIONS

Mitigating CO<sub>2</sub> emissions has always played an important part in the company's strategies. In this framework, Intesa Sanpaolo pursues the goal of reducing waste and gradually and continually improving waste management, as well as researching plant engineering solutions with a greater efficiency.

As regards electricity and heating use and in line with company commitments, the Group's CO<sub>2</sub> equivalent emissions in 2016 went down by 10.5%: this decrease is significant and was partly affected by a favourable climate during some winter months, particularly in Italy. Updates to transformation factors also had an impact, which helped reduce CO<sub>2</sub> equivalent emissions by 2.7%, resulting in an overall decrease of around 13% compared to 2015.

Greenhouse gas emissions are conventionally indicated as CO<sub>2</sub> equivalent, in order to consider the contribution of main gases directly responsible for the greenhouse effect, as defined in the Kyoto protocol and include methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and obviously carbon dioxide (CO<sub>2</sub>); all of these gases are appropriately referred to the CO<sub>2</sub> equivalent, using a specific (Global Warming Potential) value. Separate reporting is also provided for some gases that are most harmful to the ozone layer, including sulphur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>).

CO<sub>2</sub> equivalent emissions are reported, in line with the GHG (Greenhouse Gas Protocol) standard, as: direct emissions (Scope1), arising from the direct use of fuels (heating and the company fleet of vehicles); indirect emissions (Scope2) from energy transformation purchased used in the company (centralised air

conditioning and electricity); other types of indirect emissions generated externally (Scope3), as a result of activities related to the company but not directly controlled (personal mobility, paper, waste, etc.).

Scope1 and Scope2 CO<sub>2</sub> equivalent emissions generated in 2016 decreased by 8.4% and 10.9% respectively compared to 2015.

For purchased electricity, Scope2 data consider the contribution, as of contracts, of Certificates of the Guarantee of Origin from renewable sources (market based) and thus with zero emissions. The same Scope2 emissions, without certificates and calculating national (location based) transformation factors, would account for a reduction of 9.2%, equal to over 15,000 tonnes of CO<sub>2</sub> equivalent.

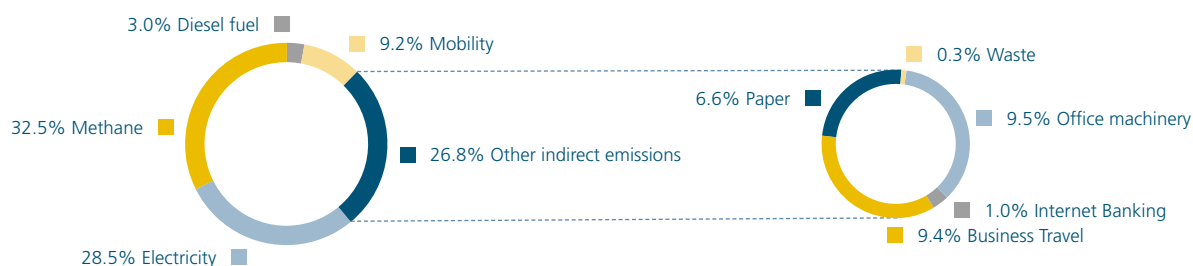
The Bank has been awarded UNI EN ISO 14064 certification for greenhouse gas emissions at over 200 sites (the same scope as its Environment and Energy Management System), quantifying and reporting on an annual basis its emissions from the production and use of thermal energy, use of electricity, conditioning systems, use of paper and fuels used by company vehicles; in 2016, negligible emissions of ozone damaging substances were recorded.

With a view to continual improvement, reporting was extended to other indirect emissions referable to Scope3 and evaluation methods were improved in 2016. In particular, the international sector was also analysed for indirect emissions from customers' use of internet banking, while the reliability and precision of evaluations was improved for other aspects. Results are affected by the disposal of office machinery and purchase of new equipment.

**Table summarising environmental emissions verified by an independent party**

Totals in tCO <sub>2</sub> e	2016	2015	2014
Scope1	40,226	43,930	45,277
Scope2 (market based)	35,857	40,225	46,207
Scope2 (location based)	150,426	165,726	185,963
Scope3 (annual figures not comparable due to the reporting scope being extended)	27,868	27,297	25,365
CO <sub>2</sub> e performance indicators (Scope1 and 2)	2016	2015	2014
tCO <sub>2</sub> e per million euro of net operating income	4.494	4.907	5.414
tCO <sub>2</sub> e per m <sup>2</sup>	0.021	0.023	0.025
tCO <sub>2</sub> e per full-time employees	0.825	0.923	0.997

## Breakdown as a percentage of CO<sub>2</sub>e emissions



## ENERGY

### Use of renewable sources

In 2016, 80% of the electricity used by the Intesa Sanpaolo Group, which is committed to gradually reducing its dependence on fossil fuels, came from renewable sources. In Italy, 97% of the electricity used has a guarantee of origin from renewable sources. On an international level, Intesa Sanpaolo Bank (Slovenia) confirmed it was buying all its electricity in 2016 from a renewable source of hydropower. Intesa Sanpaolo Bank Albania used only renewable electricity from the national grid. Intesa Sanpaolo Bank Romania, Privredna Banka Zagreb and VÚB Banka use renewable sources that account for at least 15% of all energy sources used.

As for the Group's own production of electricity from photovoltaics, the plant at the New Headquarters in

Turin helped to generate more than 1,000 MWh, a figure up by around 2% compared to 2015. Sixteen plants are currently operating, four, large-sized plants (> 100 kWp) and twelve small/medium-sized facilities.

In Italy, with state incentives for feed-in tariffs, and savings from phasing out energy purchases, the economic return on the photovoltaic plants at Moncalieri, Settimo Torinese and Sarreola di Rubano amounted to around 298,000 euro in the last 12 months.

The Group also has a cogeneration plant at the Parma accounting centre which provides thermal energy for the site and meets around 3% of the Group's electricity requirements in Italy, with savings of around 735,000 euro. In compliance with Legislative Decree No. 28/11, the energy produced in Italy by heat pump conditioning systems was considered as renewable. This meant that the contribution in terms of avoided CO<sub>2</sub> emissions was around 2,000 tonnes.

## ENVIRONMENTAL CERTIFICATION

2016 was an important year for certification in Italy and abroad.

The Environmental and Energy Management System is a voluntary scheme, enabling the Intesa Sanpaolo Group in Italy to adopt a method to monitor environmental aspects and energy use which are considered significant, such as waste management, the use of resources and operation of technological plants.

This has led to a number of internal procedures and operating practices that make it possible to manage the direct and indirect impact of banking activities, with a view to continual improvement. The System, certified to UNI EN ISO 14001 and UNI CEI EN ISO 50001, is adopted for over 200 operating sites that represent a best practice nationwide. The scope of certification has been gradually and continually extended and in 2016 included a Representative Office of all Group Banks as well as the New Headquarters in Turin, as the system coordination site: the headquarters feature the latest technological and engineering solutions and the building is one of the most eco-sustainable skyscrapers worldwide as reflected by LEED (Leadership in Energy and Environmental Design) Platinum international certification. During 2016, Intesa Sanpaolo started activities to align its own Environmental Management System with requirements of the new ISO 14001 standard, ahead of deadlines. Systems are audited by an independent body, DNV, which certifies the efficiency of procedures and operating practices adopted, conducting audits at head office and at a suitable number of operating sites.

In view of Hungary's legal requirements on Energy Diagnosis and the need to deal with ever increasing energy costs, CIB Bank (Hungary) also decided to certify its own sites and services to UNI CEI EN ISO 50001 in 2016. The challenging and extensive process resulted in internal regulations for data management being drawn up. Considerable effort went into training bank personnel and identifying analysis and indicator metrics. The results have been more than satisfactory and the certification body, SCS, only reported a few minor criticalities and some areas for improvement, relating above all to increasing awareness among staff and taking action based on energy efficiency logics.

### Energy efficiency

At a Group level, activities continued in 2016 to reduce electricity and thermal energy use, in line with the "2013-2016 Environmental Sustainability Action Plan". Energy consumption fell by 6.7% in 2016 compared to 2015, with an estimated economic return of over 800,000 euro. This important target was achieved through management optimisation and energy efficiency actions in Italy and abroad, including a greater distribution of web-based metering systems, the replacement of boilers with condensation systems, high-performance heat pumps and refrigerating units, the modernisation of electrical systems and introduction of LED lighting.

Electricity consumption, which accounts for around 70% of all Group consumption, went down by 4.7% overall compared to 2015.

2016 figures confirmed the long-term reduction trend: from 2010 to 2016, electricity consumption went down by 28%, reinforcing the Group's commitment to reducing its own environmental footprint and placing Intesa Sanpaolo among leaders in this sector.

Figures for heating use are based on bills and not on actual consumption for most offices and headquarters. Analysis shows an overall reduction in consumption of approximately 11%, due in part to mild temperatures. Actual heating is appropriately monitored at ISO 50001 certified branches, which have a Building Heating Check-up Procedure in place. This makes it possible to monitor actual meter readings and correctly manage the heating system based on the building's level of thermal insulation, which has generated overall savings of 21% over the last five years, equal to around 45,000 euro. Lastly, in line with the internal policy on sustainable branches, site renovation or the construction of new branches is based on energy efficiency and improved management criteria. Thanks to actions taken over the last few years, the Group has benefited from tax subsidies in Italy, with an economic return of around 5 million euro from 2014 to 2016, of which 1 million relative to 2016.

Some of the Group's initiatives are listed below:

Project	Description	Forecast annual savings
Measurement of electricity consumption (Italy) Investment: 454,000 euro	Around 227 dataloggers were installed. Managed via the web, they can activate programmes for switching lighting and air conditioning systems on and off	Energy Saving: 1,771,000 kWh Cost Saving: 357,162 euro CO <sub>2</sub> Reduction: 575 t
Modernisation of conditioning systems (Italy) Investment: 3,490,000 euro	Activities continued to replace winter and summer conditioning systems	Energy Saving: 1,449,000 kWh Cost Saving: 271,994 euro CO <sub>2</sub> Reduction: 471 t
Replacement of systems containing gases which are harmful to the environment (Italy) Investment: 5,135,000 euro	In accordance with regulatory requirements, 223 plants containing R22 gas were replaced with units containing R410A gas	Energy Saving: 633,700 kWh Cost Saving: 127,819 euro CO <sub>2</sub> Reduction: 206 t
Replacing conventional lamps with energy saving LED lamps (Egypt, Croatia, Bosnia and Ukraine) Investment: 42,819 euro	Traditional lamps were replaced with new eco-friendly, energy saving LED lamps at various branches and head offices	Energy Saving: 193,657 kWh Cost Saving: 11,981 euro CO <sub>2</sub> Reduction: 85 t
Streamlining UPS use (Hungary) Investment: 0 euro	UPS use at CIB Bank head offices in Petrezselyem and Dunaújváros was streamlined, achieving considerable energy savings	Energy Saving: 107,724 kWh Cost Saving: 13.915 euro CO <sub>2</sub> Reduction: 30 t
Replacing conditioning systems (Croatia and Slovakia) Investment: 450,000 euro	Efficient conditioning systems were installed at the Privredna Banka Zagreb branches in Stradun and Split 3, and at the head offices of VÚB Banka	Energy Saving: 44,000 kWh Cost Saving: 7,000 euro CO <sub>2</sub> Reduction: 9 t
Renovation based on energy efficiency criteria (Albania) Investment: 585,000 euro	The head office of Intesa Sanpaolo Bank Albania and Tirana branch were renovated adopting energy efficiency criteria	Energy Saving: 92,268 kWh Cost Saving: 11,194 euro CO <sub>2</sub> Reduction: 0 t <small>(entirely renewable electricity from the national grid)</small>

## MOBILITY

An agreement was signed in Italy on local and professional mobility to promote staff working in distant locations and with particular personal needs to move closer to their homes.

Besides preparing the "Home Work Commute Plan" on staff commuting, activities continued to monitor the shuttle service run in Italy, in Turin, Milan, Naples, Padova, Venice and Vicenza: in 2016, an estimated 370 tonnes of CO<sub>2</sub> were avoided, thanks to use of the service. In Turin, a study was conducted in association with Turin Polytechnic on Turin/Moncalieri mobility flows to evaluate how to improve staff commutes. At

an international level, the Bank of Alexandria runs a shuttle service connecting Cairo with Giza Governorate which – with potential users numbering 850 – has made it possible to avoid around 830 tonnes of CO<sub>2</sub>.

To facilitate mobility in major urban centres, numerous agreements with local public transport companies were signed in Florence, Milan, Naples, Padova, Turin and Venice, and were extended to Bologna and Rome in 2016. Staff in these areas can purchase a public transport season ticket from the company website (Mobility Office) at special rates, and also pay in instalments if they want; contributions to the season ticket are also available for some areas, through the Intesa Sanpaolo

Workers' Association (ALI). Some agreements with local transport companies were also adopted for CIB Bank (Hungary) and Privredna Banka Zagreb (Croatia).

To promote car sharing, the special rates agreement between "Car2go" and the ALI continued, and a new agreement with the Turin "CarCityClub" was adopted, for car sharing throughout Italy with the "iO guida" service. On the international front, CIB Bank Hungary has a car pool system in place, with colleagues making bookings online, as well as Banca Intesa Beograd (Serbia), which provides both personal and company cars.

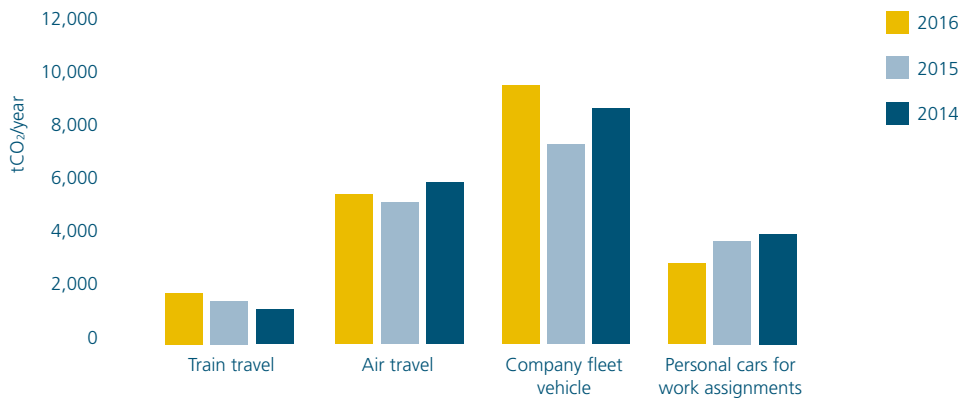
The national bike sharing agreement is continuing in Italy, through ALI, with "BICInCittà" and "BikeMi"; thanks to contributions provided, some 500 subscriptions have been taken out. The bike sharing service is active at four international banks (Intesa Sanpaolo Bank Romania, CIB Bank, Intesa Sanpaolo Bank in Slovenia and Intesa

Sanpaolo Bank Albania) using bicycles owned by the Bank. In Hungary and Croatia, where bicycle use is high, parking spaces and facilities (changing rooms and showers) are available to staff.

International banks have made considerable effort to modernise their vehicle fleets, with cars that have lower CO<sub>2</sub> emissions and fuel consumption. With the replacements made in 2016, an estimated 24 tonnes of CO<sub>2</sub> were avoided.

Lastly, a preliminary feasibility study was conducted for a road safety management system in compliance with ISO 39001 – Road Traffic Safety Management System. The study analysed activities carried out and possible developments to improve employee safety during commutes, business trips and the mobility of suppliers and customers visiting the Group's sites in Italy.

### CO<sub>2</sub> emissions from company mobility [tCO<sub>2</sub>/year]



### THE GROUP'S GREEN PURCHASES

#### Paper

The Group continued its policy to use less paper, with consumption going down by around 500 tonnes (-6.2%) compared to 2015.

In 2016, the Group focussed on various digitalisation initiatives, including fewer print-outs, information leaflets displayed on screen, online reporting and the Zero Paper project for training events, as well as the digitalisation of contracts.

Thanks to this strategy, the reduction in paper

amounted to 2,700 tonnes in 2016, corresponding to 4,300 tonnes less of CO<sub>2</sub> emissions and savings of around 3 million euro.

Digitalisation at international banks achieved important results. The Danube Project, currently underway at Privredna Banka Zagreb, uses biometric signatures to eliminate paper and has saved on around 49 tonnes of paper.

Multi-channel projects in Italy and the "Digical" project for the Group's international banks were particularly significant (see the section "Intellectual and infrastructure capital", page 110).

## DIGITALISATION OF CONTRACTS

In 2016, the project to digitalise contracts continued in Italy (see the section “Intellectual and infrastructure capital”, page 110) with an estimated saving of at least 815 tonnes of CO<sub>2</sub> as well as a saving from the use of electronic signatures of around 230 tonnes of CO<sub>2</sub>.

The project started in 2011, with simple electronic signatures and the digitalisation of some categories of bank transactions. Since 2015, with developments in national laws and the publication of Technical Rules of the Digital Administration Code, it has been possible to expand the branch digitalisation process to cover more complex activities, such as signing contracts and investment transactions. Today, at all branches and Personal branches and at all retail branches, contracts and documents for a numerous services, such as opening current accounts, applying for payment cards, personal loans, signing asset management, fund transactions and insurance policies, are digitalised, in addition to teller transactions.

Since 6 June 2016, only electronic or remote digital signatures can be used at all personal and retail Group branches to sign contracts that have already been digitalised.

The new procedure to sign documents for the sale of banking, financial and insurance products and services lets customers display all commercial documents and estimates electronically on tablets and sign contracts electronically or by remote digital signature. Digitalised bank documents are filed electronically in digital document archives, while customer documents may be delivered by Internet Banking, email or, if requested, as hard copies.

## Green products

In Italy, over 45 tonnes of green products were purchased in 2016. In particular, pens recycled by 92%, pencils recycled by 57% with NF environment certification, 100% recycled PVC wallets, recycled card folders with Blue Angel certification, recycled paper notebooks, 100% recycled hanging card folders were purchased, and self-inking stamps and CO<sub>2</sub> neutral date stamps were included in the catalogue in 2016.

## Office machinery

The Bank has been involved for some time now in evaluating the environmental impact of its purchases and the responsible use of office machinery (desktops, computer monitors and stand alone units, notebooks, photocopiers and printers, in Italy and gradually throughout the entire Group. This evaluation considers not only all laws and applicable conformity requirements, but also specific environmental criteria, for an accurate, measurable assessment. In Italy, these types of purchases totalled 31,600 items in 2016.

## WATER

Water is mainly used for hygiene purposes at the Intesa Sanpaolo Group, but in some limited cases is also used for “technological” purposes, for the production of cold air for air-conditioning. In 2016, the Group's use of water per capita went down by around 2% compared to 2015, to below the level of 26 cubic meters per staff member (figures are related to the payment of invoices and not to actual use in the period).

In Italy, the Intesa Sanpaolo Skyscraper is an example of efficient water management, winning the LEED Platinum award in 2015, thanks also to its excellent water management score. The skyscraper was given a maximum score (10 out of 10) thanks to: water saving and/or timer taps, dual flush WCs, dual supply for WCs with rain water, a high-efficiency spray irrigation system and rain water recovery, also for irrigation. As a result, water consumption was around 11 cubic meters per staff member in 2016. With 24 drinking water fountains in break areas at the new Turin headquarters, 192,000 half-litre water bottles were not used, which is equivalent to a saving of 3.8 tonnes of plastic and 18 tonnes of CO<sub>2</sub> emissions avoided.

## WASTE

Waste in 2016 amounted to 37 kg per staff member. The overall amount of waste produced by the Intesa Sanpaolo Group went down by 2.2% compared to 2015, with a 7.7% decrease in Italy and an increase at international banks, mainly due to the disposal of office machinery and, for Intesa Sanpaolo Bank Albania, to waste material from renovation/energy efficiency works.

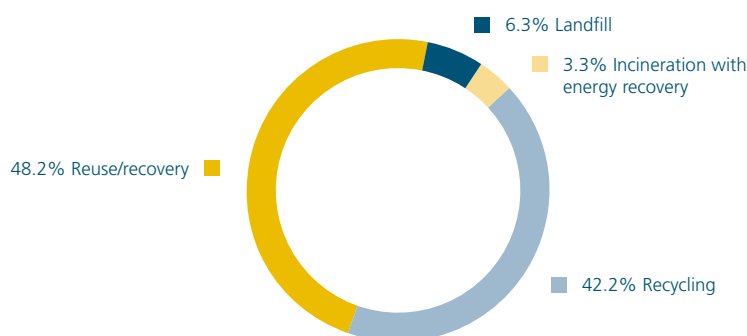
Unlike 2014 and 2015, 2016 results for Italy included used printer cartridges. So, although the total amount of waste produced by the Intesa Sanpaolo Group went down compared to 2015, the updated analysis of produced waste, in accordance with the GHG Protocol (Scope3) Accounting and Reporting



Standard (WBCSD - WRI 2011), showed an increase in the carbon footprint and primary energy compared to the previous year.

With a view to reducing waste and re-using resources to avoid waste, Intesa Sanpaolo Bank Ireland donated the personal computers it was replacing to non-profit associations.

### Total weight of waste by disposal method



### MANAGEMENT OF SUBSTANCES THAT ARE HAZARDOUS FOR THE ENVIRONMENT

The Intesa Sanpaolo Group gives particular importance to the monitoring and management of substances that are hazardous for the environment, including radon and asbestos.

Radon is a gas that flows out of the subsoil and into buildings. The main points of entry are the permeability of foundations, cracks and discharges from technological systems. In accordance with Italian laws, measurements of the average annual concentration of radon are taken in underground work areas where personnel are present, even if on an occasional basis. According to all measurements taken during 2016, workers' exposure was within acceptability limits. The measurements are repeated annually, arranging for technical mitigation measures and training and information for workers and workers' representatives.

Intesa Sanpaolo work processes do not include work activities that expose workers to asbestos dust or materials containing asbestos. However this material could be in buildings, as it was used in Italy up until 1995. So a specific risk assessment was conducted at all work sites in Italy, to establish preventive and protective measures to adopt. All environmental measures recorded values below the threshold established by applicable laws.

### ENVIRONMENTAL MANAGEMENT EXPENDITURE

In 2016, the Intesa Sanpaolo Group continued to invest in the preventive maintenance of plants, implement certified Management Systems, manage special waste properly and provide environmental training for personnel and maintenance operators.

Environmental management expenditure in 2016 totalled approximately 68 million euro, up by 2.4% compared to the previous year.

#### Environmental management expenditure [thousand euro]

	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Management of Special Waste	1,383	283	1,666	1,523	359	1,882	1,545	410	1,955
Training	3	103	106	7	97	104	53	78	131
Maintenance, SGAE and Certification	43,553	22,685	66,238	44,560	19,816	64,376	50,407	19,970	70,377
<b>TOTAL</b>	<b>44,939</b>	<b>23,071</b>	<b>68,010</b>	<b>46,090</b>	<b>20,272</b>	<b>66,361</b>	<b>52,005</b>	<b>20,458</b>	<b>72,464</b>

## IMPROVEMENT OBJECTIVES



# Improvement Objectives

## THE GUIDELINES OF THE 2014-2017 BUSINESS PLAN

The commitments undertaken by Intesa Sanpaolo through the 2014-2017 Business Plan are aimed at a solid and sustainable creation and distribution of value. These are the results of our activities as compared with the goals we set ourselves for 2017:

Commitments made	2016 results	Results 2014-2016	2017 objectives
<b>THE BANK AS GROWTH DRIVER</b>			
<b>Creating value</b>			
Dividends (bn)	3	6.6 (*)	10 (*)
<b>Real-economy bank</b>			
MLT credit for real economy (bn)	56	137 (*)	170 (*)
<b>HOW WE DO BUSINESS</b>			
Banca dei Territori Service Model	Fully operational	A number of initiatives were implemented both from the organisational standpoint, with regard to product innovation and concerning customer service improvements	Strengthening and simplification of the Banca dei Territori model
Corporate simplification	Incorporation of two Banca dei Territori banks into Intesa Sanpaolo	Mediocredito Italiano incorporated 6 product companies. 9 mergers of regional banks into the Parent Company	Creation of the SME Finance Hub and reduction of the number of banks belonging to the Banca dei Territori Division to 6
<b>Local bank abroad for Italian businesses</b>			
	Three subsidiaries opened abroad (Abu Dhabi, Doha and the Representative Office in Jakarta)	Six subsidiaries opened abroad	Leading bank in Italy for supporting the internationalisation of enterprises
<b>Simple and innovative bank and development of an integrated multi-channel platform</b>			
Customers with Banca dei Territori multi-channel contracts (m)	6.4	+1.6 since start 2014	7.9

Commitments made	2016 results	Results 2014-2016	2017 objectives
<b>OUR PEOPLE</b>			
Professional reassignment and requalification to support the development of the new business initiatives under the Plan	270 people	4,500 people (*)	4,500 (*)
Training Days and teaching (classroom, mentoring, remote training and Web TV)	About 1.3 m	About 3.8 m (*)	About 5 m days (*)
Personnel expenses (bn)	5.3	15.7 (*)	21.3 (*)
Internal policies for the enhancement of corporate welfare and employment support	Services provided by the Health Scheme Fund for more than 140 m to over 200,000 people. Flexible work used by over 5,700 employees in 13 different Group companies ALI workers' association: around 125,000 members	Integrated welfare programme fully operational	An integrated welfare system that interprets and implements new ways of looking at wellbeing and the person
<b>THE BANK IN THE COMMUNITY</b>			
Tax (direct and indirect)	2.3 bn	7.4 bn (*)	~10 bn (*)
Medium/long-term loans to support social entrepreneurship initiatives	0.2 bn	0.6 bn (*)	~1.2 bn (*)

(\*) Cumulative value.

The document "Stakeholder Engagement 2016 and Improvement Objectives", which presents the stakeholders' requests resulting from the 2016 engagement processes and the objectives pursued by the internal departments, is available in the Sustainability [\[i\]](#) section of the Intesa Sanpaolo website.





# INDICATORS





# Main financial ratios<sup>1</sup>

<b>Personnel efficiency indexes [m euro]</b>	<b>2016</b>	<b>2015</b>
Loans to customers / Number of employees	4.09	3.85
Operating income / Number of employees	0.19	0.19
Financial assets of customers <sup>2</sup> / Number of employees	9.69	9.34

<b>Capital ratios</b>	<b>2016</b>	<b>2015</b>
Shareholders' equity / Loans to customers	13.4%	13.8%
Shareholders' equity / Financial assets of customers <sup>2</sup>	5.7%	5.7%

<b>Solvency coefficients</b>	<b>2016</b>	<b>2015</b>
Common equity tier 1 ratio (CET1) net of regulatory adjustments/risk-adjusted assets	12.7%	13.0%
Common equity tier 1 ratio (CET1) / risk-adjusted assets	13.9%	13.8%
Total own funds / Risk-adjusted assets	17.0%	16.6%

<b>Income ratios</b>	<b>2016</b>	<b>2015</b>
Income for the year (attributable to the parent company) / Average shareholders' equity	6.4%	5.9%
Operating costs / operating income (Cost income Ratio)	51.2%	50.8%

<b>Risk ratios</b>	<b>2016</b>	<b>2015</b>
Net non-performing loans to customers / Loans to customers	4.1%	4.3%
Value adjustments of non-performing loans /Gross non-performing loans out of loans to customers	60.6%	61.8%

1. Ratios calculated with reference to reclassified statements and figures published in the Intesa Sanpaolo Group's 2016 consolidated financial statements. The 2015 figures were restated where necessary to take into account changes in the scope of consolidation and ongoing divestment activities.

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.

## Calculation and distribution of economic value

FINANCIAL STATEMENT ITEMS		[m euro]		
		2016	2015	2014
10.	Interest income and similar	12,865	14,148	15,933
20.	Interest expense and similar	-4,250	-4,910	-6,116
40.	Commission income	8,465	8,735	8,058
50.	Commission expense <sup>1</sup>	-1,149	-1,049	-1,023
70.	Dividends and similar income	461	378	315
80.	Profits (Losses) on trading	527	285	210
90.	Net profit (loss) from hedging	-34	-68	-139
100.	Profits (Losses) on disposal or repurchase of:	990	1,205	1,074
	a) loans	-34	-44	86
	b) available-for-sale financial assets	990	1,452	1,271
	c) financial assets held to maturity	0	0	0
	d) financial liabilities	34	-203	-283
110.	Profits (Losses) on financial assets and liabilities designated at fair value	1,051	977	971
130.	Net losses/recoveries on impairment of:	-3,288	-2,824	-4,314
	a) loans	-3,026	-2,751	-4,102
	b) available-for-sale financial assets	-314	-203	-187
	c) financial assets held to maturity	0	0	1
	d) other financial operations	52	130	-26
150.	Net insurance premiums	8,433	12,418	16,600
160.	Other net insurance income (expense)	-10,508	-14,680	-18,805
220.	Other operating expenses (income)	430	934	720
240. (partial)	Profits (Losses) on investments in associates and companies subject to joint control (realised gains/losses) <sup>2</sup>	37	-1	326
270.	Profits (Losses) on disposal of investments	356	103	114
310.	Income (Loss) after tax from discontinued operations	987	-2	-48
<b>A</b>	<b>Total economic value generated</b>	<b>15,373</b>	<b>15,649</b>	<b>13,876</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]		
		2016	2015	2014
180.b (partial)	Other administrative expenses (net of indirect taxes and donations and charges for resolution funds and deposit guarantee) <sup>3</sup>	-2,555	-2,676	-2,619
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	-2,555	-2,676	-2,619
180.a	Personnel expenses <sup>4</sup>	-6,075	-6,031	-5,836
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	-6,075	-6,031	-5,836
330.	Minority interests	-89	-67	-59
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	-89	-67	-59
340. (partial)	Parent Company net income (loss) - Share allocated to Shareholders <sup>5</sup>	-2,999	-2,361	-1,185
340. (partial)	Parent Company net income (loss) - Share allocated to holders of equity instruments <sup>6</sup>	-111	-20	0
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS AND HOLDERS OF EQUITY INSTRUMENTS	-3,110	-2,381	-1,185
180.b (partial)	Other administrative expenses: indirect taxes	-877	-919	-952
180.b (partial)	Other administrative expenses: charges for resolution funds and deposit guarantee	-578	-516	0
290. (partial)	Income taxes for the year (current taxes) <sup>7</sup>	-818	-1,485	-1,509
	ECONOMIC VALUE DISTRIBUTED TO GOVERNMENT, ORGANISATIONS AND INSTITUTIONS	-2,273	-2,920	-2,461
180.b (partial)	Other administrative expenses: donations	-1	-1	-3
340. (partial)	Parent Company net income (loss) - Share allocated to charity funds <sup>8</sup>	-1	-11	-10
	ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT	-2	-12	-13
<b>B</b>	<b>Total economic value distributed</b>	<b>-14,104</b>	<b>-14,087</b>	<b>-12,173</b>
<b>C</b>	<b>Total economic value retained (withdrawn) by the corporate system*</b>	<b>1,269</b>	<b>1,562</b>	<b>1,703</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 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 include portions assigned to charity funds by Group banks.

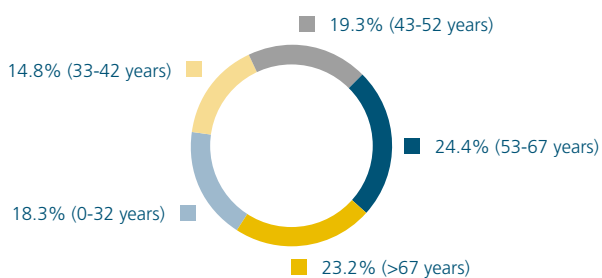
\* Represented by value adjustments/reversals and provisions, deferred taxes and consolidated profit net of dividends distributed by the parent company.

# Customers

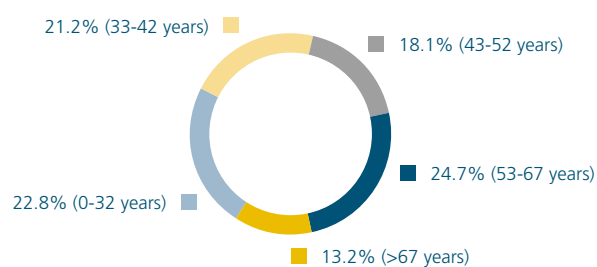
## COMPOSITION

### Retail customers by age bracket

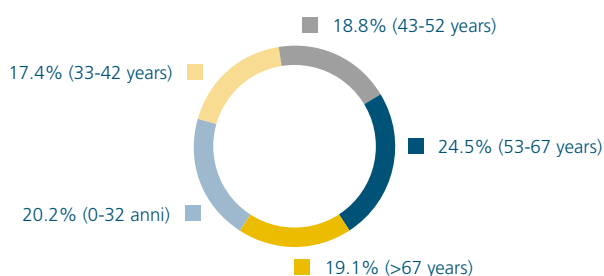
#### Italy



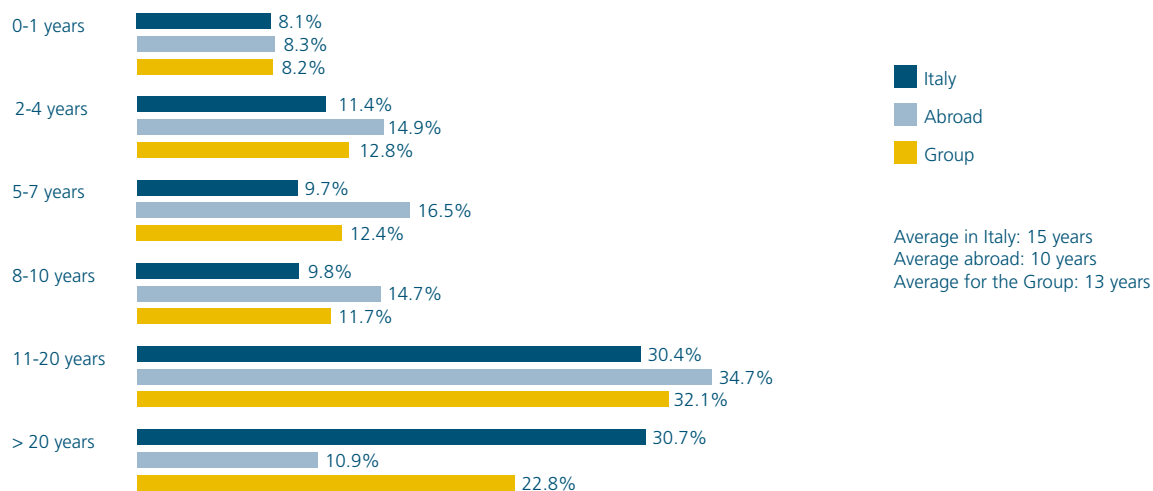
#### Abroad



#### Group



### Retail customers by years with the bank



Accessibility and distribution channels: Italy	2016	2015	2014
No. of multi-channel contracts (stock)*	6,929,604	6,322,350	5,708,303
No. of multi-channel contracts (stock)/no of customers	59.4	54.7	49.1
Bank transfers automation percentage	86.2	84.2	81.7
Total bank transfers carried out	51,656,448	45,582,596	33,127,135
Securities automation percentage	78.8	73.6	71.1
Total security trading	8,791,516	10,209,665	10,661,303
Remote Banking: number of active contracts at	157,667	159,719	163,609
Remote Banking: number of orders	126,451,505	142,950,382	162,167,961

\* Monitoring of the 2014-2017 Business Plan was carried out for Banca dei Territori Division customers (6.4 million multi-channel contracts at the end of 2016. This does not include customers of Fideuram Intesa Sanpaolo Private Banking, that total around 530 thousand).

Presence in Italian regions with a low population density*	2016		2015		2014	
	Branches	Atm	Branches	Atm	Branches	Atm
Valle d'Aosta	23	46	23	47	26	45
Basilicata	24	36	24	30	23	25
Sardinia	87	152	88	153	92	140
Molise	15	23	16	24	16	23
Trentino Alto Adige	60	72	60	82	71	88

\* Source: ISTAT 2016 Yearbook, resident population at 31/12/2015 and relative area data. Regions considered have less than 100 inhabitants per square kilometre.

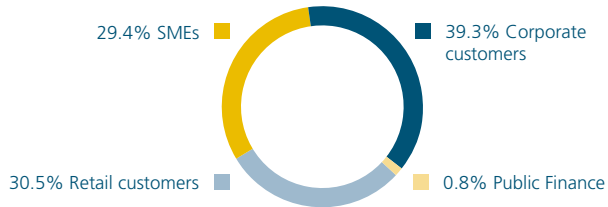
Presence of Intesa Sanpaolo Group banks abroad*	2016		2015		2014	
	Branches	Atm	Branches	Atm	Branches	Atm
Albania	32	49	32	49	32	52
Croatia	248	818	250	870	197	678
Romania	45	55	45	59	71	84
Serbia	166	267	170	260	177	258
Slovakia	234	575	231	572	234	572
Slovenia	52	98	52	98	52	97
Hungary	190	216	0	0	0	0
Egypt	82	142	83	142	95	156
Ukraine	172	348	170	332	170	294
Russian Federation	36	49	50	52	61	59

\* The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VUB Banka in Slovakia and CIB Bank in Hungary).

## LOANS AND AMOUNTS DUE TO CUSTOMERS

### Loans to customer by type

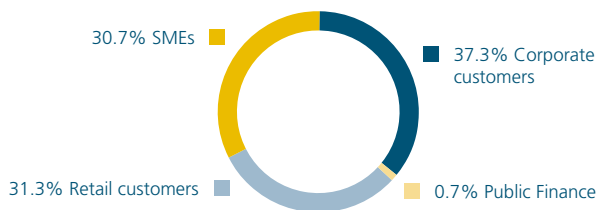
#### Italy



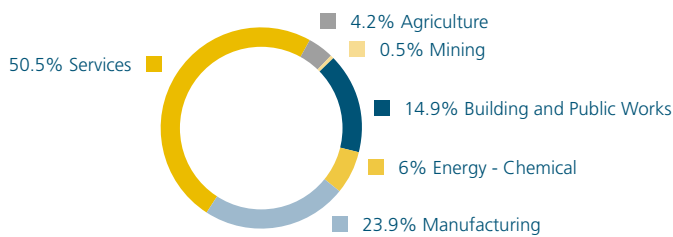
#### Abroad



#### Group

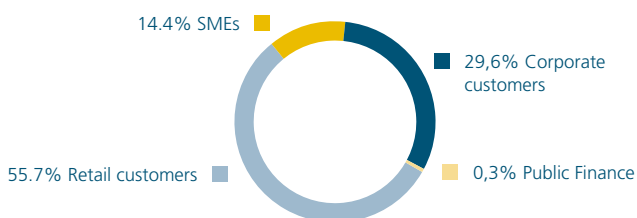


### Loans by industrial sector: Italy

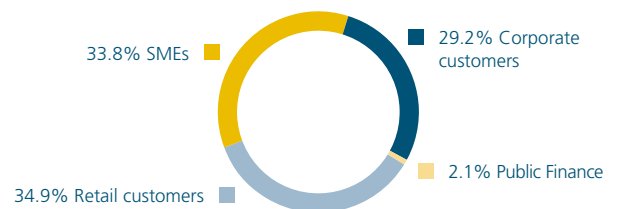


### Amounts due to customer by type

#### Italy



#### Abroad



#### Group





## ETHICAL FUNDS

Fideuram ethical funds	2016	2015	2014
Ethical funds: assets [K euro]	39,041	32,355	24,869
Fonditalia Ethical Investment Class R assets [K euro]	28,895	28,470	23,784
Fonditalia Ethical Investment Class R return [%]	2.3	0.8	4.4
Fonditalia Ethical Investment Class T assets [K euro]	10,146	3,885	1,085
Fonditalia Ethical Investment Class T return [%]	2.3	0.4	4.1
Total assets in funds managed by Fideuram and by independent organisations [K euro]	48,263,000	48,759,000	51,742,000

Fund returns are gross. Fideuram ethical funds are registered in Luxembourg.

Intesa Sanpaolo Group pension fund (FAPA)	2016	2015	2014
No. of companies comprising the pension fund portfolio	609	459	519
No. of engagement initiatives for the pension fund portfolio	6	9	12
% of FAPA portfolio covered by engagement out of the total pension fund portfolio value	0.8	6	6.25
% of FAPA portfolio covered by engagement out of the total companies in the pension fund portfolio	0.5	2	2.3

Eurizon Ethical Funds	2016	2015	2014
Ethical funds: assets [K euro]	901,491	823,000	643,473
International ethical equity [K euro]	100,155	105,100	88,783
Ethical bonds [K euro]	437,862	401,800	420,844
Diversified ethical assets [K euro]	363,474	316,100	133,847
International equity return [%]	1.9	13.7	20.6
Ethical bond return [%]	3.7	1.2	9.9
Ethical diversified return [%]	2.1	2.9	5.7
Percentage of ethical funds in relation to total fund assets registered in Italy [%]	1.3	1.4	1.2
Total fund assets managed using ESG criteria for third parties [K euro]	866,000	787,000	703,000

Fund returns are gross. Eurizon ethical funds are registered in Italy.

Eurizon Ethical Bonds: the fund's overall performance in the year was positive and above the benchmark. Main contributions to results are due to tactical positioning on markets with bond spreads, and dollar overweight and duration underweight positions in the final part of the year.

Eurizon Ethical Diversified Fund: the fund's overall performance in the year was positive and above the benchmark. Main contributions to results are due to tactical positioning on markets with spreads, and a dollar overweight position, and a duration underweight position in the second part of the year. Negative impact was instead due to equity overweight and duration underweight positions at the start of the year.

Ethical international equity: the fund recorded a positive performance in 2016, but below the benchmark. Compared to the reference benchmark, equity overweight during the first part of the year and some choices of security, particularly among European and US capital, had a negative impact.

## CLAIMS

Claims, complaints and appeals	2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group
Loans	33,262	6,302	39,564	26,624	14,507	41,131
Payment systems	7,389	19,793	27,182	7,464	17,173	24,637
Organisational issues, Internet site, other	6,285	7,722	14,007	6,904	12,298	19,202
Insurance products	5,316	182	5,498	4,894	156	5,050
Current accounts, deposits and securities dossier	2,360	5,619	7,979	2,414	5,705	8,119
Investments	1,946	120	2,066	1,806	220	2,026
Total	56,558	39,738	96,296	50,106	50,059	100,165

As concerns requests from customers concerning personal data protection in Italy, 155 complaints were received in 2016 concerning alleged infringements of the Data Protection Act (198 complaints were made in 2015) and 7 appeals were received from the Data Protection Authority.

Since the 2015 Sustainability Report, Intesa Sanpaolo discloses data on claims, complaints and appeals, for a greater consistency in presenting data, according to provisions of the Bank of Italy on transparency. For this reason, data are not comparable with the 2014 edition that referred to ABI guidelines.

## EQUATOR PRINCIPLES

### PROJECT FINANCE\*

	Total Category A	Total Category B	Total Category C
	4	6	1
Sector	Category A	Category B	Category C
Oil and gas	4	1	-
Mining	-	-	-
Energy	-	3	1
Infrastructure	-	2	-
Other	-	-	-
Region	Category A	Category B	Category C
Americas	3	1	-
Europe, Middle East and Africa (EMEA)	1	3	1
Asia and Oceania	-	2	-
Type of country**	Category A	Category B	Category C
Designated	1	6	1
Not designated	3	-	-
Independent audit	Category A	Category B	Category C
Yes	4	5	1
No	-	1	-

### BUSINESS LOANS ASSOCIATED WITH PROJECTS\*

	Total Category A	Total Category B	Total Category C
	2	1	0
Sector	Category A	Category B	Category C
Oil and gas	2	-	-
Infrastructure	-	1	-
Region	Category A	Category B	Category C
Europe, Middle East and Africa (EMEA)	2	1	-
Type of country**	Category A	Category B	Category C
Designated	-	-	-
Not designated	2	1	-
Independent audit	Category A	Category B	Category C
Yes	1	1	-
No	1	-	-

\* The tables refer to the number of projects with financial closure in 2016.

\*\* 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.

# Staff\*

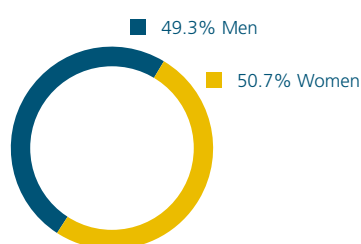
## BREAKDOWN OF PERSONNEL

Intesa Sanpaolo Group staff	2016		
	Breakdown of employees by country	Men	Women
Italy	64,129	31,602	32,527
Luxembourg	206	126	80
Ireland	27	12	15
Egypt	4,718	3,790	928
Albania	574	199	375
Croatia	4,550	1,311	3,239
Romania	587	157	430
Serbia	3,052	904	2,148
Slovenia	753	189	564
Hungary	2,461	696	1,765
Slovakia	4,540	1,176	3,364
Ukraine	1,665	311	1,354
Russia	1,463	381	1,082
Group	88,725	40,854	47,871

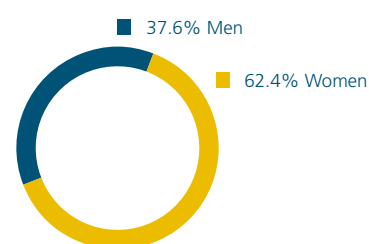
The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VUB Banka in Slovakia and CIB Bank in Hungary).

### Breakdown of staff by gender

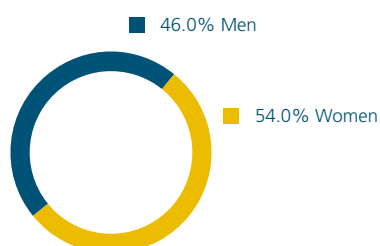
#### Italy



#### Abroad



#### Group



Female bank employees in Italy account for 45.0% of staff, against 55.0% male employees. Intesa Sanpaolo figures have a uniform distribution.

\* All Italian figures refer to: ABI (2016) 2016 report on employment in the financial industry, Bancaria Editrice (figures for credit personnel are updated to 2015).

Employees by type of contract and gender [No.]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	63,999	21,744	85,743	63,999	21,153	85,152	64,360	21,989	86,349
Men	31,539	7,882	39,421	31,619	8,177	39,796	31,978	8,453	40,431
Women	32,460	13,862	46,322	32,380	12,976	45,356	32,382	13,536	45,918
Fixed-term contracts	29	2,753	2,782	48	2,187	2,235	44	2,173	2,217
Men	19	1,329	1,348	27	1,074	1,101	23	1,008	1,031
Women	10	1,424	1,434	21	1,113	1,134	21	1,165	1,186
Apprenticeships	101	96	197	167	74	241	257	35	292
Men	44	40	84	65	34	99	103	15	118
Women	57	56	113	102	40	142	154	20	174
New recruits	0	3	3	0	5	5	0	2	2
Men	0	1	1	0	2	2	0	1	1
Women	0	2	2	0	3	3	0	1	1
Employment contracts - apprenticeships	0	0	0	0	0	0	17	0	17
Men	0	0	0	0	0	0	2	0	2
Women	0	0	0	0	0	0	15	0	15
Open-ended employment contracts	0	0	0	9	0	9	55	0	55
Men	0	0	0	2	0	2	22	0	22
Women	0	0	0	7	0	7	33	0	33

Employment contracts, special contracts for safeguarding employment, are an exclusively Italian form of contract.

Employees by type of contract and gender [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	99.80	88.40	96.64	99.65	90.32	97.16	99.42	90.87	97.10
Men	49.18	32.05	44.43	49.23	34.92	45.41	49.40	34.93	45.46
Women	50.62	56.36	52.21	50.42	55.41	51.75	50.02	55.94	51.63
Fixed-term contracts	0.05	11.19	3.14	0.07	9.34	2.55	0.07	8.98	2.49
Men	0.03	5.40	1.52	0.04	4.59	1.26	0.04	4.17	1.16
Women	0.02	5.79	1.62	0.03	4.75	1.29	0.03	4.81	1.33
Apprenticeships	0.16	0.39	0.22	0.26	0.32	0.27	0.40	0.14	0.33
Men	0.07	0.16	0.09	0.10	0.15	0.11	0.16	0.06	0.13
Women	0.09	0.23	0.13	0.16	0.17	0.16	0.24	0.08	0.20
New recruits	0.00	0.01	0.00	0.00	0.02	0.01	0.00	0.01	0.00
Men	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Women	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Employment contracts - apprenticeships	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02
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	0.02	0.00	0.02
Open-ended employment contracts	0.00	0.00	0.00	0.01	0.00	0.01	0.08	0.00	0.06
Men	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.02
Women	0.00	0.00	0.00	0.01	0.00	0.01	0.05	0.00	0.04

The Italian industry figures for bank staff are the following: open-ended contracts (98.5%), fixed-term contracts (0.63%), apprenticeships (0.7%) and new recruits (0.13%).  
Employment contracts, special contracts for safeguarding employment, are an exclusively Italian form of contract.

Atypical contracts and work placements	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Temporary agency employment contracts	30	122	152	34	161	195	0	95	95
Men	10	36	46	13	38	51	0	50	50
Women	20	86	106	21	123	144	0	45	45
Temporary employment contracts	43	0	43	36	0	36	28	0	28
Men	38	0	38	33	0	33	22	0	22
Women	5	0	5	3	0	3	6	0	6
Work placements	156	101	257	90	85	175	57	94	151
Men	101	38	139	50	37	87	34	23	57
Women	55	63	118	40	48	88	23	71	94

Financial advisors	Italy	
	2016	2015
Financial advisors	5,848	5,846
Men	4,704	4,739
Women	1,144	1,107
		2014
		5,044
		4,231
		813

Overall workforce	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Overall workforce	70,206	24,819	95,025	70,229	23,665	93,894	69,862	24,388	94,250
Men	36,455	9,326	45,781	36,548	9,362	45,910	36,415	9,550	45,965
Women	33,751	15,493	49,244	33,681	14,303	47,984	33,447	14,838	48,285

Includes employees and staff (on various contracts).

Employees per category and gender [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	1.4	2.0	1.6	1.4	2.2	1.6	1.5	2.1	1.6
Men	1.2	1.3	1.2	1.2	1.4	1.2	1.3	1.3	1.3
Women	0.2	0.8	0.4	0.2	0.8	0.4	0.2	0.8	0.4
Middle managers	42.8	22.8	37.3	42.7	24.9	38.0	42.3	24.5	37.4
Men	25.6	13.8	22.3	25.7	15.4	22.9	25.6	15.1	22.7
Women	17.2	9.1	14.9	17.0	9.6	15.0	16.7	9.4	14.7
Professional areas	55.8	75.1	61.2	55.9	72.9	60.4	56.2	73.4	60.9
Men	22.5	22.6	22.5	22.5	22.9	22.6	22.8	22.7	22.8
Women	33.3	52.5	38.7	33.4	50.0	37.8	33.4	50.7	38.1

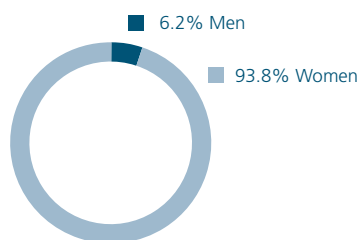
Figures for Italy for bank staff are as follows: executives (2.2%), middle managers (41.2%) and professional areas (56.5%).

Part-time employees by gender	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Number of part-time employees/total staff [%]	15.3	1.1	11.3	15.0	0.7	11.2	14.6	0.7	10.8
Breakdown of part-time employees by gender [No.]	9,809	261	10,070	9,623	161	9,784	9,420	167	9,587
Men [No.]	609	28	637	590	19	609	547	18	565
Women [No.]	9,200	233	9,433	9,033	142	9,175	8,873	149	9,022

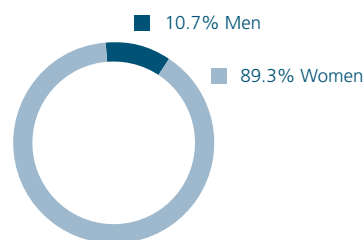
In Italy, part-time personnel account for 15.3%, 4% more than the Italian figure for the banking sector (11.4%).

## Part-time employees by gender [%]

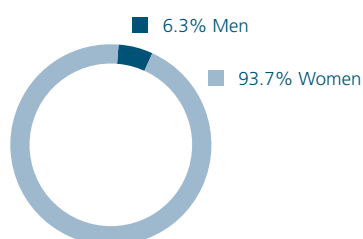
## Italy



## Abroad



## Group



In Italy, women account for 94% of the part-time workforce.

Average age of employees	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Average age of employees	47.6	41.0	45.8	46.8	41.2	45.3	46.1	40.8	44.7
Men	49.1	42.7	47.7	48.5	43.3	47.3	47.8	43.0	46.7
Women	46.0	40.0	44.1	45.3	39.8	43.6	44.5	39.3	42.9
Executives	52.0	44.9	49.5	51.6	44.5	49.0	52.1	44.4	49.4
Middle managers	50.7	46.3	50.0	49.9	46.3	49.3	49.3	45.9	48.7
Professional areas	45.0	39.3	43.1	44.4	39.3	42.7	43.6	38.9	42.1

Figures for Intesa Sanpaolo and Italy for leading banks are comparable: average age of employees (46.1), men (47.5), women (44.5), executives (51.6), middle managers (49.4) and professional areas (43.5).

International banks: senior managers hired in the local community	2016		
	No. of first line managers	No. of first line managers (local recruitment)	% of front line managers hired in the local community/front line managers
Egypt	10	7	70.0
Albania	11	10	90.9
Croatia	27	25	92.6
Romania	10	7	70.0
Serbia	12	9	75.0
Slovenia	12	9	75.0
Hungary	13	10	76.9
Slovakia	10	8	80.0
Ukraine	12	8	66.7
Russia	8	7	87.5



Employees by level of education and gender [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Graduates	34.3	61.5	41.8	33.2	65.5	41.8	32.6	63.7	41.1
Men	16.6	26.4	19.3	16.0	28.1	19.3	15.9	27.3	19.0
Women	17.7	35.2	22.5	17.2	37.4	22.6	16.8	36.4	22.1
High school certificate	58.7	33.3	51.6	59.5	28.7	51.3	59.9	30.2	51.8
Men	27.9	8.3	22.5	28.5	7.9	23.0	28.8	8.0	23.1
Women	30.8	25.0	29.2	31.0	20.8	28.3	31.1	22.2	28.7
Other	7.0	5.2	6.5	7.3	5.8	6.9	7.4	6.1	7.1
Men	4.7	3.0	4.2	4.9	3.7	4.6	5.0	3.8	4.7
Women	2.3	2.2	2.3	2.4	2.0	2.3	2.5	2.2	2.4

Intesa Sanpaolo and Italian industry figures for education of leading banks are comparable: graduates and post-graduates (38.1%), high school certificate (56.5%), other (5.5%).

Average employee seniority [years]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total average seniority	21.8	13.2	19.4	21.1	13.5	19.1	20.5	13.2	18.5
Men	22.6	14.8	20.9	22.1	15.6	20.6	21.5	15.4	20.1
Women	21.0	12.2	18.2	20.2	12.1	17.8	19.5	11.8	17.1
Executives	19.4	11.9	16.7	19.1	11.9	16.5	20.0	11.8	17.1
Middle managers	25.1	18.8	24.0	24.4	19.0	23.5	23.8	18.6	22.9
Professional areas	19.3	11.5	16.7	18.7	11.6	16.4	17.9	11.4	15.8

Employees belonging to protected categories [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Disabled persons	4.8	1.3	3.8	4.7	1.3	3.8	4.6	1.0	3.6
Men	2.8	0.6	2.2	2.8	0.6	2.2	2.8	0.6	2.2
Women	1.9	0.7	1.6	1.8	0.6	1.5	1.8	0.5	1.4
Protected categories	1.6	0.1	1.2	1.6	0.1	1.2	1.6	0.1	1.2
Men	0.9	0.1	0.7	0.9	0.0	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

Employees by age bracket [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
≤30	3.0	15.8	6.5	3.2	15.4	6.5	4.2	17.1	7.7
Men	1.5	5.3	2.5	1.4	5.1	2.4	1.7	5.3	2.7
Women	1.5	10.5	4.0	1.8	10.3	4.1	2.5	11.8	5.0
31-50	55.1	62.5	57.1	58.0	62.1	59.1	60.0	61.3	60.3
Men	22.9	21.0	22.4	24.7	21.8	23.9	26.1	21.8	24.9
Women	32.1	41.5	34.7	33.3	40.3	35.2	33.9	39.5	35.4
>50	42.0	21.8	36.4	38.8	22.5	34.4	35.9	21.6	32.0
Men	24.8	11.4	21.1	23.3	12.8	20.5	21.8	12.0	19.2
Women	17.1	10.4	15.3	15.5	9.7	13.9	14.0	9.6	12.8

The Italian industry figures for the percentage breakdown of bank employees by age group are as follows: ≤ 30 (4.7%), 31-50 (59%) and > 50 (36.3%).

Employment by gender and age	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1,098	3,023	4,121	792	2,050	2,842	477	2,209	2,686
Men	663	1,122	1,785	447	760	1,207	281	794	1,075
Women	435	1,901	2,336	345	1,290	1,635	196	1,415	1,611
≤30	654	1,677	2,331	410	1,141	1,551	256	1,351	1,607
31-50	419	1,245	1,664	366	860	1,226	206	812	1,018
>50	25	101	126	16	49	65	15	46	61

Employment rate by gender and age [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1.7	12.3	4.6	1.2	8.8	3.2	0.7	9.1	3.0
Men	2.1	12.1	4.4	1.4	8.2	2.9	0.9	8.4	2.6
Women	1.3	12.4	4.9	1.1	9.1	3.5	0.6	9.6	3.4
≤30	34.2	43.3	40.3	19.8	31.7	27.4	9.5	32.6	23.5
31-50	1.2	8.1	3.3	1.0	5.9	2.4	0.5	5.5	1.9
>50	0.1	1.9	0.4	0.1	0.9	0.2	0.1	0.9	0.2

Termination by gender and age	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	893	4,247	5,140	1,257	2,793	4,050	979	2,537	3,516
Men	574	1,656	2,230	834	926	1,760	592	931	1,523
Women	319	2,591	2,910	423	1,867	2,290	387	1,606	1,993
≤30	79	1,088	1,167	103	794	897	87	840	927
31-50	295	2,250	2,545	326	1,339	1,665	358	1,170	1,528
>50	519	909	1,428	828	660	1,488	534	527	1,061

Termination rate by gender and age [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1.4	17.3	5.8	2.0	11.9	4.6	1.5	10.5	4.0
Men	1.8	17.9	5.5	2.6	10.0	4.3	1.8	9.8	3.7
Women	1.0	16.9	6.1	1.3	13.2	4.9	1.2	10.9	4.2
≤30	4.1	28.1	20.2	5.0	22.1	15.8	3.2	20.3	13.5
31-50	0.8	14.6	5.0	0.9	9.2	3.2	0.9	7.9	2.8
>50	1.9	17.0	4.4	3.3	12.5	4.9	2.3	10.1	3.7

Termination by reason [No.]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Employment ended in the year	893	4,247	5,140	1,257	2,793	4,050	979	2,537	3,516
Termination due to resignation	348	1,460	1,808	383	737	1,120	405	662	1,067
Termination due to retirement	62	261	323	27	212	239	9	218	227
Termination due to exit incentives	291	0	291	651	0	651	385	0	385
Termination due to death*	82	41	123	-	-	-	-	-	-
Termination due to other reasons - with incentives	21	745	766	27	452	479	13	306	319
Termination due to other reasons - without incentives	61	1,527	1,588	145	1,212	1,357	135	1,167	1,302
Terminations due to the expiry of fixed-term contracts	28	213	241	24	180	204	30	184	214
Termination of employment contracts - apprenticeships	0	0	0	0	0	0	2	0	2
Termination of 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	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	205	-1,224	-1,019	-465	-743	-1,208	-502	-328	-830
Men	89	-534	-445	-387	-166	-553	-311	-137	-448
Women	116	-690	-574	-78	-577	-655	-191	-191	-382
≤30	575	589	1,164	307	347	654	169	511	680
31-50	124	-1,005	-881	40	-479	-439	-152	-358	-510
>50	-494	-808	-1,302	-812	-611	-1,423	-519	-481	-1,000

Turnover rate by gender and age [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	0.3	-4.7	-1.1	-0.7	-3.1	-1.4	-0.8	-1.3	-0.9
Men	0.3	-5.5	-1.1	-1.2	-1.8	-1.3	-1.0	-1.4	-1.1
Women	0.4	-4.3	-1.2	-0.2	-3.9	-1.4	-0.6	-1.3	-0.8
≤30	43.1	17.9	25.2	17.5	10.7	13.1	6.7	14.1	11.0
31-50	0.4	-6.1	-1.7	0.1	-3.2	-0.8	-0.4	-2.4	-0.9
>50	-1.8	-13.1	-3.9	-3.2	-10.4	-4.5	-2.2	-8.4	-3.4

## PROFESSIONAL DEVELOPMENT

Number of promotions by gender	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1,342	2,462	3,804	4,417	1,589	6,006	3,658	1,396	5,054
Men	518	1,370	1,888	1,863	853	2,716	1,448	760	2,208
Women	824	1,092	1,916	2,554	736	3,290	2,210	636	2,846
Staff promoted [%]	2.1	10.0	4.3	6.9	6.8	6.9	5.7	5.8	5.7

Average gross base salary by category and gender [K euro]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	146.0	66.3	118.8	142.4	67.4	116.7	139.0	66.5	115.4
Men	149.9	73.6	128.2	145.5	74.3	125.3	142.7	74.3	124.7
Women	126.1	53.0	87.2	124.0	54.8	85.5	115.6	52.8	80.3
Middle managers	56.0	19.1	49.8	55.4	23.1	49.8	52.7	22.9	47.5
Men	58.8	17.3	51.7	58.2	23.2	51.9	55.6	22.9	49.6
Women	51.7	21.9	46.8	51.2	22.9	46.5	48.5	23.0	44.2
Professional areas	36.7	11.5	28.2	36.3	12.3	28.6	34.0	12.4	27.0
Men	38.5	11.9	31.0	38.2	13.4	31.3	35.8	13.4	29.6
Women	35.5	11.4	26.6	35.1	11.8	27.0	32.9	11.9	25.4

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]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Male executives	191.5	88.4	162.1	189.7	88.7	161.1	156.8	79.0	136.4
Female executives	156.8	61.2	105.8	152.6	63.5	103.0	123.7	56.4	85.9
Male middle managers	62.7	19.7	55.3	61.6	25.7	55.2	55.6	24.7	49.9
Female middle managers	54.4	24.4	49.5	53.6	25.5	48.9	48.5	24.7	44.5
Male professional areas	39.6	13.1	32.1	38.7	14.6	32.1	35.8	14.4	29.9
Female professional areas	36.5	12.9	27.8	35.6	13.3	27.8	32.9	13.2	25.8
Average annual remuneration of all employees	49.2	16.3	40.1	48.2	18.1	40.2	43.8	17.5	36.7

This includes basic gross average remuneration and the variable component.

Male/female remuneration ratio [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Ratio of Basic Gross Average remuneration: Executives - women vs. men	0.8	0.7	0.7	0.9	0.7	0.7	0.8	0.7	0.6
Ratio of Basic Gross Average remuneration: Middle managers - women vs. men	0.9	1.3	0.9	0.9	1.0	0.9	0.9	1.0	0.9
Ratio of Basic Gross Average remuneration: Professionals - women vs. men	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Ratio of total average compensation (fixed + variable): Executives - women vs. men	0.8	0.7	0.7	0.8	0.7	0.6	0.8	0.7	0.6
Ratio of total average compensation (fixed + variable): Middle managers - women vs. men	0.9	1.2	0.9	0.9	1.0	0.9	0.9	1.0	0.9
Ratio of total average compensation (fixed + variable): Professionals - women vs. men	0.9	1.0	0.9	0.9	0.9	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		
	2016	2015	2014
Employees with annual performance appraisal [%]	87.3	94.1	92.1
Men	94.1	97.4	97.7
Women	83.3	92.0	88.6
Employees with annual performance appraisal [No.]	21,483	22,047	22,296
Men	8,706	9,043	9,255
Women	12,777	13,004	13,041

In Italy, all staff have a performance appraisal.

Breakdown of branch personnel by category and gender [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Directors	12.2	9.6	11.5	12.2	10.4	11.8	9.9	9.9	9.9
Men	8.0	4.1	7.0	8.1	4.2	7.1	6.9	4.1	6.2
Women	4.2	5.5	4.5	4.1	6.2	4.6	3.0	5.8	3.7
Executive directors	60.5	44.1	56.2	60.4	45.0	56.7	64.3	48.5	60.6
Men	20.6	12.7	18.5	20.8	13.5	19.1	24.3	14.0	21.9
Women	39.9	31.4	37.7	39.6	31.5	37.6	40.0	34.4	38.7
Other	27.3	46.3	32.2	27.4	44.6	31.6	25.8	41.6	29.5
Men	14.9	14.1	14.7	14.7	15.6	14.9	12.7	14.1	13.0
Women	12.5	32.1	17.5	12.7	29.0	16.6	13.1	27.5	16.5

## TRAINING

Training by content [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Managerial	5.2	10.7	6.1	13.2	16.4	13.7	12.6	9.6	12.1
Commercial	2.8	19.3	5.7	10.2	13.6	10.8	6.4	14.3	7.8
Operational	12.9	21.1	14.3	16.0	19.0	16.5	11.8	22.7	13.7
Credit	4.1	9.9	5.1	3.9	9.5	4.8	9.2	10.3	9.4
Finance	42.4	4.9	35.9	27.7	6.6	24.5	31.9	5.7	27.2
Abroad	0.2	0.1	0.2	0.1	0.3	0.2	0.2	0.1	0.2
IT	1.8	3.9	2.2	1.1	6.0	1.8	0.8	6.7	1.9
Specialist	27.9	22.9	27.0	23.1	20.7	22.7	23.7	25.4	24.0
Language	2.7	7.2	3.5	4.6	7.9	5.1	3.5	5.2	3.8

Aid and benefits received relative to personnel [K euro]	2016			2015			2014		
	Italy	Abroad*	Group	Italy	Abroad*	Group	Italy	Abroad*	Group
Aid and benefits received - relative to personnel	6,597	157	6,754	8,632	0	8,632	6,100	1,154	7,254
Aid and benefits received - personnel: of which funded training (only Italy)	6,418	0	6,418	5,792	0	5,792	5,768	0	5,768
Aid and benefits received - personnel: of which other	179	157	336	2,840	0	2,840	332	1,154	1,486

\* The amount only refers to Banca Intesa Russia.

Specific training for the prevention of corruption	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives [%]	17.6	11.6	15.5	25.4	6.8	18.6	42.4	14.3	32.5
Middle managers [%]	32.3	56.1	36.4	49.6	33.3	46.8	74.8	49.2	70.3
Professional areas [%]	38.8	60.3	46.1	48.5	32.8	43.4	62.1	39.5	54.7
Participants [%]	35.7	58.4	42.0	48.6	32.3	44.3	67.2	41.4	60.2
Number of hours of specific training	116,960	47,366	164,326	128,170	29,829	158,000	162,611	40,254	202,865
Hours of specific training/total hours of training [%]	3.6	7.0	4.2	3.7	4.7	3.8	4.7	5.3	4.8

Training by category and gender [average hours]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Directors	31.6	35.2	32.9	42.8	28.6	37.6	38.6	41.7	39.7
Men	30.9	34.9	32.1	41.7	30.4	38.3	38.0	38.0	38.0
Women	35.5	35.7	35.6	49.3	25.4	35.4	42.3	48.1	45.7
Executive directors	52.1	24.5	47.4	60.3	26.6	54.4	59.7	30.3	54.4
Men	50.7	20.7	45.6	59.4	24.0	53.1	58.9	24.2	52.6
Women	54.2	30.3	50.1	61.6	30.7	56.4	60.8	40.2	57.2
Other	49.5	28.0	42.2	50.1	27.3	42.8	50.2	31.7	44.1
Men	46.6	30.6	42.1	48.3	27.8	42.8	46.8	28.4	41.8
Women	51.6	26.9	42.3	51.3	27.0	42.7	52.4	33.2	45.5

Training by procedure	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Classroom training [% of hours]	28.4	82.7	37.7	37.3	81.3	44.1	40.4	77.6	47.1
Remote training [% of hours]	71.6	17.3	62.3	62.7	18.7	55.9	59.6	22.4	52.9
Number of persons registered	61,845	19,117	80,962	63,555	18,689	82,244	63,593	20,092	83,685
Hours of training provided (classroom + remote learning)* [No.]	3,231,110	672,512	3,903,621	3,492,143	635,087	4,127,230	3,495,843	764,664	4,260,507
Hours of training per employee [No.]	50.4	27.3	44.0	54.4	27.1	47.1	54.0	31.6	47.9

\* Does not include WebTv training.

Hours of training on health and safety	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Hours of training on health and safety	143,980	11,495	155,475	114,938	18,271	133,209	53,745	15,042	68,787
Costs of health and safety training [K euro]	686	526	1,212	604	40	644	689	39	728
Hours of health and safety training per employee	2.2	0.5	1.8	1.8	0.8	1.5	0.8	0.6	0.8

Training costs	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Training costs [K euro]	25,244	5,899	31,143	26,156	5,730	31,886	27,608	5,671	33,279
Training costs per staff member [euro]	394	240	351	407	245	364	426	234	374

## INTERNAL COMMUNICATION

Internal communication	2016	2015	2014
WebTv total access*	1,022,390	1,019,751	600,021
House organ: total number of online visits	447,522	783,426	694,818

\* Average, daily, one-time accesses to the company intranet in 2016 accounted for 62,424 hits.

Company climate	2016		2015		2014	
	Italy	Abroad	Italy	Abroad	Italy	Abroad
Climate analysis (% taking part in the survey out of the selected sample)	55.2	52.1	-	-	51.0	51.0
Employee satisfaction index [%]	78.0	77.0	-	-	67.0	78.0
Change in the employee satisfaction index compared to the previous period	13.0	-1.0	-	-	23.0	4.5
Climate analysis number	1	7	-	-	1	1
Number of internal communication events	105	253	110	153	110	165
Number of focus groups	61	17	29	5	31	7
Number of participants in focus groups	488	211	251	93	330	763

Climate surveys were not carried out in 2015.



## TRADE UNION FREEDOM AND LITIGATION

Trade union freedom	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Percentage of employees registered with a trade union	75.7	33.8	64.1	76.2	35.7	65.3	76.3	35.8	65.3
Days' absence for trade union reasons (all permits for trade unionists)	78,924	578	79,502	81,581	332	81,913	75,257	570	75,827
Days' absence for meetings/strikes (also employees who are not trade unionists)	2,325	131	2,456	55,334	125	55,459	19,132	117	19,249
Days' absence for involvement in strikes	383	0	383	38,229	0	38,229	10,791	0	10,791
Days' absence for meetings	1,942	131	2,073	17,104	125	17,229	8,342	117	8,459

The National Collective Bargaining Agreement for the sector covers all employees in Italy.

Disciplinary measures taken against staff	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Written censure and verbal or written reprimand	333	207	540	310	166	476	312	325	637
Reduction in remuneration	0	118	118	0	238	238	6	138	144
Suspension from work with subtraction of remuneration (from 1 to 10 days)	153	0	153	223	2	225	229	1	230
Dismissal for just cause or justified reason	23	211	234	37	215	252	34	229	263
Disciplinary sanctions due to staff corruption	0	0	0	0	0	0	0	0	0
Dismissal due to corruption	0	10	10	0	3	3	0	1	1

In Italy, collective bargaining requires prior 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.

Proceedings pending with staff	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Termination of employment	5	103	108	23	125	148	32	119	151
Establishment and performance of employment	102	6	108	120	3	123	92	6	98
Duties and qualifications	36	25	61	48	33	81	32	43	75
Welfare and assistance	1	5	6	3	2	5	5	3	8
Remuneration	178	51	229	165	47	212	168	26	194
Anti-trade union behaviour	0	0	0	0	0	0	1	1	2
Active (promoted by the bank vis-à-vis staff)	2	109	111	3	198	201	5	97	102
Causes due to mobbing	0	0	0	0	0	0	0	0	0
Miscellaneous	9	44	53	16	46	62	27	53	80
Request from the Provincial Directorate of Labour	1	0	1	1	0	1	53	0	53

## COMPANY WELFARE, HEALTH AND SAFETY

Contributions for staff [K euro]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Insurance and accident policies	12,914	967	13,881	10,730	1,620	12,350	6,883	1,899	8,782
Loyalty bonus	26,601	250	26,850	23,518	303	23,820	17,813	209	18,022
Study contributions for employees' children	3,115	87	3,202	3,066	111	3,177	2,892	88	2,981
Recreational and cultural activities	2,258	1,027	3,285	3,861	965	4,826	2,938	1,132	4,070
Contributions for employees' children with disabilities	1,993	29	2,022	1,932	28	1,959	1,789	26	1,815

Supplementary healthcare and welfare	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Health policies [K euro]	71,499	1,825	73,324	72,393	3,350	75,742	70,396	3,181	73,577
Health assistance: persons assisted	63,823	6,472	70,295	64,213	7,650	71,863	61,962	7,631	69,593
Supplementary retirement benefits [K euro]	131,089	4,005	135,094	129,758	4,083	133,841	121,043	4,393	125,436
Supplementary retirement benefits: persons assisted	61,637	5,783	67,420	64,535	5,967	70,502	62,076	6,139	68,215

Credit facilities for staff	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Mortgages [No.]	3,239	1,237	4,476	2,859	905	3,764	2,765	817	3,582
Total mortgages disbursed [K euro]	515,315	78,116	593,431	437,779	52,683	490,462	402,070	44,194	446,264
Loans [No.]	13,288	4,921	18,209	14,999	4,541	19,540	8,074	4,196	12,270
Total loans disbursed [K euro]	134,100	31,574	165,674	140,390	51,859	192,249	103,430	50,304	153,734

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		
	2016	2015	2014
Number of employees entitled to parental leave	63,336	63,403	63,947
Men	31,132	31,217	31,648
Women	32,204	32,186	32,299
Number of employees using parental leave	3,510	4,374	4,067
Men	284	357	235
Women	3,226	4,017	3,832
Number of employees returning to work after leave	2,786	3,262	2,893
Men	278	312	207
Women	2,508	2,950	2,686
Number of employees returning to work, who are still bank employees in the following 12 months	2,819	3,192	3,740
Men	278	278	159
Women	2,541	2,914	3,581

Parental leave - Rates [%]	Italy		
	2016	2015	2014
Rate of return to work after parental leave*	79.4	74.6	71.1
Men	97.9	87.4	88.1
Women	77.7	73.4	70.1

\* 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.]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total absences	954,426	964,380	1,918,807	1,024,506	836,883	1,861,389	917,627	800,168	1,717,794
Illness	451,938	163,931	615,870	468,508	168,547	637,055	409,732	132,103	541,835
Men	213,314	25,900	239,214	218,930	25,840	244,771	187,589	27,038	214,626
Women	238,625	138,031	376,656	249,578	142,707	392,285	222,144	105,066	327,209
Accident	15,217	2,409	17,626	14,558	2,591	17,148	14,204	3,268	17,472
Men	7,668	352	8,020	6,763	533	7,296	7,017	578	7,595
Women	7,548	2,057	9,605	7,794	2,058	9,852	7,188	2,690	9,878
Child care	235,468	503,644	739,112	286,316	392,537	678,853	272,834	426,556	699,390
Men	5,013	4,309	9,322	6,228	3,354	9,582	7,527	2,743	10,270
Women	230,455	499,335	729,790	280,088	389,183	669,271	265,307	423,813	689,120
Personal and family reasons	115,173	236,257	351,430	121,076	233,819	354,895	101,901	211,914	313,814
Men	42,488	144,084	186,571	44,111	160,409	204,520	35,048	167,968	203,015
Women	72,685	92,174	164,859	76,965	73,410	150,375	66,853	43,946	110,799
Leave for public positions	7,951	519	8,470	7,200	186	7,386	7,935	227	8,162
Men	5,539	145	5,684	5,268	93	5,361	5,785	95	5,880
Women	2,412	374	2,786	1,932	93	2,025	2,150	132	2,282
Leave to donate blood and make other donations	8,038	136	8,173	7,949	119	8,068	7,222	135	7,357
Men	6,021	44	6,065	6,004	27	6,031	5,415	29	5,444
Women	2,017	92	2,109	1,945	92	2,037	1,807	106	1,913
Disability	108,244	983	109,227	102,985	820	103,805	89,607	856	90,463
Men	49,297	410	49,707	47,462	247	47,709	40,171	282	40,453
Women	58,948	573	59,521	55,522	573	56,095	49,436	574	50,010
Other	12,397	56,502	68,899	15,915	38,265	54,179	14,192	25,109	39,301
Men	7,069	14,086	21,154	9,966	6,627	16,592	8,139	5,942	14,080
Women	5,328	42,416	47,744	5,949	31,638	37,587	6,054	19,168	25,221

Days lost are calculated based on calendar business days.

Absence by reason and gender [%]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	6.76	17.82	9.83	7.25	16.24	9.65	6.44	15.03	8.78
Men	2.38	3.50	2.69	2.44	3.83	2.81	2.08	3.84	2.56
Women	4.38	14.32	7.14	4.81	12.42	6.84	4.36	11.19	6.22
Illness	3.20	3.03	3.16	3.32	3.27	3.30	2.88	2.48	2.77
Men	1.51	0.48	1.23	1.55	0.50	1.27	1.32	0.51	1.10
Women	1.69	2.55	1.93	1.77	2.77	2.03	1.56	1.97	1.67
Accident	0.11	0.04	0.09	0.10	0.05	0.09	0.10	0.06	0.09
Men	0.05	0.01	0.04	0.05	0.01	0.04	0.05	0.01	0.04
Women	0.05	0.04	0.05	0.06	0.04	0.05	0.05	0.05	0.05
Child care	1.67	9.31	3.79	2.03	7.62	3.52	1.92	8.01	3.57
Men	0.04	0.08	0.05	0.04	0.07	0.05	0.05	0.05	0.05
Women	1.63	9.23	3.74	1.98	7.55	3.47	1.86	7.96	3.52
Personal and family reasons	0.82	4.37	1.80	0.86	4.54	1.84	0.72	3.98	1.60
Men	0.30	2.66	0.96	0.31	3.11	1.06	0.25	3.16	1.04
Women	0.52	1.70	0.84	0.54	1.42	0.78	0.47	0.83	0.57
Leave for public positions	0.06	0.01	0.04	0.05	0.00	0.04	0.06	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	0.01	0.00	0.01	0.02	0.00	0.01
Leave for blood donations	0.06	0.00	0.04	0.06	0.00	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	0.01	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.01
Disability	0.77	0.02	0.56	0.73	0.02	0.54	0.63	0.02	0.46
Men	0.35	0.01	0.25	0.34	0.00	0.25	0.28	0.01	0.21
Women	0.42	0.01	0.30	0.39	0.01	0.29	0.35	0.01	0.26
Other	0.09	1.04	0.35	0.11	0.74	0.28	0.10	0.47	0.20
Men	0.05	0.26	0.11	0.07	0.13	0.09	0.06	0.11	0.07
Women	0.04	0.78	0.24	0.04	0.61	0.19	0.04	0.36	0.13

Absenteeism and occupational disease - rates	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Rate of absenteeism*	4.20	3.10	3.90	4.65	3.35	4.30	3.85	2.57	3.50
Men	4.07	1.32	3.45	4.50	1.31	3.78	3.61	1.35	3.09
Women	4.34	4.18	4.29	4.79	4.68	4.76	4.08	3.35	3.86
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	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total accidents in the year [No.]	773	94	867	817	92	909	775	103	878
Men	341	24	365	349	20	369	321	17	338
Women	432	70	502	468	72	540	454	86	540
Accident rate*	8.48	2.83	6.96	8.99	2.85	7.37	8.36	3.05	6.93
Men	7.08	1.92	6.05	7.26	1.56	6.08	6.53	1.28	5.43
Women	10.06	3.39	7.82	10.92	3.70	8.61	10.44	4.19	8.38
Working days lost [No.]	15,217	2,409	17,626	14,558	2,591	17,148	14,204	3,268	17,472
Men	7,668	352	8,020	6,763	533	7,296	7,017	578	7,595
Women	7,548	2,057	9,605	7,794	2,058	9,852	7,188	2,690	9,878
Rate of working days lost**	0.16	0.06	0.13	0.15	0.07	0.13	0.14	0.08	0.13
Men	0.15	0.02	0.12	0.13	0.04	0.11	0.13	0.04	0.11
Women	0.16	0.08	0.13	0.17	0.09	0.14	0.15	0.11	0.14
Percentage of accidents out of the number of employees	1.2	0.4	1.0	1.3	0.4	1.0	1.2	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	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Accidents at work [No.]	239	30	269	191	20	211	191	26	217
Men [No.]	105	4	109	82	6	88	72	4	76
Women [No.]	134	26	160	109	14	123	119	22	141
Rate of accidents at work*	2.62	0.90	2.16	2.10	0.62	1.71	2.06	0.77	1.71
Men	2.18	0.32	1.81	1.71	0.47	1.45	1.46	0.30	1.22
Women	3.12	1.26	2.49	2.54	0.72	1.96	2.74	1.07	2.19
Accidents on the way to/from work [No.]	534	64	598	626	72	698	584	77	661
Men [No.]	236	20	256	267	14	281	249	13	262
Women [No.]	298	44	342	359	58	417	335	64	399
Rate of accidents on the way to/from work**	5.86	1.93	4.80	6.89	2.23	5.66	6.30	2.28	5.22
Men	4.90	1.60	4.24	5.55	1.09	4.63	5.06	0.98	4.21
Women	6.94	2.13	5.33	8.38	2.98	6.65	7.70	3.12	6.19

\* 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	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total accidents	773	94	867	817	92	909	775	103	878
Accidents while driving	356	10	366	381	21	402	363	19	382
Falls/slipping	219	44	263	114	39	153	278	43	321
Robberies	7	7	14	7	2	9	8	5	13
Other	191	33	224	315	30	345	126	36	162

Health and safety	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Number of cases presented for occupational disease	9	0	9	6	0	6	3	0	3
Number of serious/very serious accidents	163	8	171	155	3	158	115	19	134
Number of serious/very serious accidents with res judicata sentence	0	3	3	0	2	2	0	7	7
Deaths at work, with res judicata sentence	0	0	0	0	0	0	0	0	0

Robberies	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Robberies	21	4	25	54	8	62	60	12	72
Robberies for every 100 bank counters	0.6	0.4	0.5	1.5	0.8	1.3	1.5	1.1	1.4



## Shareholders

Communications	2016	2015	2014
Group institutional presentations	60	58	62
Public financial disclosures	213	233	259
Roadshows	82	68	40
Europe	63	63	34
United States	18	4	4
Asia	1	1	2
Meetings with investors and analysts	600	539	422
Requests received and resolved by the shareholders' help desk	12,000	12,000	12,000

Recommendations [%]	December 2016	December 2015	December 2014
Buy	74	54	67
Hold	23	40	28
Sell	3	6	5

During 2016, the stock was monitored and covered by 31 analysts compared to 35 in 2015. The opinions expressed highlight the improved perception of the Group by the market with the attainment of the objectives established by the 2014-2017 Business Plan in terms of asset strength, risk profile, profitability and dividends.

## Governance

Composition of governance bodies	
Board of Directors	2016
Members of the Board of Directors	19
By gender:	
men	12
women	7
By age group:	
≤30	0
31-50	2
>50	17

# Suppliers

2016 breakdown of procurement expenses	[m]	[%]
IT services	626	23.9
General structure costs and services provided by third parties	620	23.7
Real estate management	529	20.2
Professional and legal	417	15.9
Other	296	11.3
Advertising and promotional	132	5.0
<b>Administrative expenses</b>	<b>2,620</b>	<b>100</b>

The figures refer to the reclassified consolidated income statement published in 2016 Financial Statements of Intesa Sanpaolo.

Suppliers by country/continent *	No. suppliers	[%]
Italy	30,726	96.8
Europe (excluding Italy)	738	2.3
Americas	197	0.6
Rest of the world	73	0.3
<b>Total</b>	<b>31,734</b>	<b>100</b>

\* Procurement carried out by Intesa Sanpaolo and companies within the Italy boundary.

Supplier portal (Italy)	2016	2015	2014
Suppliers registered with the supplier portal [No.]	8,777	7,511	6,394

Supplier audits (Italy)	2016	2015	2014
Contractual audits on labour law/safety [No.]	948	850	800

# Environment

## DIRECT IMPACT

Parameters	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Operators = Staff + Consultants	No.	67,531	24,731	92,262	67,599	23,590	91,189	67,505	24,294	91,799
Staff	No.	64,129	24,596	88,725	64,223	23,419	87,642	64,733	24,199	88,932
Consultants	No.	3,402	135	3,537	3,376	171	3,547	2,772	95	2,867
Total transfers	No.	607,687	20,646	628,333	677,999	23,690	701,689	642,529	22,350	664,879
Total transport	km	129,424,335	31,875,572	161,299,907	118,595,670	30,959,439	149,555,108	128,462,531	33,140,816	161,603,348
Useable area	m <sup>2</sup>	2,901,657	711,210	3,612,866	2,997,789	679,720	3,677,509	2,980,228	646,059	3,626,287

Greenhouse gas emissions [CO <sub>2</sub> e]	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
<b>Total direct + indirect emissions (Scope 1 + 2)</b>	<b>tCO<sub>2</sub>e</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>	<b>44,693</b>	<b>46,791</b>	<b>91,483</b>
Total direct + indirect emissions per staff member	tCO <sub>2</sub> e/ staff member	0.6	1.5	0.8	0.6	1.8	0.9	0.7	1.9	1.0
<b>Direct emissions (Scope1)</b>	<b>tCO<sub>2</sub>e</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>	<b>37,400</b>	<b>7,876</b>	<b>45,277</b>
Natural gas consumption for autonomous heating	tCO <sub>2</sub> e	19,790	3,178	22,968	24,316	3,492	27,807	23,072	3,527	26,599
Natural gas consumption for cogeneration	tCO <sub>2</sub> e	5,378	0	5,378	6,216	0	6,216	7,081	0	7,081
Diesel fuel consumption for autonomous heating	tCO <sub>2</sub> e	1,801	461	2,262	1,441	825	2,265	1,963	785	2,748
Emissions from petrol (company fleet)	tCO <sub>2</sub> e	64	1,044	1,109	149	1,285	1,434	277	1,237	1,514
Emissions from diesel fuel (company fleet)	tCO <sub>2</sub> e	6,223	2,286	8,509	3,880	2,327	6,208	5,006	2,327	7,334
<b>Indirect emissions (Scope2)</b>	<b>tCO<sub>2</sub>e</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>	<b>7,293</b>	<b>38,914</b>	<b>46,207</b>
Emissions from electricity consumption (excluding cogeneration)	tCO <sub>2</sub> e	777	28,823	29,600	1,664	32,488	34,152	1,836	36,547	38,383
Emissions from natural gas for building heating (including remote district heating)	tCO <sub>2</sub> e	3,039	2,355	5,393	3,004	2,259	5,263	4,576	2,266	6,842
Emissions from diesel fuel for building heating	tCO <sub>2</sub> e	767	97	864	714	96	810	881	101	982
<b>Other indirect emissions (Scope3)</b>	<b>tCO<sub>2</sub>e</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>	<b>20,132</b>	<b>5,232</b>	<b>25,365</b>
Business trips	tCO <sub>2</sub> e	8,350	1,444	9,794	9,324	865	10,189	9,512	1,041	10,553
Purchased paper	tCO <sub>2</sub> e	4,443	2,436	6,880	4,885	2,356	7,241	5,221	2,226	7,446
Waste	tCO <sub>2</sub> e	242	23	265	242	11	252	176	13	189
Office machinery	tCO <sub>2</sub> e	7,170	2,750	9,920	6,343	2,313	8,656	5,224	1,953	7,176
Internet Banking	tCO <sub>2</sub> e	817	192	1,009	959	n.d.	959	n.d.	n.d.	n.d.
<b>Total emissions (Scope1 + 2 + 3)</b>	<b>tCO<sub>2</sub>e</b>	<b>58,862</b>	<b>45,089</b>	<b>103,950</b>	<b>63,136</b>	<b>48,315</b>	<b>111,451</b>	<b>64,825</b>	<b>52,023</b>	<b>116,848</b>

Emissions of other gas which are harmful to the ozone layer (NO <sub>x</sub> , SO <sub>2</sub> )	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
NO <sub>x</sub> emissions	t	38	45	83	38	56	94	36	64	101
SO <sub>2</sub> emissions	t	2	56	58	3	68	71	3	111	114

Energy consumption broken down by source	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
<b>Total direct + indirect energy (Scope1 + 2)</b>	<b>GJ</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>	<b>2,020,018</b>	<b>571,850</b>	<b>2,591,868</b>
Total direct + indirect energy per staff member	GJ/staff member	27.6	22.1	26.1	29.4	23.3	27.9	29.9	23.5	28.2
<b>Direct primary energy consumption (Scope1)</b>	<b>GJ</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>	<b>624,828</b>	<b>123,323</b>	<b>748,151</b>
Natural gas consumption for autonomous heating	GJ	345,496	56,814	402,310	424,285	62,524	486,810	403,000	63,302	466,301
Natural gas consumption for cogeneration	GJ	93,897	0	93,897	108,463	0	108,463	123,684	0	123,684
Diesel fuel consumption for autonomous heating	GJ	24,238	6,630	30,868	19,387	11,722	31,109	26,380	11,205	37,584
Petrol consumption for the fleet	GJ	864	14,011	14,875	2,015	17,414	19,429	3,864	17,251	21,115
Diesel fuel consumption for the fleet	GJ	85,778	31,514	117,291	53,656	32,178	85,834	67,900	31,566	99,466
<b>Indirect primary energy consumption (Scope2)</b>	<b>GJ</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>	<b>1,395,190</b>	<b>448,527</b>	<b>1,843,717</b>
Electricity consumption (excluding cogeneration)	GJ	1,247,129	322,879	1,570,008	1,320,870	323,983	1,644,853	1,303,426	340,794	1,644,220
Natural gas consumption for building heating (including remote district heating)	GJ	53,048	112,992	166,040	52,419	101,227	153,646	79,929	106,302	186,231
Diesel fuel consumption for building heating	GJ	10,323	1,368	11,691	9,604	1,363	10,967	11,835	1,431	13,266
<b>Total electricity focus (including cogeneration)</b>										
Electricity per staff member	kWh/staff member	5,273	3,627	4,831	5,590	3,815	5,131	5,547	3,897	5,110
Electricity per m <sup>2</sup>	kWh/m <sup>2</sup>	123	126	123	126	132	127	126	147	129
Electricity from renewable sources	%	96.6	15.2	80.2	95.8	9.6	79.2	95.4	5.6	77.3
Electricity from cogeneration	%	2.7	0	2.2	2.9	0	2.3	3.3	0	2.6
<b>Other indirect primary energy consumption (Scope3)</b>	<b>GJ</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>	<b>415,593</b>	<b>155,210</b>	<b>570,803</b>
Business trips	GJ	104,370	19,680	124,051	118,302	11,737	130,040	124,104	14,272	138,376
Purchased paper	GJ	175,397	123,257	298,654	192,063	119,304	311,367	211,933	111,809	323,742
Waste	GJ	3,554	301	3,855	2,794	138	2,932	2,088	170	2,258
Office machinery	GJ	107,193	41,113	148,306	95,393	34,785	130,178	77,469	28,960	106,429
Internet Banking	GJ	15,118	3,569	18,687	17,746	n.a.	17,746	n.a.	n.a.	n.a.
<b>Total energy (Scope1 + 2 + 3)</b>	<b>GJ</b>	<b>2,266,405</b>	<b>734,128</b>	<b>3,000,533</b>	<b>2,416,997</b>	<b>716,377</b>	<b>3,133,374</b>	<b>2,435,611</b>	<b>727,060</b>	<b>3,162,671</b>

Some 2014 data were recalculated, based on changes to reporting items.

Transport	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Air travel	km	35,363,771	5,350,126	40,713,898	36,843,486	5,676,121	42,519,607	38,719,462	6,789,570	45,509,032
Train travel	km	37,017,907	384,468	37,402,375	30,741,076	529,929	31,271,005	30,192,272	595,744	30,788,016
Company fleet	km	43,541,498	21,204,864	64,746,362	29,298,742	23,734,831	53,033,573	37,815,909	24,777,104	62,593,013
Personal cars	km	13,501,159	4,936,114	18,437,273	21,712,365	1,018,558	22,730,923	21,734,889	978,398	22,713,287
Remote connections	No.	49,469,801	3,335	49,473,136	21,303	890	22,193	16,161	1,859	18,020
<b>Total transport for staff on assignment</b>	km/staff member.	213	1,544	257	175	1,307	213	200	1,483	243

Annual figures not comparable: 2016 figures include video conferences and other remote connection procedures.

Use of raw materials - paper	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Purchased paper	t	5.466	2.027	7.493	6.038	1.955	7.992	6.214	1.880	8.093
Purchased paper / staff member	kg/staff member	80,9	81,9	81,2	89,3	82,9	87,6	92,0	77,4	88,2
Recycled paper out of total paper	%	68,9	24,6	56,9	69,3	24,3	58,3	65,8	26,7	56,7
Ratio of FSC paper out of the total	%	4,0	16,4	7,3	3,7	18,9	7,4	3,5	16,8	6,6
Ratio of ECT/TCF paper out of the total	%	0,5	19,5	5,6	0,6	19,7	5,3	0,6	21,9	5,6
Ratio of FSC and ECT/TCF paper out of the total	%	19,7	10,4	17,2	20,4	10,9	18,1	22,4	11,5	19,9
Ratio of other certified paper out of the total	%	0,0	7,5	2,0	0,0	4,5	1,1	0,1	2,5	0,6

Consumption of water by source	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total water consumed	m <sup>3</sup>	1,828,505	530,938	2,359,444	1,853,403	527,907	2,381,310	1,592,722	547,304	2,140,026
Total water consumed / staff member	m <sup>3</sup> /staff member	27.1	21.5	25.6	27.4	22.4	26.1	23.6	22.5	23.3

Total weight of waste by type	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total waste	t	2,732	724	3,456	2,958	576	3,534	2,652	593	3,245
Total waste / staff member	kg/staff member	40.4	29.3	37.5	43.8	24.4	38.8	39.3	24.4	35.3
Total special waste	t	2.712	666	3.378	2.873	568	3.442	2.613	568	3.181
Total hazardous waste	t	20	58	78	85	8	93	39	25	64

Total weight of waste by disposal method	Unit	2016			2015			2014		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Recycling	t	953	506	1,459	1,175	494	1,669	1,160	459	1,620
Reuse/recovery	t	1,511	154	1,665	1,567	56	1,623	1,247	71	1,318
Landfill	t	162	54	217	175	8	182	134	20	155
Incinerator for energy recovery	t	105	10	115	42	18	60	110	42	153

Figures are in part estimated from information from waste disposal service suppliers.

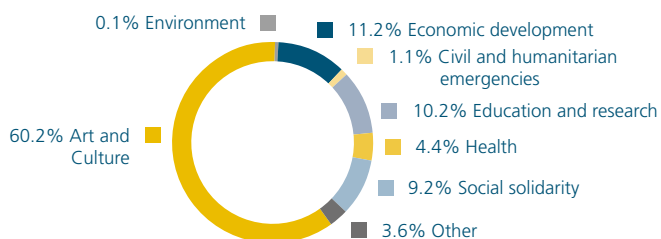
# Community

## CONTRIBUTION TO THE COMMUNITY

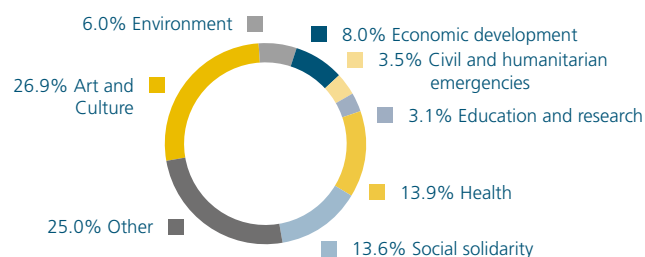
Contribution to the community by type [K euro]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Monetary contribution to the community	43,699	2,713	46,412	50,607	2,424	53,031	50,508	4,608	55,116
Goods and services donated to the community	10	17	27	2	0	2	0	3	3
Time contributions	16	130	146	0	70	70	1,433	89	1,522
Operating costs	3,429	253	3,682	3,526	24	3,550	3,274	329	3,603
<b>Overall contribution to the community</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>	<b>55,214</b>	<b>5,029</b>	<b>60,243</b>

### Monetary contribution to the community by area of activity [%]

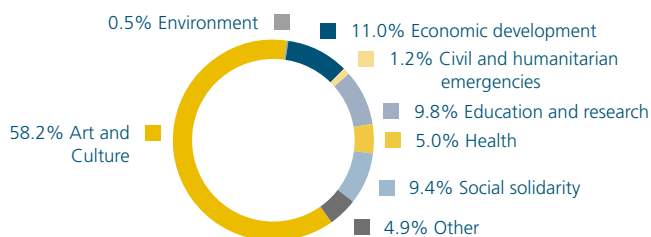
#### Italy



#### Abroad



#### Group



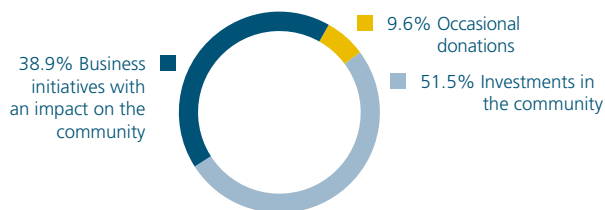


Monetary contribution to the community by area of activity [K euro]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Art and Culture	26,285	730	27,015	33,052	513	33,564	26,585	1,036	27,621
Social solidarity	4,003	369	4,372	3,528	361	3,889	4,261	1,259	5,520
Health	1,931	377	2,308	1,856	465	2,320	3,493	390	3,883
Education and research	4,450	84	4,535	3,497	159	3,656	4,039	290	4,330
Civil and humanitarian emergencies	469	94	563	193	33	226	31	150	181
Economic development	4,906	216	5,123	6,199	315	6,514	7,038	398	7,435
Environment	58	164	222	854	75	928	1,307	201	1,508
Other	1,597	677	2,274	1,429	505	1,935	3,754	884	4,637
<b>Total monetary contribution to the community</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>	<b>50,508</b>	<b>4,608</b>	<b>55,116</b>

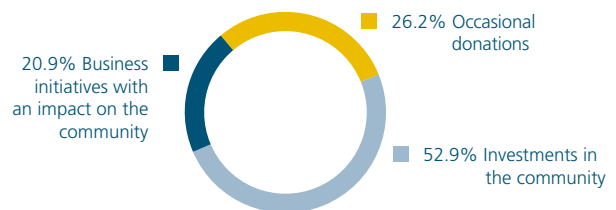
Monetary contribution to the community by reason [K euro]	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Occasional donations	4,179	710	4,889	3,436	733	4,169	4,535	1,676	6,211
Investments in the community	22,523	1,435	23,958	25,928	1,202	27,129	21,328	2,110	23,438
Business initiatives with an impact on the community	16,997	568	17,565	21,244	489	21,733	24,645	822	25,466
<b>Total monetary contribution to the community</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>	<b>50,508</b>	<b>4,608</b>	<b>55,116</b>

### Monetary contribution to the community by reason [%]

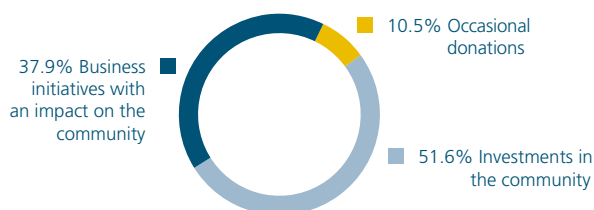
#### Italy



#### Abroad



#### Group



Company voluntary work	2016			2015		
	Italy	Abroad	Group	Italy	Abroad	Group
Total monetary contribution of hours of company voluntary work [K euro]	16	130	146	0	70	70
Hours of company voluntary work	567	11,713	12,280	0	6,777	6,777
Number of staff involved in company voluntary work	75	904	979	0	552	552

Contribution to the community: geographic distribution [K euro]*	2016	2015
European Union	48,635	55,718
Other European countries	610	560
Africa	1,022	375
<b>Total contribution to the community</b>	<b>50,267</b>	<b>56,653</b>

\* Data recorded based on the geographic area of the Group Bank making the contribution.

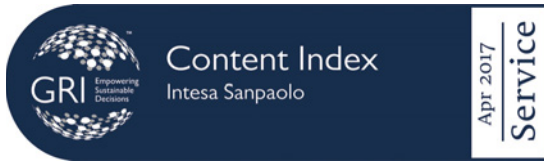
## THIRD SECTOR

Banca Prossima	2016	2015	2014
Customers	58,376	55,132	51,823
Customers with loans	10,217	9,278	7,674
Office staff [K euro]	1,680,733	1,595,065	1,490,092
Direct funding [K euro]	3,142,941	2,670,814	2,461,600
Indirect funding [K euro]	4,525,536	4,256,860	4,262,795

## MEDIA RELATIONS

Media relations	2016	2015	2014
Press releases	703	605	430
Press conferences	97	87	75
Presentation of products and initiatives	121	110	112

# GRI - General standard disclosure



## GRI CONTENT INDEX "IN ACCORDANCE" CORE

KPMG S.p.A. has carried out a "limited assurance engagement" on the Intesa Sanpaolo Group 2016 Sustainability Report and provides its overall conclusions therein. As far as the scope of activities and procedures are concerned, please refer to the Statement released by the independent auditor on pages 183-185.

GENERAL STANDARD DISCLOSURE	Page	External Assurance	SDG* Linkage to GRI Disclosures
<b>STRATEGY AND ANALYSIS</b>			
G4-1	pages 6-7; page 9; pages 134-135	✓ pages 183-185	
G4-2	page 9; page 15	✓ pages 183-185	
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	page 186	✓ pages 183-185	
G4-4	page 12; About us [i]; Our Brand [i]	✓ pages 183-185	
G4-5	page 186	✓ pages 183-185	
G4-6	page 12; A Presentation of the Group (pages 31-32) [i]	✓ pages 183-185	
G4-7	page 186	✓ pages 183-185	
G4-8	page 12; A Presentation of the Group (page 3; page 30) [i]	✓ pages 183-185	
G4-9	page 20; page 146 A Presentation of the Group (page 5; page 22) [i]	✓ pages 183-185	
G4-10	pages 146-148 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.	✓ pages 183-185	8.5

\* Sustainable Development Goals of the United Nations.

GENERAL STANDARD DISCLOSURE	Page	External Assurance	SDG* Linkage to GRI Disclosures
G4-11	page 156	✓ pages 183-185	8.8
G4-12	page 96; page 163	✓ pages 183-185	
G4-13	page 20; page 182 No changes in the supply chain.	✓ pages 183-185	
G4-14	pages 27-28; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 64) [i]	✓ pages 183-185	
G4-15	page 39	✓ pages 183-185	
G4-16	Our partnerships in sustainability [i]	✓ pages 183-185	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	page 182; Financial Reports (Report and consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2016 pages 540-541) [i]	✓ pages 183-185	
G4-18	pages 21-24	✓ pages 183-185	
G4-19	page 22; page 181	✓ pages 183-185	
G4-20	page 181	✓ pages 183-185	
G4-21	page 181	✓ pages 183-185	
G4-22	pages 139-140; page 182	✓ pages 183-185	
G4-23	page 23; page 182	✓ pages 183-185	
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	page 78	✓ pages 183-185	
G4-25	The dialogue with stakeholders [i]	✓ pages 183-185	
G4-26	pages 79-80; The dialogue with stakeholders [i]	✓ pages 183-185	
G4-27	pages 80-81; The dialogue with stakeholders [i]	✓ pages 183-185	
<b>REPORT PROFILE</b>			
G4-28	page 182	✓ pages 183-185	
G4-29	page 182	✓ pages 183-185	
G4-30	page 182	✓ pages 183-185	
G4-31	page 186	✓ pages 183-185	
G4-32	page 170	✓ pages 183-185	
G4-33	pages 183-185; This Report has been verified by the independent Firm KPMG which also audits the Group's Annual Report. The Report has been submitted for the approval of the Bank's Boards in their meetings of 27 <sup>th</sup> April 2017.	✓ pages 183-185	

\* Sustainable Development Goals of the United Nations.

GENERAL STANDARD DISCLOSURE	Page	External Assurance	SDG* Linkage to GRI Disclosures
<b>GOVERNANCE</b>			
G4-34	page 16-17; page 20	✓ pages 183-185	
G4-35	page 53; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 83) [i]	✓ pages 183-185	
G4-36	page 13; pages 53-54	✓ pages 183-185	
G4-37	page 20; pages 53-54; Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 83) [i]	✓ pages 183-185	16.7
G4-38	pages 16-17; page 162	✓ pages 183-185	5.5; 16.7
G4-39	page 17	✓ pages 183-185	16.6
G4-40	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 30-32; page 55) [i]	✓ pages 183-185	5.5; 16.7
G4-41	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 38-40; page 116) [i]	✓ pages 183-185	16.6
G4-42	pages 13-14	✓ pages 183-185	
G4-43	page 14; page 18	✓ pages 183-185	4.3
G4-44	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 40-41; page 50) [i]	✓ pages 183-185	
G4-45	page 27; pages 53-54; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 54-55) [i]	✓ pages 183-185	16.7
G4-46	page 27; pages 53-54; Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 54-55) [i]	✓ pages 183-185	
G4-47	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 48-49) [i]	✓ pages 183-185	
G4-48	page 14	✓ pages 183-185	
G4-49	pages 53-54	✓ pages 183-185	
G4-50	page 54	✓ pages 183-185	
G4-51	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 97-99) [i], Remuneration and Equity investments [i]	✓ pages 183-185	
G4-52	Report on Corporate Governance and Ownership Structures - Report on Remuneration (pages 95-96) [i]	✓ pages 183-185	
G4-53	Report on Corporate Governance and Ownership Structures - Report on Remuneration (page 95) [i]	✓ pages 183-185	16.7
<b>ETHICS AND INTEGRITY</b>			
G4-56	Code of Ethics (page 7; page 9) [i]	✓ pages 183-185	16.3
G4-57	pages 53-54	✓ pages 183-185	16.3
G4-58	pages 53-54; Code of Ethics (pages 22-23) [i]	✓ pages 183-185	16.3

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# GRI - Specific standard disclosure

Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
<b>CATEGORY: ECONOMIC</b>					
<b>Economic Performance</b>					
	G4-DMA	pages 25-26		✓ pages 183-185	
	G4-EC1	page 52; page 98; pages 139-140		✓ pages 183-185	2a; 5.4; 8.1; 9.1; 9.5
	G4-EC2	pages 120-121; Climate change [i]		✓ pages 183-185	13.1
	G4-EC3	page 92; Financial Reports (Report and consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2016 pages 280-282) [i]		✓ pages 183-185	
	G4-EC4	page 51; page 154		✓ pages 183-185	
<b>Market Presence</b>					
	G4-DMA	pages 25-26		✓ pages 183-185	
	G4-EC5	page 152		✓ pages 183-185	1.1; 5.1; 8.5
	G4-EC6	page 149		✓ pages 183-185	8.5
<b>Indirect Economic Impact</b>					
	G4-DMA	pages 25-26		✓ pages 183-185	
	G4-EC7	pages 56-57; page 98		✓ pages 183-185	11.2
	G4-EC8	page 52; page 68;		✓ pages 183-185	
<b>CATEGORY: ENVIRONMENTAL</b>					
<b>Materials</b>					
	G4-DMA	pages 37-38		✓ pages 183-185	
	G4-EN1	pages 130-132; page 166		✓ pages 183-185	8.4; 12.2
	G4-EN2	pages 130-131; page 166		✓ pages 183-185	8.4; 12.2; 12.5
<b>Energy</b>					
	G4-DMA	pages 37-38; Environmental and Energy management system [i]		✓ pages 183-185	
	G4-EN3	page 165		✓ pages 183-185	7.2; 7.3; 8.4; 12.2; 13.1

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
	G4-EN4	page 165		✓ pages 183-185	7.2; 7.3; 8.4; 12.2; 13.1
	G4-EN5	page 165		✓ pages 183-185	7.3; 8.4; 12.2; 13.1
	G4-EN6	pages 128-129		✓ pages 183-185	7.3; 8.4; 12.2; 13.1
	G4-EN7	pages 122-123		✓ pages 183-185	7.3; 8.4; 12.2; 13.1
<b>Water</b>					
	G4-DMA	page 37-38; Water [i]		✓ pages 183-185	
	G4-EN8	page 166		✓ pages 183-185	6.4
<b>Emissions</b>					
	G4-DMA	page 37-38; Greenhouse gas emissions [i]		✓ pages 183-185	
	G4-EN15	page 126; pages 164-165; Emission Factors [i]		✓ pages 183-185	3.9; 12.4; 13.1; 14.3; 15.2
	G4-EN16	page 126; pages 164-165; Emission Factors [i]		✓ pages 183-185	3.9; 12.4; 13.1; 14.3; 15.2
	G4-EN17	page 126; pages 164-165; Emission Factors [i]		✓ pages 183-185	3.9; 12.4; 13.1; 14.3; 15.2
	G4-EN18	page 126; page 164		✓ pages 183-185	13.1; 14.3; 15.2
	G4-EN19	page 126		✓ pages 183-185	13.1; 14.3; 15.2
	G4-EN20	page 126		✓ pages 183-185	13.1; 14.3; 15.2
	G4-EN21	page 126; page 165		✓ pages 183-185	3.9; 12.4; 14.3; 15.2
<b>Effluents and waste</b>					
	G4-DMA	page 37-38; Waste [i]		✓ pages 183-185	
	G4-EN23	pages 131-132; page 166		✓ pages 183-185	3.9; 6.3; 12.4; 12.5
<b>Product and services</b>					
	G4-DMA	page 37-38; Green products and services [i]		✓ pages 183-185	
	G4-EN27	pages 122-123; page 126		✓ pages 183-185	6.4; 8.4; 12.2; 12.4; 12.5; 13.1; 14.3; 15.2
<b>Compliance</b>					
	G4-DMA	pages 37-38; Code of Ethics (pages 22-23) [i]		✓ pages 183-185	
	G4-EN29	page 84		✓ pages 183-185	16.3
<b>Transport</b>					
	G4-DMA	page 37-38; Mobility [i]		✓ pages 183-185	
	G4-EN30	pages 129-130; pages 164-166		✓ pages 183-185	11.2; 12.4; 13.1

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
<b>Overall</b>					
	G4-DMA	pages 37-38; Climate change [i]		✓ pages 183-185	
	G4-EN31	page 132		✓ pages 183-185	7a; 9.4; 12.4; 12.5; 13.1; 13.3; 14.3; 15.1
<b>Environmental Grievance Mechanism</b>					
	G4-DMA	pages 37-38; page 54		✓ pages 183-185	
	G4-EN34	page 54		✓ pages 183-185	16.3
<b>CATEGORY: SOCIAL</b>					
<b>LABOR PRACTICES AND DECENT WORK</b>					
<b>Employment</b>					
	G4-DMA	pages 31-32		✓ pages 183-185	
	G4-LA1	pages 151-152		✓ pages 183-185	5.1; 8.5; 8.6
	G4-LA2	page 157		✓ pages 183-185	8.5
	G4-LA3	pages 157-158	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	✓ pages 183-185	5.1; 8.5
<b>Labor/Management relations</b>					
	G4-DMA	pages 31-32; Labour/Management relations [i]		✓ pages 183-185	
	G4-LA4	page 156		✓ pages 183-185	8.8
<b>Occupational Health and Safety</b>					
	G4-DMA	pages 27-28; Health and safety [i]		✓ pages 183-185	
	G4-LA5	page 92 The Welfare Committee is made up of company and employee representatives. It represents 100% of the Group's employees in Italy		✓ pages 183-185	8.8
	G4-LA6	pages 159-161		✓ pages 183-185	3.4; 3.9; 8.8
	G4-LA8	page 58; page 92		✓ pages 183-185	8.8
	FSS DMA	page 59		✓ pages 183-185	

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
<b>Training and education</b>					
	G4-DMA	pages 31-32; Training [i]		✓ pages 183-185	
	G4-LA9	pages 154-155		✓ pages 183-185	4.3; 4.4; 4.5; 5.1; 8.5
	G4-LA10	pages 154-155		✓ pages 183-185	8.5
	G4-LA11	page 153		✓ pages 183-185	5.1; 8.5
<b>Diversity and equal opportunity</b>					
	G4-DMA	pages 31-32; Diversity [i]		✓ pages 183-185	
	G4-LA12	page 162; page 146-149		✓ pages 183-185	5.1; 5.5; 8.5
<b>Equal remuneration for women and men</b>					
	G4-DMA	pages 31-32; Professional development [i]		✓ pages 183-185	
	G4-LA13	pages 152-153		✓ pages 183-185	5.1; 8.5; 10.2
<b>Labor practices grievance mechanism</b>					
	G4-DMA	pages 53-54		✓ pages 183-185	
	G4-LA16	page 54		✓ pages 183-185	16.3
<b>HUMAN RIGHTS</b>					
<b>Investments</b>					
	G4-DMA	pages 27-28; Code of Ethics (page 9; page 12) [i]; Human Rights [i]		✓ pages 183-185	
	G4-HR1	pages 56-57		✓ pages 183-185	
	G4-HR2	pages 154-155		✓ pages 183-185	
<b>Non discrimination</b>					
	G4-DMA	Code of Ethics (pages 9-10; page 15) [i]; Diversity [i]		✓ pages 183-185	
	G4-HR3	page 54		✓ pages 183-185	5.1; 8.8; 16.b
<b>Freedom of association and collective bargaining</b>					
	G4-DMA	Code of Ethics (page 9) [i]; Labour/Management relations [i]; Human Rights [i]		✓ pages 183-185	
	G4-HR4	pages 56-57	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to investments	✓ pages 183-185	8.8

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
<b>Child Labor</b>					
	G4-DMA	Code of Ethics (page 9) [i]; Human Rights [i]		✓ pages 183-185	
	G4-HR5	pages 56-57	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to investments	✓ pages 183-185	8.7; 16.2
<b>Forced or Compulsory Labor</b>					
	G4-DMA	Code of Ethics (page 9) [i]; Human Rights [i]		✓ pages 183-185	
	G4-HR6	pages 56-57	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to investments	✓ pages 183-185	8.7
<b>Indigenous Rights</b>					
	G4-DMA	Code of Ethics (page 12) [i]; Human Rights [i]; Equator Principles [i]		✓ pages 183-185	
	G4-HR8	page 54; Equator Principles [i]		✓ pages 183-185	
<b>Assessment</b>					
	G4-DMA	page 54; Human Rights [i]		✓ pages 183-185	
	G4-HR9	pages 56-57; page 145		✓ pages 183-185	
<b>Human Rights Grievance Mechanism</b>					
	G4-DMA	page 54; Human Rights [i]		✓ pages 183-185	
	G4-HR12	page 54		✓ pages 183-185	16.3
<b>SOCIETY</b>					
<b>Local Community</b>					
	G4-DMA	pages 27-28; Code of Ethics (page 9; page 19) [i]; Equator Principles [i]		✓ pages 183-185	
	G4-SO1	pages 56-57		✓ pages 183-185	
	G4-SO2	pages 56-57		✓ pages 183-185	1.4
<b>Anti-corruption</b>					
	G4-DMA	pages 29-30; Monitoring against corruption [i]; Code of Ethics (page 9) [i]; Responsible Investments [i]		✓ pages 183-185	

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
	G4-SO3	pages 81-82; Monitoring against corruption [i]		✓ pages 183-185	16.5
	G4-SO4	page 154		✓ pages 183-185	16.5
	G4-SO5	page 156		✓ pages 183-185	16.5
<b>Public Policy</b>					
	G4-DMA	CSR Policies (Policy concerning the financing of political parties) [i]		✓ pages 183-185	
	G4-SO6	page 82		✓ pages 183-185	
<b>Anti-Competitive Behaviour</b>					
	G4-DMA	pages 29-30; Protection of free competition [i]		✓ pages 183-185	
	G4-SO7	pages 83-84		✓ pages 183-185	16.3
<b>Compliance</b>					
	G4-DMA	pages 29-30; Code of Ethics (page 7; page 9) [i]; Protection of free competition [i]		✓ pages 183-185	
	G4-SO8	page 84		✓ pages 183-185	16.3
<b>Grievance Mechanisms for impacts on society</b>					
	G4-DMA	page 54		✓ pages 183-185	
	G4-SO11	page 54		✓ pages 183-185	16.3
<b>PRODUCT RESPONSIBILITY</b>					
<b>Customer Health and Safety</b>					
	G4-DMA	pages 27-28; Health and safety [i]		✓ pages 183-185	
	G4-PR1	pages 57-59; page 161		✓ pages 183-185	
	G4-PR2	No penalty or fines for non compliance with regulation, no incidents of non compliance with voluntary codes regarding customer Health and Safety		✓ pages 183-185	16.3
<b>Product and service labelling</b>					
	G4-DMA	pages 67-68; Transparency to customer [i]		✓ pages 183-185	
	G4-PR4	Financial Reports (Report and consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2016 page 394 Dispute concerning other banking products) [i]		✓ pages 183-185	16.3
	G4-PR5	pages 86-88		✓ pages 183-185	

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
<b>Marketing Communications</b>					
	G4-DMA	page 57	Controversial sectors [i]	✓	pages 183-185
	G4-PR6	page 57		✓	pages 183-185
	G4-PR7	Transparency to customer [i]		✓	pages 183-185 16.3
<b>Customer Privacy</b>					
	G4-DMA	pages 29-30; Code of Ethics (page 12) [i]; Security and privacy [i]		✓	pages 183-185
	G4-PR8	page 83; page 144		✓	pages 183-185 16.3; 16.10
<b>Compliance</b>					
	G4-DMA	pages 29-30; Code of Ethics (page 12) [i]		✓	pages 183-185
	G4-PR9	Financial Reports (Report and consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2016 pages 394-396) [i]		✓	pages 183-185 16.3
<b>FINANCIAL SECTOR SUPPLEMENTS</b>					
<b>CATEGORY: SOCIAL</b>					
<b>SOCIETY</b>					
<b>Local Community</b>					
	FS13	page 142		✓	pages 183-185 1.4; 8.10; 10.2
	FS14	page 86; Proximity [i]		✓	pages 183-185 1.4; 8.10; 10.2
<b>PRODUCT RESPONSIBILITY</b>					
<b>Product and Service Labelling</b>					
	FS15	pages 67-68; Relationship with customers [i]		✓	10.5
	FS16	pages 75-76		✓	pages 183-185 1.4; 8.10; 10.2
<b>SECTOR SPECIFIC CATEGORY: PRODUCT AND SERVICE IMPACT</b>					
<b>Product Portfolio</b>					
	FS1	page 56; page 57; page 120; CSR Policies [i]		✓	pages 183-185 10.5
	FS2	page 56; page 57; page 128		✓	pages 183-185 10.5
	FS3	pages 56-57; Equator Principles [i]		✓	pages 183-185 10.5
	FS4	page 124; Green products and services [i]		✓	pages 183-185 10.5
	FS5	pages 56-57; page 67; Equator Principles [i]		✓	pages 183-185 10.5

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Material aspect	DMA and indicator	Page	Omissions	External Assurance	SDG*Linkage to GRI Disclosures
	FS6	page 12; page 143; About us (A presentation of the Group Page 30) [i]		✓ pages 183-185	1.4; 8.3; 8.10; 9.3
	FS7	page 68		✓ pages 183-185	1.4; 8.3; 8.10; 9.3; 10.2; 11.1
	FS8	page 122		✓ pages 183-185	
<b>Audit</b>					
	FS9	Code of Ethics - Implementation and governance [i]; Monitoring against corruption [i]		✓ pages 183-185	10.5
<b>Active Ownership</b>					
	FS10	page 66; page 144		✓ pages 183-185	10.5
	FS11	page 65		✓ pages 183-185	10.5
	FS12	page 65		✓ pages 183-185	

\* Sustainable Development Goals of the United Nations.

## NON GRI MATERIAL ASPECT

Material aspect	DMA	Page	External Assurance
<b>PROTECTION OF SOLIDITY AND PROFITABILITY</b>	Generic DMA	pages 25-26	✓ pages 183-185
<b>BUSINESS RISK MANAGEMENT</b>	Generic DMA	pages 27-28; Management and control of risks [i]	✓ pages 183-185
<b>INTEGRITY AND RIGOUR IN COMPANY CONDUCT</b>	Generic DMA	pages 29-30; Code of Ethics (page 7; page 9) [i]	✓ pages 183-185
<b>HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT</b>	Generic DMA	pages 31-32; Code of Ethics (page 7; pages 15-16) [i]	✓ pages 183-185
<b>OFFERING VALUED SERVICE TO CUSTOMERS</b>	Generic DMA	pages 33-34; Code of Ethics (page 7; pages 10-11) [i]	✓ pages 183-185
<b>ACCESS TO CREDIT AND ASSET MANAGEMENT</b>	Generic DMA	pages 35-36; Code of Ethics (pages 10-11) [i]; Responsible Investment [i]	✓ pages 183-185
<b>CLIMATE CHANGE</b>	Generic DMA	pages 37-38; Code of Ethics (page 18) [i]; Environmental policies [i]	✓ pages 183-185



## GRI - Impact boundaries

IDENTIFIED MATERIAL ASPECTS	Page	GRI Indicators	Within	Outside
<b>PROTECTION OF SOLIDITY AND PROFITABILITY</b>	page 25	G4-EC1; G4-EC3; G4-EC4; G4-EC5; G4-EC6; G4-EC7; G4-EC8	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
<b>BUSINESS RISK MANAGEMENT</b>	page 27	G4-LA5; G4-LA6; G4-LA8; G4-LA16; G4-HR1; G4-HR2; G4-HR4; G4-HR5; G4-HR6; G4-HR8; G4-HR9; G4-HR12; G4-SO1; G4-SO2; G4-SO11; G4-EN34; G4-PR1; G4-PR6; FS1; FS2; FS3; FS5	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
<b>INTEGRITY AND RIGOUR IN COMPANY CONDUCT</b>	page 29	G4-EN29; G4-SO3; G4-SO4; G4-SO5; G4-SO6; G4-SO7; G4-SO8; G4-PR2; G4-PR7; G4-PR8; G4-PR9; FS9	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
<b>HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT</b>	page 31	G4-LA1; G4-LA2; G4-LA3; G4-LA4; G4-LA9; G4-LA10; G4-LA11; G4-LA12; G4-LA13; G4-HR3; FS4	Intesa Sanpaolo Group	Customers, Community, Shareholders
<b>OFFERING VALUED SERVICE TO CUSTOMERS</b>	page 33	G4-PR4; G4-PR5; FS13; FS14; FS15	Business Units, Operations, Compliance, IT Department, Innovation, External Relations	Customers, Community
<b>CREDIT ACCESS AND SAVING MANAGEMENT</b>	page 35	FS6; FS7; FS8; FS10; FS11; FS12; FS16	Business Units, Risk Management, Credit, Innovation, Compliance	Shareholders, Customers, Environment, Community
<b>CLIMATE CHANGE</b>	page 37	G4-EC2; G4-EN1; G4-EN2; G4-EN3; G4-EN4; G4-EN5; G4-EN6; G4-EN7; G4-EN8; G4-EN15; G4-EN16; G4-EN17; G4-EN18; G4-EN19; G4-EN20; G4-EN21; G4-EN23; G4-EN30; G4-EN31; FS8	Intesa Sanpaolo Group	Environment, Customers, Suppliers, Community

## Note on methods

The Sustainability Report has been drafted in accordance with the “Core” option of the Global Reporting Initiative Guidelines (GRI G4 version) and the “Financial Services Sector Supplements”.

The Sustainability Report guidelines for the banking sector – “The Report to Stakeholders: A Guide for Banks” – published by the Italian Banking Association-ABI in collaboration with EconomEtica (Multi-University Centre for Economic Ethics and Corporate Social Responsibility) were also taken into consideration.

### MATERIALITY AND REPORTING PRINCIPLES

Content selection took into account the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The materiality analysis (page 21) was conducted in compliance with the GRI 4 Guidelines and the <IR>, the international reference framework for integrated reporting promoted by the IIRC (International Integrated Reporting Council). The analysis allowed the topics to be assessed based on their materiality and their potential financial 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.

Information in addition to that provided in the Sustainability Report is published in the Sustainability section of the website [i].

Links to this additional information are included within the Report, in the descriptions and in the GRI Content Index.

The Sustainability Report is subject to limited review. The assignment was granted to the independent auditors 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 Sustainability Report content and deal with dialogue initiatives with stakeholders through the CSR Delegates, appointed by the various heads of Group departments and companies, who work in close contact with the CSR Unit. Data collection is centralised, and takes place on the same reporting platform responsible for monitoring the income, financial and commercial performance of the Business Units. The reporting process is defined in special “Guidelines for the preparation of the Sustainability Report and related management processes”, which became corporate policy in 2009 [i].

### MEASUREMENT SYSTEMS

The indicators illustrated in the Sustainability Report were identified according to reference standard indications, our obligations deriving from the adoption of international sustainability protocols and to the commitment to ensuring that the path to achieving our objectives is measurable. Almost all data was collected directly, 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 2016 financial year and, where possible, are compared to the previous two years. Re-statements concerning data published in previous years, unless specified to the contrary, are not carried out.

### THE REPORTING PERIOD AND BOUNDARY

The Sustainability Report is published on an annual basis. The previous report was published in April 2016. The reporting boundary for the Sustainability Report includes active companies important for sustainability reporting purposes and which are included in the 2016 Consolidated Financial Statements. The evaluation criteria adopted for the inclusion of each Group company in the reporting boundary took into account the features of the companies based on the social and environmental impacts generated, their contribution to the Consolidated Financial Statements in terms of assets and revenues, and the number of employees. In 2016, the reporting boundary of the Sustainability Report included data relating to Ukrainian bank Pravex-Bank, previously classified among discontinued operations; data was not included that related to the companies of the Risanamento Group, in which the Parent Company Intesa Sanpaolo does not carry out management and coordination activities. A summary of the 2016 Sustainability Report is also published in the “Report on Operations” in the Intesa Sanpaolo Group Consolidated Financial Statements [i] (see chapter “Social and environmental responsibility”, page 127). This edition of the Sustainability Report is also available on the website [i]. To ensure maximum dissemination, the document has been prepared using methods that consider the inclusion of blind and visually impaired people, according to accessibility rules certified by the LIA Foundation (Italian Accessible Books Foundation).

# Auditors' Report



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(Translation from the Italian original which remains the definitive version)

## Independent auditors' report on the sustainability report

To the board of directors of  
 Intesa Sanpaolo S.p.A.

We have performed a limited assurance engagement in relation to the 2016 sustainability report of the Intesa Sanpaolo Group (the "group").

### **Directors' responsibility for the sustainability report**

The parent's directors are responsible for the preparation of the sustainability report in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Note on methods" section of the sustainability report, as well as for that part of internal controls that they consider necessary for the preparation of a sustainability report that is free from material misstatement, including due to fraud or unintentional conduct or events. They are also responsible for defining the group's objectives regarding its sustainability performance, the reporting of the achieved results and the identification of the stakeholders and the significant matters to report.

### **Auditors' independence and quality control**

We have complied 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 comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo  
 Bologna Bolzano Brescia  
 Catania Como Firenze Genova  
 Lecce Milano Napoli Novara  
 Padova Palermo Parma Perugia  
 Pescara Roma Torino Treviso  
 Trieste Varese Verona

Società per azioni  
 Capitale sociale  
 Euro 9.525.650,00 i.v.  
 Registro Imprese Milano e  
 Codice Fiscale N. 00709600159  
 R.E.A. Milano N. 512967  
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 Sede legale: Via Vittor Pisani, 25  
 20124 Milano MI ITALIA



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### **Independent auditors' responsibility**

Our responsibility is to express a conclusion on the sustainability report 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 report is free from material misstatement.

The procedures we performed are based on our professional judgment and include inquiries, primarily of persons responsible for the preparation of the sustainability report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

These procedures aimed at checking that its content and quality complied with the "G4 Sustainability Reporting Guidelines".

Specifically, we carried out the following procedures:

- comparing the financial information and data presented in the "Calculation and distribution of economic value" section of the sustainability report to the corresponding information and data included in the group's consolidated financial statements as at and for the year ended 31 December 2016, on which we issued our report dated 13 March 2017 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
- holding interviews aimed at analysing the governance system and the process for managing the sustainable development issues relating to the group's strategy and activities;
- analysing the reporting of significant matters process, specifically how these matters are identified and prioritised for the each stakeholder category and how the process outcome is validated internally;
- analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following:
  - interviews and discussions with management personnel of Intesa Sanpaolo S.p.A. and personnel of Intesa Sanpaolo Group Services S.c.p.A., Cassa di Risparmio di Firenze Group, 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. and Fideuram – Intesa Sanpaolo Private Banking S.p.A., to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;





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- sample-based analysis of documentation supporting the preparation of the sustainability report to confirm the existence and adequacy of processes and that the internal controls correctly manage data and information in relation to the objectives described in the sustainability report;
- analysing the compliance and overall consistency of the qualitative information included in the sustainability report with the guidelines referred to herein in the "Directors' responsibility for the sustainability report" paragraph;
- analysing the stakeholder involvement process, in terms of methods used, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter on the compliance of the sustainability report with the guidelines indicated in the "Directors' responsibility for the sustainability report" paragraph and on the reliability and completeness of the information and data contained therein.

As required by the "G4 Sustainability Reporting Guidelines", the data and information covered by our procedures are set out in the "GRI Content Index" table of the sustainability report.

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.

### **Conclusions**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the group's 2016 sustainability report has not been prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Note on methods" section of the sustainability report.

Milan, 26 April 2017

KPMG S.p.A.

(signed on the original)

Domenico Fumagalli  
 Director

# Contacts

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## Intesa Sanpaolo Spa

Registered Office: Piazza San Carlo 156, 10121 Torino  
 Secondary Registered Office: Via Monte di Pietà 8, 20121 Milano  
 Share capital: 8,731,984,115.92 euro  
 Registration number on the Torino Company Register and Fiscal Code 00799960158  
 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 CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

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, forging the links in a museum network that is unique of its kind.

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo:



HENDRIK FRANS VAN LINT (*Antwerp, 1684 - Rome, 1763*)  
**Church of Santa Maria della Salute with Punta della Dogana, ca. 1750**  
Oil on canvas, 46.5 x 71.5 cm  
Intesa Sanpaolo Collection  
Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza

Van Lint's view of the Church of Santa Maria della Salute with Punta della Dogana belongs to the Intesa Sanpaolo's 18th century Venetian art collection, which is part of the permanent exhibition at Gallerie d'Italia - Palazzo Leoni Montanari, the Bank's museum venue in Vicenza.

The collection offers a review of all the pictorial genres - particularly landscape painting - that won Venice and its school a central role on the international artistic scene in the 18th century. Views of many Italian locations, including Venice, painted by Gaspar van Wittel (late 1600s) were crucial for the success met by this genre in the 1700s. Among his main followers, we cannot fail to mention Hendrik Frans van Lint, a famous Flemish painter who was much sought after for the extreme refinement of his works.



