



**BANCA INTESA**  
Beograd



# Sustainability Report 2017



# Sustainability Report 2017





# Contents

<b>Foreword by the President of the Executive Board</b>	6
<b>About the Report</b>	7
<b>Structure and Content</b>	7
<b>1. Identity</b>	8
<b>1.1 Bank Profile</b>	9
Intesa Sanpaolo Group	9
Banca Intesa Beograd	10
Mission	10
Corporate values	11
Participation in joint initiatives	11
<b>1.2 Relations with Stakeholders</b>	13
Dialogue with stakeholders	13
Materiality matrix and boundaries	13
<b>1.3 Governance and Management in Banca Intesa</b>	15
Corporate governance	15
Sustainability management	16
Risk management	17
<b>2. Sustainability</b>	20
<b>2.1. Generated Economic Value</b>	21
Market Position	21
Direct and Indirect Economic Value Generated	21
Customers	23
Employees	30
Community	36
Suppliers	40
Environment	42
<b>3. GRI Content and Indicators</b>	48
Report Parameters	51

---

## Foreword by the President of the Executive Board



Ladies and gentlemen,

The year 2017 was very successful for the Bank – applying the management model based on the balance among economic, social and environmental goals, once again we showed that further growth on a sound basis requires an integration of sustainability principles into business strategy, with full respect of the needs of all our stakeholders.

Wishing to remain true to the principle of transparency, this year Banca Intesa continued with the tradition of regular annual reporting on its non-financial impacts and CSR results. As a promoter of responsible business practices, the Bank was among the first in Serbia to introduce the most relevant global methodology, GRI Standards, as the reporting framework, enabling it to improve its practices every year, integrating the UN Global Compact principles in them as well.

In 2017 the Bank again reaffirmed its corporate social responsibility by supporting the community through corporate philanthropy projects, strengthening corporate volunteering culture, as well as direct financial support to projects in the area of culture and preservation of cultural heritage, as well as initiatives of social and humanitarian importance. We placed special focus on the financial education of the youngest through the Knowing How to Save project, while in cooperation with the parent group and the History Museum in Belgrade we presented to the Serbian public a part of

the cultural treasure of Italy by organising an exhibition of paintings from the art collection of Intesa Sanpaolo.

In line with the strategic commitment to incorporate the highest ethical standards in all the functions and its business philosophy, in 2017 the Bank updated its Code of Ethics and implemented several projects which will, in the years to come, contribute to further efficiency gains in the application of reference values and attainment of international CSR standards, strengthening in this way the role of the Bank as a promoter of sustainable development of the community, as well as society at large.

In that context, in 2017 Banca Intesa continued with a comprehensive regulatory analysis of internal processes implementing the highest business practice standards defined by the Code of Ethics of the Bank and Intesa Sanpaolo Group. The assessment was conducted in accordance with the ISO 26000 international standard adopted by Intesa Sanpaolo for regular monitoring of the implementation of the Code of Ethics in practice and will enable the Group and consequently the Bank to understand potential reputational risks, as well as the areas of practical application of the Code of Ethics which must be additionally reinforced.

The high level of corporate governance quality and promotion of ethical standards are what distinguishes our Bank from others. Significant business successes achieved in parallel with their implementation were confirmed by the best bank in Serbia awards granted to us last year by the prestigious international magazines The Banker and Euromoney.

The success we achieved would certainly not have been possible without the engagement and commitment of our staff. Taking care of their motivation, the Bank continued to create a stimulating work environment and invest in numerous projects aimed at increasing employee satisfaction. We are proud of two corporate volunteering recognitions awarded to us and our employees last year, which testify to their desire to be true ambassadors of the values fostered by the Bank, thus motivating others to engage in CSR activities.

It is my belief that consistent application of this strategic framework in the following period as well will enable us to remain on a sustainable growth path on which we shall give a long-term contribution to improved quality of life of all our citizens.

Respectfully,

Draginja Đurić

President of the Executive Board of Banca Intesa

## About the Report

Nowadays, sustainability reporting, as a regular annual practice in Banca Intesa, represents an integral part of its approach to sustainability and its strategic priorities. Owing to advanced techniques of performance monitoring and measurement, the Bank is able, through the reporting process, to evaluate accurately its performance in the material aspects of sustainability and provide a comprehensive picture of its impacts on the social and natural environment. Given that it combines the results of a dialogue with stakeholders, quantitative indicators and monitoring of compliance with the Bank's ethical principles, non-financial reporting is a key factor for achieving transparency in business and relationship with all stakeholders. Finally, a continuous improvement of the reporting process itself testifies to the Bank's application of high corporate social responsibility standards in its business model.

A system of regular sustainability reporting was established back in 2010 and further improved in 2012 by introducing the international methodological framework GRI Sustainability Reporting Guidelines (Global Reporting Initiative - GRI). Sustainability Report 2017, the Bank's fifth in a row, follows the redefined GRI Sustainability Reporting Guidelines, GRI Standards published in 2016, as well as the GRI Financial Services Sector Disclosures, giving a comprehensive overview of the Bank's economic, social and environmental performance, by providing responses to 28 indicators, which is a novelty compared to the 34 included in the previous report. The number of indicators has been reduced in line with the new GRI Reporting standards and methodological changes. According to the strategic agreement between the Global Reporting Initiative and the UN Global Compact (UNGC), the Report also fully meets the UNGC requirements concerning progress reporting. This year's report has been prepared in accordance with the Core Reporting Option.

### Code of Ethics Upgrade

In line with its strategic commitment to incorporate the highest ethical standards into all of its functions and business philosophy, the Bank updated its Code of Ethics in 2017 and implemented several projects that will contribute to an even more efficient application of the reference values in the coming years and enable the compliance with the international social responsibility standards, thus reinforcing its role of a confirmed promoter of sustainable development of the community, as well as of society at large.

In 2017 Banca Intesa continued with a comprehensive regulatory gap analysis in the process of implementing

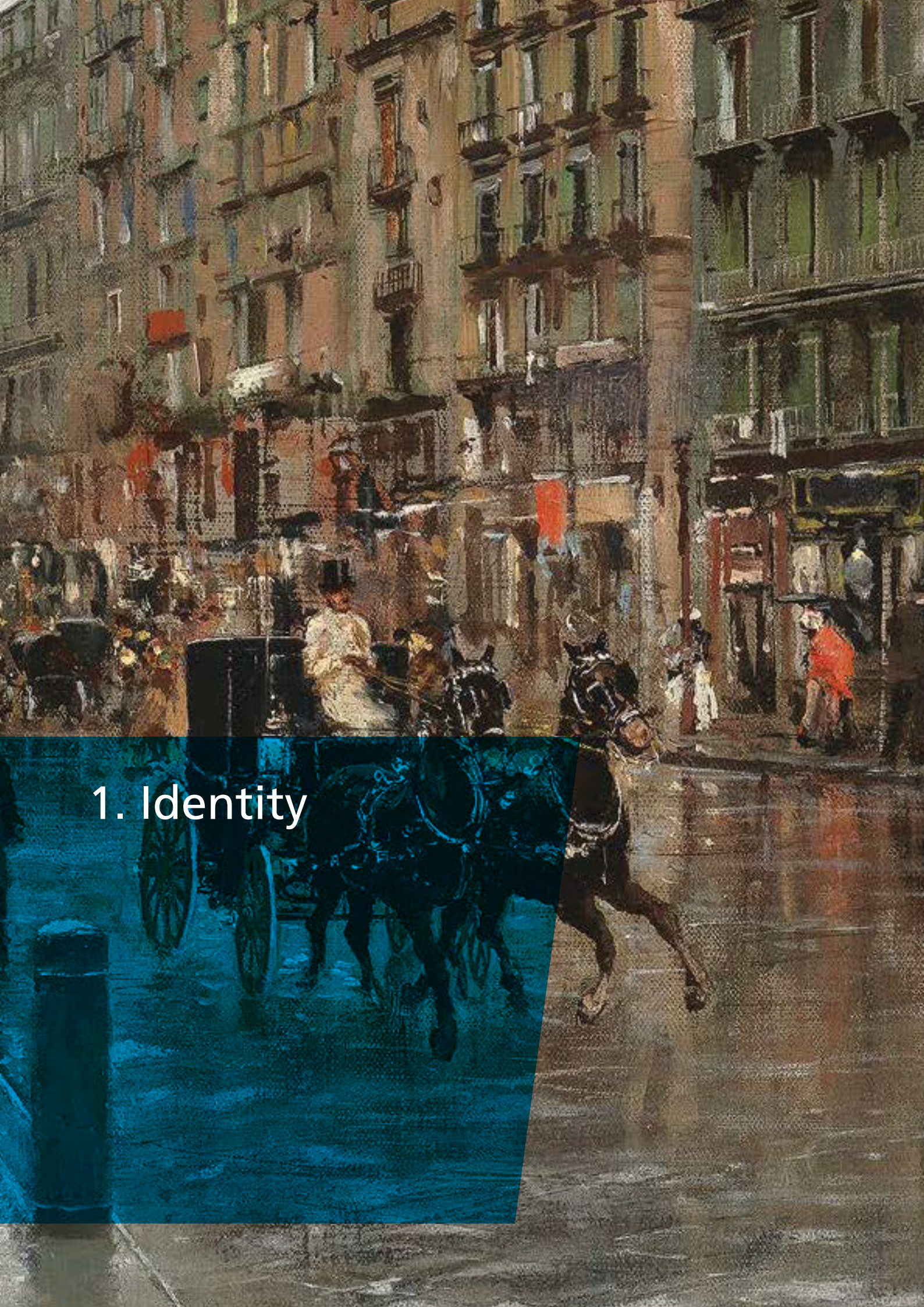
the highest standards of business practice defined by the Code of Ethics of the Bank and Intesa Sanpaolo Group. The assessment was carried out according to the ISO 26000 international standard, which Intesa Sanpaolo adopted for regular monitoring of the Code of Ethics implementation in practice. The assessment will enable the Group, and therefore the Bank, to understand potential reputational risks, as well as the areas of practical application of the Code of Ethics, which must be further strengthened in the upcoming period.

### Structure and Contents

In the process of defining the content, the Bank was led by the GRI principles of materiality, stakeholder inclusiveness, sustainability context and completeness, striving to present clearly and transparently those topics or aspects standing out as priority ones in a set of relevant topics, according to their significance for the Bank and its stakeholders. The focus is thus kept on the aspects that are material and thus sufficiently important to be included in the sustainability report. Furthermore, by extending the understanding of the scope of impact, the Bank considers the direct and indirect impacts of its business on sustainability with equal attention.

The Report is divided into three basic parts:

- Identity, which offers information on the Bank's profile, its relations with stakeholders and corporate governance;
- Sustainability, which contains an overview of the Bank's activities and outcomes, presented according to their impact on the most important stakeholder groups. For each of the identified areas, the Report provides a strategic approach to governance, an overview of activities and responses to relevant indicators;
- GRI contents, indicators and parameters of the Report, which systematically present the compliance with the GRI requirements, fulfilment of the performance indicators, as well as their link with the relevant principles of the UN Global Compact.



# 1. Identity



## 1.1 Bank Profile

### Intesa Sanpaolo Group

**The Intesa Sanpaolo Group** is one of the leading banking groups of the Eurozone, with a market capitalisation of EUR 46.4 billion. Intesa Sanpaolo is a leading bank in Italy in all segments of operation – retail and corporate banking, as well as wealth management. In Italy, the Group serves 12.3 million customers through a network of around 4,700 branches.

The Group has a strategic presence in the Central and Eastern Europe, the Middle East and North Africa, where it serves 7.6 million customers in 12 countries through a network of around 1,100 branches. Owing to its well-developed international network, Intesa Sanpaolo works with corporate customers in 25 countries, with an emphasis on the Middle East and North Africa, as well as the countries where Italian companies are most active, such as the United States, Brazil, Russia, India and China.

#### Business Results

At the end of 2017, the Group's plan for 2014–2017 was fulfilled, which allowed it to generate value for all its shareholders and contribute to the economy with more than EUR 250 billion over four years. The Bank has become synonymous with successful operation in the European banking sector, which is a result of rising income, cost efficiency and investments in digital channels, which led to improved quality and services. The Group's business model is characterised by resilience, based on strong balance sheet assets and a combination of products and services that generate stable income. Intesa Sanpaolo continued to develop this model as part of its new business plan as well, affirming its position among the best banks in Europe.

#### New Group Business Plan

In its new business plan for 2018–2021, the Group continues to give priority to the creation and distribution of strong and sustainable value, while maintaining a very strong capital position and significantly reducing the risk profile at no extraordinary cost to its shareholders. The plan confirms that Intesa Sanpaolo is and will continue to be a real sector bank, which creates sustainable profitability. The Group will continue to create value for all stakeholders, contributing to the economy with over EUR 300 billion over a four-year period:

- For shareholders: cash dividends with a payout ratio of 85% for 2018, 80% for 2019, 75% for 2020 and 70% for 2021;

- For households and businesses: medium/long-term new lending to the real sector of around EUR 250 billion;
- For employees: personnel expenses of around EUR 24 billion and investment in training of around EUR 1 billion;
- For suppliers: purchases and investments of around EUR 11 billion;
- For the public sector: taxes (direct and indirect) of around EUR 13 billion;
- For the social sector: medium/long-term new lending of around EUR 0.7 billion to support social entrepreneurship;
- For categories with limited credit access: impact lending of around EUR 1.2 billion.

Through its 2018-2021 Business Plan, Intesa Sanpaolo, which is already a leading bank in Corporate Social Responsibility area, aspires to become a world-class reference model on social and cultural responsibility. To do so, it will, specifically:

- become the first Impact Bank worldwide, allocating by 2021 0.5% of its shareholders' equity (an amount estimated in the region of EUR 250 million) to a specific fund enabling Group lending of around EUR 1.2 billion to categories that would otherwise have difficulties accessing credit. These categories include new families, university students, researchers and new entrepreneurs (e.g. start-ups and female entrepreneurs). The fund's focused allocation is backed by governance rules;
- scale up the Food and Shelter for People in Need initiative;
- support the circular economy through the allocation of a dedicated platform for its financing and the launch of a dedicated investment fund;
- set up a specialised unit focused on enhancement and proactive management of art, culture and historical heritage leveraging around 20,000 artworks.

More details on the new Group Business Plan available on the Banca Intesa [official website](#).

#### Intesa Sanpaolo among 20 Most Sustainable Corporations in the World

Intesa Sanpaolo, the international banking group within which Banca Intesa operates, is ranked among 20 most sustainable corporations in the world, according to an index published by the specialised Canadian magazine *Corporate Knights*. Intesa Sanpaolo is also the only Italian banking group to have achieved this success, which confirms its ability to strategically manage risks and opportunities in the field of environmen-

tal protection, social development and management. This prestigious award, announced at the World Economic Forum in Davos, is a result of continued dedication to the sustainability aspect, owing to which the Intesa Sanpaolo Group is included in the leading lists of sustainability indicators, such as the Dow Jones Index, A-list CDP and FTSE4Good.

The Corporate Knights magazine analyses more than 4,900 companies on the basis of fourteen indicators, and places special emphasis on corporate environmental policy, human resources, remuneration policy, as well as on the management's commitment to sustainability, on innovation, transparency and supply chain.

## Banca Intesa

**Banca Intesa**, a member of the Intesa Sanpaolo international group, confirmed at the end of 2017 its leading position with the largest market share in total assets (16.8%), loans (15.7%) and customer deposits (17.8%). In addition, owing to its stable income and efficient cost control, the Bank recorded a 40.6% cost-to-income ratio at the end of December 2017. Its post-tax net profit was EUR 97.6 million.

Loans of the Bank to corporate and retail customers reached a total of EUR 2,680 million at the end of December 2017. Its total deposits were EUR 3,343 million. In addition, the Bank held the first place in payment card operations and payment transactions. At the end of the fourth quarter of 2017, the Bank served approximately 1.3 million individuals and over 112 thousand corporates. The Bank's business network consisted of 158 branches. The Bank also boasts the most developed network of POS terminals and ATMs, with 22,361 active POSs and 289 ATMs. At the end of December 2017, the Bank had around 1.5 million debit and credit cards issued.

### Banca Intesa Declared the Best in Serbia Twice

The prestigious financial and banking magazine **The Banker** named **Banca Intesa the Bank of the Year in Serbia in 2017**. The Bank of the Year award is given based on an analysis of numerous parameters, including assets and capital adequacy, technological improvements, initiatives undertaken in the area of customer relations, as well as financial inclusion.

In addition to the Bank of the Year in Serbia award, the international banking group Intesa Sanpaolo, within which Banca Intesa operates, also received The Banker magazine award as the Bank of the Year in Italy and Croatia. Founded in 1926, this magazine is today one of the most important sources of financial information, research and analysis for more than 90,000 readers around the world. The magazine awards annual Bank of the Year awards, which are considered among the most prestigious in the global banking industry.

Another prestigious international financial magazine, **Euromoney**, granted **Banca Intesa the Best Bank**

**in Serbia 2017 award**, as part of its traditional annual Awards for Excellence contest.

This renowned recognition is granted based on a number of quantitative and qualitative business parameters, including the share in total loans and deposits, market capitalisation, asset quality, as well as the ability to adapt to changes in market conditions and customer expectations. According to the editorial board, Banca Intesa distinguished itself not only in terms of the growth of key performance indicators, but also in terms of proactive approach to innovation through continuous improvement of digital platforms and introduction of unique products in the Serbian market.

The Euromoney Awards for Excellence have been traditionally granted for 26 years to the financial institutions that demonstrate the highest level of service, innovativeness and expertise in the work with customers.

## Ownership Structure

In December 2016, the Bank's ownership structure changed, with the minority shareholder Intesa Sanpaolo S.p.A. selling its entire stake to the majority shareholder Intesa Sanpaolo Holding International S. A. Following this change, the Bank now has one shareholder, Intesa Sanpaolo Holding International.

Striving to complete its offer of financial services, in 2006 Banca Intesa established a leasing company, Intesa Leasing d.o.o. Beograd, which is also a part of the Intesa Sanpaolo Group.

In 2017 the Bank founded the Investment Fund Management Company Intesa Invest a. d. Beograd.<sup>1</sup> The operations of the leasing company, as well as the operations of this company are not covered by this report.

## Mission

The **Mission** of Banca Intesa is to provide quality banking and financial services to its customers by promoting development in all areas in which it operates. The Bank's growth model that is focused on sustainable results and establishment of relations based on trust derived from the satisfaction of customers and stakeholders, the feeling of belonging among employees, while carefully listening to the needs of the community.

The growth strategy of the Bank strives to create stable and sustainable values from the economic, financial, social and environmental aspect, building on the fundamental corporate values of the Bank in relations with all stakeholders.

**The Code of Ethics** regulates the relations of the Bank with all stakeholders – customers, employees, suppliers and the community, as well as its activities in the area of environmental protection in line with the highest standards of professional ethics and good business practice. The Code of Ethics is a management instrument and an expression of the Bank's corporate culture, which sets a series of values and principles to which the Bank adheres in its daily operations and all business activities.

<sup>1</sup> In February 2018, the Securities Commission issued a Decision Approving the Company Operation.

In 2017, the Board of Directors of Intesa Sanpaolo approved the updating of the Code of Ethics, which, in addition to recognising the new corporate governance model, clarifies and improves the principles and criteria on which relations with stakeholders are based, but also further specifies the Code implementation model. The amendments include additional explanations of the role of corporate social responsibility in the implementation of activities related to dissemination, training and raising awareness of the Code in all local markets, including Banca Intesa Beograd.

## Corporate Values

**Integrity** – We pursue our goals with honesty, fairness and a sense of responsibility in full compliance with the rules and principles of ethics mandated by the profession and in the spirit of the signed agreements.

**Excellence** – We set ourselves the goal of continuous improvement, planning future activities and anticipating challenges, along with fostering extensive creativity aimed at innovation; moreover, we recognise and reward merit and quality.

**Transparency** – We are committed to making transparency the cornerstone of all our activities, our communication and contracts, with the aim of enabling our stakeholders to make independent, well-informed decisions.

**Respect for each individual** – We intend to combine large-format business with deep local roots and to be a bank with a broad vision, while not losing sight of people as individuals.

**Equality** – We are committed to eliminating any form of discrimination in our conduct, and to respecting gender, racial, religious, political, linguistic and intellectual differences, trade union affiliation, as well as differences in age and abilities.

**Individual values** – The value of each individual guides our modus operandi: we use listening and dialogue techniques as tools for continually improving relations with all stakeholders.

**Responsible use of resources** – We strive to use all resources carefully and promote conduct based on the optimal use of resources and avoidance of waste and losses, giving priority to choices that consider sustainability.

## Participation in Joint Initiatives

One of the key aspects of Banca Intesa's operations in the area of sustainability is its support to local and international associations promoting dialogue among the

business sector, international organisations and society at large, in order to ensure respect for human and labour rights, protection of the natural environment and ethical practice of doing business throughout the world such as **the United Nations Global Compact**.

At the end of 2015, within the context of sustainable development, the United Nations adopted the 2030 Agenda for Sustainable Development, along with a new set of global goals that build upon the Millennium Goals. The Millennium Development Goals adopted in 2000 primarily dealt with poverty, education and health in the poorest countries. The Sustainable Development Goals address these problems as well, but also global inequality, environmental issues and the issue of access to technology. There are 17 new global goals in total, and they contain 169 targets, in which the importance of the role of the business sector for their achievement is particularly emphasized.

The ISP banking group is aware of the close connection between its business and some of these goals. For this reason, the Bank identified the most important projects and activities that testify to its contribution to positive changes at the global and local level, focusing on 7 specific goals:

Goal 1. End poverty in all its forms everywhere.

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 13. Take urgent action to combat climate change and its impacts

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

The analysis of the relevance of these topics was carried out as part of the materiality analysis.

At the local level, Banca Intesa is a member of the UN Global Compact Working Group for the Promotion of Sustainable Development Goals, whose task is to adequately present the importance of implementing the Sustainable Development Goals in business, as well as to share good practice among companies in Serbia.

Apart from being the leading financial institution in the country, the Bank has been recognised as the leader in sustainability, and has thus assumed responsibility of being an active partner to all social actors in joint initiatives aimed at promoting positive business practices and creating common values.

United Nations Global Compact	Responsible Business Forum	Serbian Association of Managers	American Chamber of Commerce	Foreign Investors Council	National Alliance for Local Economic Development	Italian-Serbian Chamber of Commerce
The largest global CSR network bringing together more than 10,000 members throughout the world and promoting the protection of human and labour rights and the environment and fight against corruption.	The largest national business CSR network in Serbia, comprising 30 members.	A business association founded with the aim of becoming a credible social partner of the Serbian Government in the process of improving the business environment and accelerating economic development.	An organisation promoting the improvement of the business environment in Serbia, as well as partnership between US and Serbian companies for the purpose of economic development.	A business association whose activities contribute to the improvement of the investment and business climate in Serbia.	A business association that brings together representatives of all three sectors of society – companies, municipalities and NGOs, which work together on improving the conditions for local economic development and doing business.	A non-profit organisation that fosters, promotes and develops trade between Italy and Serbia.

### Draginja Đurić, elected President of the Banking Committee of the Serbian Chamber of Commerce

Draginja Đurić, President of the Executive Board of Banca Intesa, was elected President of the newly established Banking Committee of the Serbian Chamber of Commerce (SCC). The establishment of the Banking Committee, as well as the Insurance Committee is especially important due to the major impact of the financial sector on economic trends and the development of the Serbian economy. The members of the two committees are representatives of the 15 most important banks and 15 largest insurance companies in Serbia.

## 1.2. Relations with stakeholders

### Dialogue with Stakeholders

For Banca Intesa, market success is achieved by identifying and taking into consideration the needs of all stakeholders. The realisation of business goals goes hand in hand with the creation of products and services tailored to the needs of customers, reinforcement of the supply chain, investment in the development of the employees and society at large, and management of impacts on the environment. Constant dialogue and exchange of opinions with all its stakeholders helps the Bank understand their expectations and weave them into its business strategy. The Bank endeavours to enhance open and two-way communication throughout the year, using different approaches to engagement:

Group	Engagement mechanism
<b>CUSTOMERS</b> Individuals Small business SMEs Large corporates Local self-governments Consumer associations Business associations Public administration	Focus groups Benchmarking surveys Meetings, workshops, seminars, Satisfaction surveys Handling and analysing complaints, requests and suggestions  Working groups
<b>EMPLOYEES</b> Management Officers Employees	Satisfaction surveys Workshops Training and evaluation, professional seminars, interviews, Intranet Meetings with trade unions, volunteering activities
<b>COMMUNITY</b> Local and national public institutions (regulatory bodies, local self-government, etc.) Civil society organisations Media	Meetings, consultations Working group, engagement in working bodies Panel discussions
<b>SUPPLIERS</b> Domestic Foreign	Supplier information form CSR questionnaire Regular communication in tender process Regular communication during the period of engagement
<b>ENVIRONMENT</b> Environmental organisations Future generations	Meetings, presentations, workshops, training courses, volunteering activities Working groups, working bodies

Apart from being the key mechanism for regular communication, dialogue with the stakeholders also represents the basic tool for the identification of priority topics to be included in the preparation of the sustainability report, and consequently the sustainability strategy. Engagement of stakeholders is essential for this process,

and the Bank has, in line with the international methodology for stakeholder engagement - AA1000 standard (Institute of Social and Ethical Accountability), defined the key groups, as well as mapped its stakeholders.

### Materiality Matrix

As in previous years, the Sustainability Report focuses on significant aspects regarding the positive and negative impacts of the Bank's activities. These are aspects that need to be managed and, to that end, it is necessary to understand how they coincide with strategically important topics for stakeholders. For this reason, an annual audit of material topics is carried out in accordance with the GRI methodology (GRI Standards 2016). This process has several phases. The first phase - the identification of a wider group of priority topics, involves a detailed analysis of trends in the financial sector, as well as the wider sustainability context. Then, in the next phase, the Bank strive to recognise the substantive connection between the Bank's impacts on sustainability and its business strategies, considering, on the other hand, the positions of its stakeholders

### Annual Meeting of CSR Ambassadors

Continuing the practice of regular meetings of CSR ambassadors, a professional interactive workshop was organised in 2017 where the Bank's CSR ambassadors, representatives of organisational units of the Bank, gathered in order to analyse material topics from the position of relevant internal public, as well as to define the modes of operation during the year through a set of concrete CSR activities. The CSR function had the role of process facilitator. The one-day event was held in June in the Carska Bara protected environmental area.

The materiality matrix, generated as a result of this process, features the topics which stood out as the priority ones and the starting point in the process of preparation of the sustainability report. Compared to 2016, the material topics have been ranked by significance in the same manner as in 2017. Therefore, this report covers the topics which have been identified as priority topics for the operation of the parent Intesa Sanpaolo Group and Banca Intesa Beograd, as well as for the stakeholders. Material topics are aligned with the 2014–2017 Business Plan of the Group, which is even more strongly focused on supporting the business sector and on economic growth.

In order to confirm the materiality of the global issues in a local surroundings, the Bank has established an

efficient reporting process, which implies regular and periodic consultations, with the conclusions thus obtained, in line with the GRI methodology, being further analysed and compared to the stakeholders' positions. As result of this process, the Bank is able to define the structure and the contents of the report, striving to meet their expectations in an adequate manner.

Material aspects	Aspect boundaries	
	Internal impacts	External impacts
Protection of stability and profitability	Banca Intesa	Shareholders, customers, suppliers, community, environment
Business risk management	Banca Intesa	Shareholders, customers, suppliers, community, environment
Access to loans and savings management: Product responsibility Support to the business system Financial inclusion and economic empowerment	Banca Intesa	Shareholders, customers, community, environment
Integrity in corporate conduct	Banca Intesa	Shareholders, customers, suppliers, community, environment
Provision of top service to customers: Service innovation and quality	Banca Intesa	Customers, community
Employee development: Professional growth and development Employee evaluation Job protection Quality of life in the company	Banca Intesa	Customers, community, shareholders
Climate change	Banca Intesa	Environment, community
Relations with suppliers	Banca Intesa	Suppliers, community, environment
Relations with the community	Banca Intesa	Community, environment

In 2017 the identification of key topics, or aspects on which the Bank reports, is again based on a structured materiality analysis process carried out within the Group according to the new GRI Standards and the AA1000 standard.

## 1.3. Governance and Management in Banca Intesa

### Corporate Governance

Operating on the principles of responsible corporate governance founded on high ethical norms, the Bank protects its shareholders' interests as well as those of its customers, employees and broader social community. The governance of the Banca Intesa joint stock company is organised as a two-tier system.

The Board of Directors of the Bank consists of five members elected by the General Meeting of Shareholders, including the Board President. The term of office of Board members is three years, with a possibility of re-election. The President of the Board of Directors is Giovanni Boccolini, and its members are Božo Prka, Paolo Sarcinelli, Arthur Philippe, and Nevenka Žarkić Joksimović, PhD. Arthur Philippe and Nevenka Žarkić Joksimović, PhD, are non-executive members of the Board of Directors. The President of the Board of Directors, as a governance body, does not have a direct executive role, given that Banca Intesa a.d. Beograd, organised as a joint stock company with a two-tier governance system, delegates executive roles to the Executive Board as a management body that organises the Bank's operations and implements business policy and strategy, while the Board of Directors makes strategic decisions aimed at the Bank's compliance, takes care of and is responsible for the accuracy of all reports on the operation, financial condition and operating results of the Bank addressed to the Bank's shareholders, the public and the National Bank of Serbia.

The Executive Board of Banca Intesa consists of five members, including the President. The term of office of Executive Board members is three years, with a possibility of re-election. The President of the Executive Board of Banca Intesa is Draginja Đurić, the Deputy President of the Executive Board is Gabriele Pace, and Board members are Darko Popović, Head of the Retail and Small Business Division, Francesco Lupo, Head of the Corporate Division, and Dragica Mihajlović, Chief Financial Officer/CFO.

Women account for 20% of the members of the Board of Directors and 40% of the members of the Executive Board of Banca Intesa. The work of the Executive Board is evaluated through the MBO (Management by Objectives) system based on setting measurable objectives based on which annual performance is monitored.

The Bank's Audit Committee consists of five members, including the Chairman. The term of office of Committee members is three years, with a possibility of re-election.

The Committee Chairman is Zanni Mauro and its members are Arthur Philippe, Nevenka Žarkić Joksimović, Antonio Stillittano and Guido Gioncada. The Audit Committee assists the Board of Directors in supervising the work of the Executive Board and Bank employees. In line with the Law on Banks and other regulations, members of the Board of Directors are appointed and dismissed by the General Meeting of Shareholders, while members of the Executive Board are appointed and dismissed by the Bank's Board of Directors. Domestic regulations define requirements that must be met by the members of the Executive Board and the Board of Directors in order to get prior approval of the regulatory body, i.e. the National Bank of Serbia, without which they cannot become members of these boards. This includes, inter alia, good business reputation and appropriate qualifications. In addition, appropriate experience in finance is also required for at least three members of the Board of Directors, while at least one member of the Board of Directors must have active knowledge of Serbian and reside in the territory of the Republic of Serbia. After obtaining the approval, the appointed person is registered with the Business Registers Agency as well.

The Bank's shareholders, i.e. the General Meeting of Shareholders, participate in and directly impact the work of the Board of Directors as a governance body in the following ways:

- The General Meeting of Shareholders adopts the business policy and strategy of the Bank;
- The General Meeting of Shareholders adopts the Articles of Association and amendments to the Memorandum and Articles of Association;
- The General Meeting of Shareholders appoints and dismisses the President and members of the Board of Directors;
- The General Meeting of Shareholders appoints and dismisses the external auditor;
- The General Meeting of Shareholders considers and adopts the Bank's financial report.

Banca Intesa guarantees timely and transparent communication to all its shareholders, with the intention of providing clear and complete information about the results achieved by the Bank.

The adopted remuneration policy for entire human resources of the Group, including the variable components, is based on equality, merit and sustainability of results. The guidelines for defining the management remuneration policy are based on objective elements and parameters resulting from the assessment of organisa-

tional positions, as well as performance and potential, with the aim of creating an integrated system for the management members, thus facilitating their professional development. The policy provides for remuneration in the form of benefits, which is also based on financial instruments and linked to the results of the company – which corresponds to the level of risk assumed and is regulated so as to avoid giving benefits that, in the long run, are not in line with the Group's interests. Based on the performance indicators closely linked to the long-term goals, the benefit determination systems are based, inter alia, on the principle of symmetry, with the amounts of paid benefits being based on the results achieved at the Group, business sector and individual level, thus being capable of decreasing significantly and even reaching zero, if the minimum indicators reflecting the Group profitability are not achieved, also taking into account the risks assumed and the capital employed.

When it comes to conflicts of interest, Banca Intesa has prescribed, in accordance with the provisions of the Law on Banks, as well as with its bylaws and those of its parent Group, the obligation for members of the Board of Directors and the Executive Board to submit a written statement on conflicts of interest to the Bank's Board of Directors within one month from the day of taking office. The members of the Board of Directors and the Executive Board are obliged – in accordance with the bylaws regulating transactions with related parties and the conflict of interest – to submit once a year completed standard questionnaires, whose content is designed by the parent Group and which contain information relevant to establishing any conflicts of interest.

One of the methods of sustainability control at Banca Intesa is the power of the Board of Directors as a governance body to establish an integrated internal control system, i.e. supervise its efficiency, while the Executive Board enables the efficient functioning of this system. The Board of Directors gives approval to the Bank's exposure to one or a group of related parties of over 10% or to an increase in the exposure to over 20% of the Bank equity; adopts an internal audit plan and programme; considers external and internal audit reports; defines the internal organisation and organisational structure of the Bank that ensures the segregation of duties, authority and responsibilities of its employees, members of the managing bodies and other persons in managerial positions at the Bank in a manner that prevents conflict of interest and ensures a transparent and documented process of decision making and implementation.

### **Sustainability Management**

The strategically set and highly developed sustainability management system in the Bank, which represents a fundamental instrument for integration of sustainability in all of the business functions, is based on ethical principles, and implemented on the basis of the following formal documents:

**The Procedure for managing the annual Sustainability report preparation process** was adopted in line with the Global Reporting Initiative (GRI) methodology, which the Bank has been applying for five years. In addition to describing the basic CSR principles, the Procedure also provides guidelines for the management of this area, as well as specific steps and division of responsibilities during the sustainability reporting process. The values in which Banca Intesa believes and to which it is committed, as well as the principles on which its relations with stakeholders are based, are defined in the Bank **Code of Ethics**. As part of a broader vision of environmental and social responsibility, the Code of Ethics is a management instrument that prescribes standards of conduct that all employees and all organisational units must observe in order to maintain the stakeholders' trust.

According to the Code of Ethics, in order to implement efficiently the principle of self-responsibility, the managers of departments/organisational units appoint a corporate social responsibility representative (CSR ambassador), identifying CSR objectives within their own organisational units. CSR ambassadors are also delegated, as representatives of each organisational part of the Bank, to cooperate with the Internal Communications and CSR Office, within the Human Resource and Organisation Department, and to assist with their knowledge and understanding of the operations of the organisational unit they represent in the preparation of CSR reports and publications, implementation of CSR activities and projects, as well as to contribute to improving knowledge and raising the awareness of the CSR aspect of the Bank's operations.

**Procedure for Managing Reports of Non-compliance with the Code of Ethics** was adopted in 2011. All Bank employees, as well as customers, suppliers and other external stakeholders who notice any behaviour of any Banca Intesa employee or activity of Banca Intesa that seems to be non-compliant with the principles prescribed by the Code of Ethics and other bylaws of the Bank may submit a non-compliance report.

According to the said procedure, reports of non-compliance with the Code of Ethics are managed in the following steps: non-compliance reporting, report analysis, translating and delivering the information to the parent group, establishing the situation and verifying the facts, involving the relevant department, proposing corrective actions, delivering reports to relevant stakeholders, as well as to the parent group. A report may be submitted to the following email address: [eticki.kodeks@bancaintesa.rs](mailto:eticki.kodeks@bancaintesa.rs) or in hard copy to the following address: Banca Intesa Beograd, HR and Organisation Department, Milentija Popovića 7b, 11070 Belgrade.

By means of the above-described mechanism, during 2017 the Bank received no complaints from external stakeholders. Also, no complaints related to the violation of human rights were filed during 2017.



## Implementation of the Code of Ethics

In line with its strategic commitment to incorporate the highest ethical standards into all of its functions and business philosophy, apart from updating its Code of Ethics, the Bank also implemented several projects that will contribute to an even more efficient application of the reference values in the coming years and attainment of the international CSR standards, thus strengthening its role of a confirmed promoter of sustainable development of the entire society.

One of the projects was the implementation of a new ethical complaint management system. The pilot Ethical Complaints Management project was first conducted and implemented in Privredna Banka Zagreb and Banca Intesa Beograd, and will subsequently be introduced into practice in other member banks of the ISBD Division. The project is aimed at training and increasing the capacities of employees in different segments of the Bank to understand and recognise ethical principles in external and internal complaints, their clustering, assessment and systematisation, as well as the application of practical tools for their further resolution.

## Risk Management

Apart from the basic risks to which the Bank is exposed in its operation, the Bank also analyses the risks which imply the consideration of wider consequences that the activities of the Bank, directly or indirectly, may have on the social and natural environment.

## Social and Environmental Risk Management

Social and environmental risk management presents an integral part of the Bank's credit policy and has been implemented into the regular credit processes conducted in the Bank. In case of a negative social and environmental incident, caused either directly or indirectly by the Bank's operations, or indirectly through the actions of the customer financed by the Bank, there is medium to high probability that the Bank might be exposed to the following risks: operational, reputational and management risks.

**Rulebook on Social and Environmental Risk Management**, adopted by the Bank Board of Directors, defines risk assessment and monitoring obligations in the area of environmental protection, employee health and safety and the Bank's social responsibility (protection of cultural heritage, fundamental human rights and personal integrity) and applies to managing those social and environmental risks arising from the activities of customers financed by the Bank. The Rulebook defines the obligations relating to the following:

- Obtaining all of the data necessary for assessing social and environmental risks related to customer activities;
- Customer classification according to the level of social and environmental risks;
- Customer monitoring and periodic assessment of social and environmental risks related to customer's business activities;

- Measures for controlling social and environmental risks related to customer's business activities (e.g. rejecting a loan application relating to business activities not supported by the Bank);
- Training the employees involved in social and environmental risk management processes;
- Reporting to Bank bodies on social and environmental risks.

The Rulebook implementation procedure is regulated by the **Procedure for Social and Environmental Risk Management**. This Procedure regulates the credit process with regard to social and environmental risks when approving a loan product to corporates and entrepreneurs where the Bank's credit exposure is at a level of EUR 1,000,000 or higher, including the requested new product, in case of a loan product from a credit line or other funds approved to the Bank by an international development bank and approval of a long-term loan product funded from other sources.

The Procedure regulates the rules classified by business line/process in the social and environmental risk management process:

1. The relationship manager / employee whose portfolio includes the customer:

- Checks whether the Bank supports the specific business activity (List of Business Activities not Supported by the Bank is a part of the procedure);
- Performs basic and additional customer classification (low-risk/medium-risk/high-risk customer) based on the Review of Business Activities According to the Level of Social and Environmental Risks and/or based on the data from the Statement or Questionnaire or other information about the customer;
- Obtains a Statement or a Questionnaire from the customer (for medium-risk and high-risk customers);
- Indicates the customer risk level in the loan proposal.

2. Credit Management Department:

- verifies the loan proposal, gives a final assessment of social and environmental risks and measures for their control.

3. Environmental Protection Coordinator:

- Follows the information on environmental incidents;
- Manages employee training and reporting.

The rights and obligations of Environmental Protection Coordinator in certain processes are specified as well:

- Giving opinion and approval in the case of changing the contents of the Statement or a contractual clause;
- Following information on environmental incidents;
- Managing the activities in connection with employee training;
- Preparing reports on the functioning of the social and environmental risk management system implemented at the Bank, on any significantly elevated level of social and environmental risks related to individual Bank customers, etc.

The Rulebook adopted by the Board of Directors regulates the appointment of the Environmental Protection Coordinator and the Senior Environmental Protection Manager as persons responsible for environmental protection with the aim of establishing the Environmental Management System (EMS) and ensuring compliance with the rules of environmental management and social responsibility in lending activities.

As regards the methods of monitoring and assessing the manner in which the customers meet the agreed social and environmental goals (e.g. in contractual obligations), the following activities are implemented in this area:

(1) Monitoring the customer risk is carried out by updating the customer data and reassessing the social and environmental risks related to customer operation, when necessary.

(2) The Bank regularly updates the data and verifies the accuracy of customer classification in the following cases:

- a) When processing applications for long-term financing of high risk clients;
- b) Within regular monitoring of credit risks among individual clients;
- c) In case of reasonable grounds to suspect that the level of social and environmental risks related to customer operation has significantly increased.

(3) The organisational unit in charge of selling credit products to a certain customer, is obliged to:

- a) Follow with due care the information regarding the violation of regulations referred to in item 4 by the customer, published in the media and publicly available sources;
- b) In contact with the customer, verify the information pertaining to the environmental incident;
- c) Submit a report on social and environmental incident to the Head of the Corporate and SME Division, the Credit Management Department, the Environmental Protection Coordinator and the Compliance Office.

### Equator Principles

The goal of the Equator Principles is to identify and assess risks and to perform risk management based on the criteria defined by the principles, with the aim of adhering to the principles of sustainability of natural resources, human health, human rights, cultural heritage and biodiversity. The Bank applies the Procedure for the Implementation of the Equator Principles for project financing when preparing and implementing project financing and advisory services in connection with project financing, where the investment value of the project is 10 million dollars or higher, both for new projects and for all project financing intended for the expansion or improvement of existing facilities (buildings such as factories, infrastructure, etc.), where changes in these facilities can create significant environmental and/or social impacts or significantly change the natural environment.

### Policy of Non-Financing of Armaments

In accordance with the relevant bylaw of the Group, the Policy of Non-Financing of Armaments, back in 2011 Banca Intesa adopted the Procedure for the Performance of Transactions Related to Armament Production and Trade. This document regulates the identification and preparation of a summary of the customers engaged in armament and military equipment production and trade, monitoring of the transactions and loan applications of customers engaged in those activities, approval of transactions and loan applications related to armament and military equipment production and trade in accordance with the Policy of Non-Financing of Armaments, as well as reporting on the transactions related to armament and military equipment production and trade.

### Increasing Internal Capacities in the Area of Social and Environmental Risk Management

Taking into account the direct and indirect impacts it has on the environment, as well as the risks to the sustainability of operations resulting from the disturbance of environmental balance, in 2017, in cooperation with the EBRD, Banca Intesa organised the first round of environmental protection training courses on the topic of managing social and environmental risks in the customer lending process. This two-day training was provided to senior and middle management, as well as other employees, who, owing to the EBRD consultants, gained insight into the following topics: regulatory analysis, institutional analysis, EBRD reporting process, sustainability index, as well as the implementation of procedures relating to social and environmental risks for micros and SMEs.

Based on the content of the training held, the Bank plans to create an e-learning platform in the form of compulsory training in order to include all employees involved in the process of social and environmental risk assessment or involved in various aspects of the application of internal regulations related to the adequate management of reputational and operational risks that may arise as a result of the activity of a customer financed by the Bank.

### Reputational Risk Management

Any non-compliance with the bylaws, principles and values they contain, as well as any non-compliance with laws and bylaws, exposes the Bank to reputational risk, so this area is approached with the utmost care. Given that trust is of key importance in the relationship between a financial institution and its stakeholders, Banca Intesa considers business ethics and high compliance standards to be its highest priorities.

The process of compliance risk assessment is a continuous process and the above-mentioned risks are identified through semi-annual reporting, determining priority measures for their elimination or mitigation – that is, the level of efficiency of the existing compliance controls is assessed.

The Internal Audit provides direct support to the top management bodies of the Bank in monitoring the compliance with and adequacy of the rules contained in the Bank's bylaws. If it identifies critical issues in the course of its activity, the Internal Audit informs the relevant organisational units and the top management bodies of the Bank with the aim of determining adequate measures for risk mitigation and the method of their implementation.

When combating corruption is involved, the internal regulations that govern the control system and mitigate corruption risk comprise: the **Code of Ethics, the Code of Conduct, the Rulebook on Relations with Political Parties, the Policy on the Prevention and Detection of Fraud at the Bank** and other Bank procedures, such as Acting upon Reports of Service Fraud and Abuse at the Bank and Performing Transactions with Related Parties.

The Bank's **Code of Conduct** prescribes the rules in connection with giving and receiving gifts. According to the Code, the sole purpose of giving gifts as part of regular business must be the promotion of the Bank's public image and they must not, under any circumstances, provide grounds for assuming that they exceed the boundaries of normal business conduct and civility, or that their purpose is to gain a privileged position for the Bank in connection with any of its activities. It is not permitted to give or promise gifts, donations or other privileges to officials or employees of government bodies apart from modest gifts in accordance with the principles determined by the Code. All employees must refrain from receiving gifts or other free items with a value exceeding the boundaries of modesty and standard courtesy, as well as from accepting, for themselves or for other persons, any other offers of privileges and benefits beyond the boundaries of normal business relations, especially when offered with the aim of influencing the independent judgement of an employee and the performance of his/her duties.

A procedure has been prescribed in connection with the violation of regulations or other irregularities –measures that are prescribed in the event of corruption are related to the violation of work duties, so the measures stipulated by external regulations, i.e. the Labour Law (e.g. compensation for damage, employee suspension or termination of employment), as well as the Criminal Code, may be imposed against an employee.

Risk analysis is an important part of the approach to the management of reputational risks arising from corrupt practices of employees or business partners. Analysis of the risk of fraud, which includes corruption, is conducted in the Bank at the level of business processes, through regular procedures (the process of procedure adoption also includes the Security and Business Continuity Management Department, which assesses risks under its competences and is further involved in the process of new product/service development), as well as through emergency procedures (e.g. the identifica-

tion of new types of threats or changes in fraud trends). During 2017, the Fraud Prevention Office conducted 40 analyses, both by participating in the adoption of different procedures or designing of new products, and by performing extraordinary risk analyses.

Based on the records of the Legal Department, no proceedings were initiated against Banca Intesa in connection with corruption since no complaints or notices prior to complaint were delivered during 2017.

**Rulebook on Relations with Political Parties**, as well as the **Procedure for the Management, Approval and Realisation of Sponsorship and Donations of Banca Intesa** prescribe the obligation of the Bank to refrain from granting donations and sponsorship, inter alia, to:

- Political parties, movements and any of their organisational structures;
- Trade unions and umbrella organisations;
- Trade union organisations;
- Government authorities in different forms, competent authorities and institutions.

The prohibition of granting donations and sponsorships to the above organisations aims to protect against any actions that would result in a privileged position for the Bank or unfair decisions in favour of the Bank.

During 2017 the Bank continued to provide training through e-learning on the anti-corruption policies and procedures of the Bank. Except for the basic AML course that was provided to all Bank employees, the employees were assigned to other courses in line with job and business process requirements. During 2017, 93% of employees attended the basic AML course (Money Laundering Risk).

### Physical Security

Banca Intesa approaches the assessment of risks to the health and safety of its employees and customers with due care through a special management system that is fully compliant with the most important government standards. To that end, a series of training courses were organised for employees (e-learning training dedicated to raising awareness of the importance of safety and security in a business environment), along with the improvement of technical measures and continuation of the process of alignment with domestic and international standards in this area. One case of attempted robbery was recorded in the Bank during 2017.



## 2. Sustainability



## 2.1. Generated Economic Value

In line with its strategy, Banca Intesa strives to consolidate its leading position in the Serbian banking market, providing sustainable solutions and actively supporting the process of local economy recovery. In this, the concept of sustainability applies to each of the Bank's activities: in the social and environmental aspect, as well as in the long-term financial perspective. This means that the Bank tends to achieve its strategy goals by striking a balance between the economic, social and environmen-

tal aspects of its operations, contributing to stronger economy, maintenance of social cohesion, as well as to greater welfare of the community.

### Market Position

At the end of 2017, Banca Intesa affirmed its leading position with the highest market share in total assets (16.8%), loans (15.7%) and customer deposits (17.8%).

	2012	2013	2014	2015	2016	2017
<b>Net assets</b>	3,625	3,718	3,910	4,011	4,466	4,768
<b>Loans to customers</b>	2,490	2,720	2,677	2,326	2,398	2,680
<b>Customer deposits</b>	2,788	2,813	2,838	2,700	3,111	3,441
<b>Equity</b>	792	863	870	942	1,004	1,003

\*In million euros

### Direct and Indirect Economic Value Generated

<b>TOTAL INCOME 2017</b>	Total economic value generated	RSD 26,536,127 thousand
<b>TOTAL EXPENSES 2017</b>	Total economic value distributed through operational costs, personnel expenses, liabilities to the government and to the community	RSD 13,814,364 thousand
<b>EMPLOYMENT</b>	The Bank directly provides 2,934 jobs.	Cost of wages and relevant taxes and contributions of the Bank amounted to RSD 5,649,016 thousand
<b>STABLE PARTNER OF THE GOVERNMENT</b>	As an active partner of the government, Banca Intesa supports the Government's initiatives for the development of the economy.	The Bank's liabilities for corporate income tax and other taxes (excl. payroll taxes and contributions) amount to RSD 2,863,280 thousand
<b>RELIABLE SUPPORT FOR THE ECONOMY</b>	Banca Intesa cooperates with around 520 suppliers.	With RSD 57.0 million allocated for procurement, the Bank has indirect impact on the stability of operations and jobs of its suppliers
<b>SUPPORT TO THE ECONOMY</b>	Banca Intesa participated in numerous projects supporting the community through 29 donor contracts.	Investments in the community amounted to RSD 9,164,109 through donations to the local community and RSD 3,067,011 through volunteering activities.

### A Project for the Future

Since digital transformation has become a priority, the Bank continued working on the modernisation of its CORE platform and further expansion of its digital offer, which should enable the improvement and automation of business processes and offer innovative products and services to customers, with an enhanced user experience.

Through its Constellation Serbia project, the Bank initiated in 2016 and intensified in 2017 its work on a comprehensive modernisation of its information system, with the Core Banking Information System (CBS) in its centre. It is a Group project that involves replacing the Core banking platform with a modern global solution, owing to which the Bank will be ranked among the global banks with the best for business management technology.

Banca Intesa is the first member bank to implement a standardised Core Banking platform in the Group, and in the coming years this platform will enable the modernisation of products, services and processes, as well as significantly increase the efficiency of operations in all Group member banks.

### Corporate Banking Operations

At the end of 2017 loans to corporates amounted to EUR 1,369 million, while corporate deposits amounted to EUR 1,091 million.

### Retail Banking Operations

In terms of retail banking operations, the total loan portfolio was EUR 1,021 million at the end of December 2017. Mortgage and cash loans accounted for the larg-

est share in the loan structure. Retail deposits increased relative to the previous year to EUR 1,939 million at the end of 2017.

Small business loans reached EUR 219 million, while loans granted to farmers totalled EUR 71 million. Small business deposits amounted to EUR 313 million.

## Total Income and Expenses (in 000 RSD)

Generated Economic Value	2013	2014	2015	2016	2017
Interest Income	30,811,840	27,838,612	25,419,472	22,618,727	22,840,992
Interest Expenses	-9,598,939	-6,775,049	-5,209,044	-3,704,345	-3,592,295
Fee and Commission Income	8,175,478	8,430,918	8,556,828	9,350,652	10,595,219
Fee and Commission Expenses	-2,648,138	-2,781,856	-3,113,026	-3,722,472	-4,019,393
Net Profit on Financial Assets Held for Trading	49,264	155,267	213,419	671,814	791,329
Net Profit/Loss on Financial Assets Initially Carried at Fair Value Through Profit and Loss	-2,503	36,493	23,176	-8,642	3,063
Net Profit/Loss on Financial Assets Available for Sale	4,332	14,333	-991	-5,626	165,169
Net Gains/Losses on Exchange Rate Differences and Foreign Currency Clause	1,916,121	2,170,666	3,778,711	2,656,599	2,059,207
Other Operating Income <sup>1</sup>	242,884	356,927	1,135,319	1,164,437	1,077,971
Net Expense/Income on Impairment of Financial Assets and Credit Risk Off-Balance Sheet Items	-8,044,367	-9,168,698	-7,778,192	-4,381,721	-3,071,947
Other Expenses <sup>1,2</sup>	-210,322	-972,003	-623,183	-484,642	-313,188
<b>Total Economic Value Generated</b>	<b>20,695,651</b>	<b>19,305,610</b>	<b>22,402,489</b>	<b>24,154,782</b>	<b>26,536,127</b>
<b>2. Economic Value Distributed<sup>2</sup></b>					
<b>2.1. Operating Costs<sup>3</sup></b>					
Supplies	-475,379	-345,374	-396,967	-413,149	-198,701
Building and Equipment Maintenance	-798,584	-741,919	-750,879	-667,720	-241,573
Office and Equipment Lease	-930,657	-1,092,241	-1,147,672	-1,153,891	-962,365
Intellectual Services	-315,092	-382,969	-477,496	-540,798	-1,286,283
Advertising	-280,923	-340,153	-320,485	-203,169	-195,194
Business Travel and Training of Employees	-92,586	-87,143	-70,161	-65,111	-67,637
Other Operating Costs	-2,130,715	-2,623,462	-2,954,236	-3,202,813	-3,684,048
<b>Total Operating Costs</b>	<b>5,023,936</b>	<b>-5,613,261</b>	<b>-6,117,896</b>	<b>-6,246,650</b>	<b>-6,635,800</b>
<b>2.2. Personnel Expenses<sup>3</sup></b>					
Payroll <sup>1</sup>	-3,223,372	-3,400,976	-3,425,028	-3,550,510	-3,480,971
Taxes and Contributions on Wages and Wage Benefits <sup>1</sup>	-1,937,113	-2,050,301	-2,014,219	-2,121,116	-2,168,045
Employee Transportation	-84,139	-87,141	-89,838	-90,472	-91,431
Remuneration for Temporary and Occasional Work <sup>1</sup>	-4,569	-4,741	-4,981	-5,175	-14,705
Employee Education Not Related to Their Job	-6,094	-2,882	-1,485	-2,252	-
Other Personnel Expenses <sup>1</sup>	-55,922	-22,076	-20,989	-45,159	-22,704
<b>Total Employee Expenses</b>	<b>-5,311,209</b>	<b>-5,568,117</b>	<b>-5,556,540</b>	<b>-5,814,684</b>	<b>-5,777,856</b>
<b>2.3. Expenses Related to Liabilities to the Government<sup>3</sup></b>					
Corporate Income Tax	-623,097	-433,284	-1,093,806	-873,985	-1,188,161
Taxes	-183,199	-109,548	-104,886	-115,895	-203,383
<b>Expenses Related to Liabilities to the Government - Total</b>	<b>-806,296</b>	<b>-542,832</b>	<b>-1,198,692</b>	<b>-989,881</b>	<b>-1,391,544</b>
<b>2.4. Community Related Expenses</b>					
Donations and Corporate Social Responsibility	-22,381	-39,027	-10,359	-9,167	-9,164
<b>Community Related Expenses – Total<sup>3</sup></b>	<b>-22,381</b>	<b>-39,027</b>	<b>-10,359</b>	<b>-9,167</b>	<b>-9,164</b>
<b>Total Distributed Economic Value</b>	<b>-11,163,822</b>	<b>-11,763,237</b>	<b>-12,883,487</b>	<b>-13,060,382</b>	<b>-13,814,364</b>
<b>3. Retained Economic Value<sup>4</sup></b>	<b>9,531,829</b>	<b>7,542,373</b>	<b>9,519,002</b>	<b>11,094,400</b>	<b>12,721,763</b>

Notes for 2017: 1 These items differ from the income statement in the annual report in that the Provisions for Employee Benefits, Legal Disputes and Restructuring are excluded.

2 These items differ from the income statement in the annual report in that the Operating Costs are presented in the section Economic Value Distributed in several stated segments.

3 These items differ from the income statement in the annual report in that a part of the Operating Costs is reclassified into the following segments: Employee Expenses, Expenses Related to Liabilities to the Government and Community-Related Expenses.

4 This represents BIB's profit net of the Provisions for Employee Benefits, Legal Disputes and Restructuring, net (89,008), Gains and Losses on Deferred Tax Assets and Liabilities, net (24,098) and the Depreciation Costs (-987,173).

## Customers

Owing to its constant commitment to the satisfaction and needs of its customers, the Bank continued with outstanding results in almost all business segments in 2017, which is one of the basic indicators of customers' trust in Banca Intesa. In order to maintain this trust, the Bank continued to improve its products and services, taking into account their social and environmental relevance. The Bank's strategic efforts are focused on the following areas:

- **Support to the economy**
- **Financial inclusion and education**
- **Customer satisfaction**

### Support for the Economy and Entrepreneurship

As the largest lender to domestic businesses, in 2017 Banca Intesa strive to ensure better access to funding for all corporate segments – large, micro, small and medium-sized enterprises, as well as municipalities and the public sector – and thus stimulate investments and contribute to better living conditions for all citizens of Serbia. Continuing with the implementation of the programme of strategic support to the country's economic development, at the end of 2016 Banca Intesa signed with the European Investment Fund (EIF) the first agreement in Serbia under the **COSME** Programme of the European Commission for small and medium-sized enterprises. Owing to the financial support of the European Commission, the EIF provided a direct guarantee which, during the following two years, will enable Banca Intesa to support 3,000 small and medium-sized enterprises in Serbia with loans totalling EUR 60 million, under favourable terms - with a longer repayment period and without a mortgage as collateral. COSME is an EU program for the competitiveness of entrepreneurs and small and medium-sized enterprises with a total budget of EUR 2.3 billion in the period from 2014 to 2020. The COSME loan guarantee facility provides credit guarantees and counter-guarantees to financial institutions so as to enable them to provide more funding through loans and leasing to small and medium-sized enterprises. As part of the COSME programme, around EUR 91 million was granted and more than 930 customers from this segment were financed during 2017.

In addition, in 2017 Banca Intesa signed a guarantee agreement worth EUR 100 million with the EIF as part of the InnovFin SMEG programme, which provided support to companies that have opted for an innovative approach to business and investment in new business processes. The Bank's participation in this programme

will enable it to improve its offer of investment loans, as well as loans for working capital with lower collateral requirements, contribute to the customer base expansion and consequently reinforce its leading position in the domestic market. Significant results of the InnovFin SMEG programme are expected in the coming period, since the agreement was signed in late 2017, and that loans worth EUR 10.4 million were granted during 2017.

### Support to Foreign Investment

The Serbian Government continued to invest efforts in stimulating economic growth through a significant reduction of time, costs and administration necessary for the establishment of new companies, as well as for obtaining building permits. The aim of these measures is to have impact on further development of entrepreneurial initiative and attraction of new investments, and to increase interest of foreign investors in investing in the domestic economy. Keeping abreast of these opportunities in the market, Banca Intesa expressed its willingness to further strengthen the support it offers to foreign companies, through the improvement of its service model and the introduction of new products and services. As a result of this orientation, the Department for International Entities was established in order to identify and meet in the best possible way the business needs of large multinational companies that decided to do part of their business in Serbia.

The Bank continued to contribute to the strengthening of the local economy by continuing to grant favourable loans intended for different business segments. During 2017 small and medium-sized enterprises and the public sector were again offered **long-term loans from the European Investment Bank (EIB) credit line** for investment in fixed assets and financing non-current assets.

In late 2017 Banca Intesa and the European Investment Bank (EIB) signed an agreement on the first tranche of credit line worth EUR 30 million, the funds of which Banca Intesa will grant to small businesses and SMEs, in the form of long-term loans under more favourable terms than the market conditions. The tranche is a part of a credit line worth EUR 60 million in total, which EIB granted to Banca Intesa for supporting the SME sector. Banca Intesa will grant loans from the EIB credit line with a repayment period of 2 to 12 years and a grace period of up to two years. The loans may be used for financing non-current working assets; purchase, reconstruction or extension of fixed assets, except land; intangible assets; development, planning and financial

---

costs during the construction period; research and development costs, as well as the development of distribution networks in the country and abroad.

This is the fourth credit line agreement that Banca Intesa has signed with the EIB since 2006, and owing to the cooperation so far between the two institutions, Banca Intesa has granted loans to domestic businesses worth EUR 100 million in total.

### Women in Business

For the third consecutive year, Banca Intesa continued its active cooperation with the European Bank for Reconstruction and Development (EBRD) through the programme of support and financing of women's entrepreneurship - the **Women in Business** programme. During 2017 367 of these loans were granted, in the total amount of almost EUR 3 million.

In addition to financial support, the programme also included training for women entrepreneurs throughout Serbia. During workshops organised across Serbia in the above-mentioned period, over 100 businesswomen had an opportunity to acquire new knowledge and skills, but also a unique opportunity to network and make new business contacts.

In late 2017 the European Bank for Reconstruction and Development (EBRD) signed three credit line agreements with Banca Intesa and Intesa Leasing worth EUR 60 million in total, which are intended for financing retail customers and the real sector. Banca Intesa will grant the funds from the EUR 30 million credit line to individuals in the form of soft housing loans, while the EUR 5 million credit line is intended for the implementation of the Women in Business women's entrepreneurship programme, within which the Bank grants loans for financing working assets and investments to SMEs managed by women. The EUR 25 million credit line, the funds of which will be granted by Intesa Leasing, is intended for financing the purchase of commercial vehicles, equipment and investment property by SMEs. Except for the latest credit lines, Banca Intesa and Intesa Leasing have so far granted almost EUR 160 million to businesses and citizens of Serbia through their cooperation with the EBRD.

With the same aim, Banca Intesa continued with the programme of credit support for **unemployed women and women entrepreneurs in Vojvodina**, in form of loans for the purchase of equipment and loans to finance starting a business. The funds from this credit line were still available during 2017, but the disbursement was more modest and amounted to EUR 16,177.

### Support to the Agricultural Sector

In the small business segment, which includes operations with small and medium-sized enterprises, entrepreneurs and registered agricultural holdings, Banca Intesa provided its customers with a wide range of credit products in 2017 as well.

Favourable sources of funding were also obtained through the KfW credit line and the expansion of the innovative Agrotekt loan model, as well as through active participation in customer financing through subsidised lending programme in cooperation with the Ministry of Agriculture and Environmental Protection, where Banca Intesa accounted for around 18% in the total amount and over 28% in the total number of granted loans. Cooperation with the Guarantee Fund of AP Vojvodina continued, providing loans to farmers from credit lines agreed with this institution. As a result of all activities undertaken, the number of customers increased by about 18% compared to 2016, and the new production increased by more than 32%.

In order to provide long-term support to the sustainable development of local agriculture and wishing to contribute to reducing risk of damage caused by certain natural disasters, in 2016 Banca Intesa, in cooperation with Generali Insurance Serbia and KfW Development Bank of Germany, developed and presented to the market **Agrotekt**, a unique credit product, which is intended for financing agricultural production and includes a crop insurance policy. Agrotekt loan can be used to finance working capital and raw material and intermediates for the production of arable crops - wheat, barley, maize, sugar beet, sunflower and soya - and includes crop insurance policy against basic risks including hail, lightning and fire. The loan is intended for registered farms belonging to individuals, as well as for legal entities and entrepreneurs who are engaged in crop farming and are registered in the territory of the Autonomous Province of Vojvodina. An adjustment was made in 2017 and the same product was offered to farmers from most of central Serbia. Further improvements are planned in the coming period, so that this unique credit product would become fully established as a standard product, with the aim of raising awareness of the obligation to have crop insurance in agriculture. In 2017, 261 loans were granted in the amount of EUR 850,581, which is 3.14% of the total short-term agriculture loans disbursed.

In 2017 Banca Intesa again made available to its agro customers **subsidised loans in cooperation with the Ministry of Agriculture and Environmental Protection**. Since the Bank pays great attention to the economic integration of women through the offer of special loans for women entrepreneurs, it supported with special attention this year's programme of subsidised loans, which brings significant benefits for young people and women in agriculture. In 2017 the programme included long-term and short-term loans to farmers, intended for the purchase of raw materials and intermediates, seeds, fruit, vegetables, livestock and equipment. In 2017 within the said programme, EUR 12.3 million was disbursed through 1,510 loans, which accounted for about 26% of all loans to registered farms in this year.



In 2017 the Bank continued to cooperate with the **Guarantee Fund of the Autonomous Province of Vojvodina** in providing favourable loans to farmers for investments in the purchase of equipment, machinery and arable land. Based on these programmes a total of 18 loans were granted, in the amount of EUR 462,000, which makes 2.3% of the total long-term loans to registered farms.

In 2017, a total of 30 agreements with local governments were signed and implemented. The procurement of working assets for local governments at subsidised interest rates was funded through 1,452 loans in the total amount of EUR 3.4 million, which led to less expensive inputs in the agriculture of these municipalities. These loans accounted for about 7.2% of all agricultural loans disbursed in 2017.

### Intesa Farmer

In the area of support to agricultural production, during 2017 Banca Intesa organised the fourth round of the **Intesa Farmer** competition, an annual selection of the best agricultural producers in Serbia. More than 600 farmers applied for the fifth round of this competition. The winners were selected by an expert committee, guided in its work by general criteria that include annual results achieved through agricultural production, the possession of one's own storage facilities, the involvement of family members in the production process, as well as established cooperation with Banca Intesa. An additional criterion in the Intesa Crop Farmer category is the use of modern and energy efficient machinery, and in the Intesa Fruit Grower category an implemented system of irrigation and hail protection, as well as the possession of certified seedlings. An additional criterion in the Intesa Livestock Farmer category is the breeding of purebred cattle, and in the Intesa Vegetable Grower category the possibility of indoor production, which requires a glass or plastic greenhouse or foliar production. Banca Intesa will reward the winners with a study trip to the Agritech 2018 international agricultural fair, which will be held in May 2018 in Tel Aviv.

### Financial Inclusion and Education

In 2017 financial inclusion was again an important element of Banca Intesa's CSR strategy. Accordingly, the Bank strove to make its products as accessible as possible, and to meet specific needs of as many customers as possible by constant innovation and improvement of its offer in the previous year as well. The Bank also strives to make financial services equally available in economically underdeveloped parts of our country as well, so one fourth of the total number of branches (25.9%) are located in towns and municipalities where the level of development is below 80% of the national average defined by the categorisation of the level of development by the National Agency for Regional Development.

### Accessibility of Facilities

When refurbishing its branches, Banca Intesa pays special attention to the accessibility of its facilities and to adapting them to enable access to persons with disabilities. More than 28% of over 150 branches within the Banca Intesa business network in Serbia are fully accessible to persons with disability, whether they are level-access facilities or facilities equipped with adequate ramps for pedestrians and wheelchairs, in accordance with the Rulebook on Technical Standards of Accessibility.

The Bank is constantly working on improving its network, so it is changing the traditional banking concept, which implies performing all transactions at counters. At the same time, in more than 70 percent of the branches in the Banca Intesa business network, banking transactions can be carried out at desks that meet the needs of persons with disabilities. The new concept includes workstations with desks whose upper horizontal surface is at a height of around 75 cm, with a certain knee and toe space. These desks are also equipped to deal with cash, meeting the needs of persons with disabilities.

### Responding to the Community's Needs

Recognising the current needs of its fellow citizens, the Bank worked on improving the financing terms and expanding its offer of inclusive products in the previous year as well:

**Intermezzo Cash Loan** - a loan with insurance and a possibility of postponing instalment payments is an all-purpose loan that is approved to all individuals who are permanently employed. Its distinguishing feature is that it offers the possibility of postponing instalment payment, as well as insurance against job loss and full permanent disability, providing additional security to customers during the repayment period. During 2017, a total of 52 121 of loans were granted, in the amount of EUR 133,700,962 which makes 43% of the total cash loans disbursed in 2017.

**Senior Cash Loan** – a dinar-denominated cash loan intended for the eldest citizens. During the entire period of loan repayment, its beneficiary has life insurance which is included in the loan price and covers the rest of the debt, without burdening the family in the event of death. The Senior Cash Loan has been part of the Bank's standard offer since 2011, with 43,411 loans granted in 2017, in the amount of EUR 73,700,515, which is 23.8% of the total disbursed cash loans during the year.

**Visa Classic Paralympic and Visa Electron Paralympic** – the first charity payment card in the country. With the activation of the Visa Paralympic donor card, each card holder becomes a donor to the Fund of the Paralympic Committee of Serbia. In 2017, 54 cards were issued.

**New services offered to students** – In order to provide support to students, the Bank seeks to create an offer that easily fits the financial needs which they face on a daily basis. In that regard, in 2016 the Bank presented a new current account for students: STUDENT HIT. A GRADE-A ACCOUNT.

The Student Hit current account provides users with a possibility of opening a dinar and foreign currency account free of charge, receiving money from the country and abroad, as well as free text notification of payment. Also, during the first year of using this product, students are exempt from monthly maintenance fee and have at their disposal, free of charge, a Visa Inspire payment card, which can be used without commission in 11 countries in the region, as well as to make safe purchases over the internet. The card can be linked to a PayPal account, enabling contactless payments at points of sale with a payWave sign. In addition, bearing in mind the habits and needs of the younger population who wish to complete as many of their tasks and obligations online, the Student Hit account includes the use of mobile and internet banking free of charge.

#### **Important Support of Banca Intesa to Paralympic Sports**

Combining its market interest with innovation and principles of social and financial inclusion and wishing to provide long-term support to the sustainable development of Paralympic sports in Serbia, in 2017 the Bank continued with the implementation of a stable and financially autonomous mechanism of long-term support to the Paralympic Committee of Serbia. By renouncing part of the amount of membership fees and transactions made by Visa Paralympic donor payment cards, the Bank has made a key contribution to the operational sustainability of the Paralympic Committee of Serbia in the previous decade, setting an unique example among sports organisations in the country and abroad. In 2017 the Bank continued to act as an important corporate donor of Paralympic sports in Serbia, providing over RSD 5.4 million.

#### **Upgrading the Bank's Website**

The Bank has made significant visual and functional improvements of its official corporate website, with the aim of providing a clearer description of products and services, along with easier navigation etc. The website design automatically adapts to the device on which it is displayed, featuring interactive loan calculators, maps of branches and ATMs, with a possibility of changing the font size, which is of great assistance to people with visual impairments. Apart from being adapted for the blind and visually impaired in terms of access to its content, the Bank's corporate website also offers a map of branches, listing their basic characteristics, including whether the branch is adapted for people with disabilities. This possibility is also available to mobile banking users.

The contents of the Bank's website have also been upgraded (bilingual - Serbian/English), with additional sections classified by the type of product/service and customer segment (individuals/businesses/small business/agriculture, etc.).

#### **Financial Education**

Given that Banca Intesa is fully dedicated to dissemination of knowledge of economic and financial issues, as well as to education about modern banking services and responsible money management. In the financial education area, the year was marked by two large projects, while in 2017, by means of the individual volunteering programme, the Bank employees again took active part in several projects benefiting customers, entrepreneurs, women, and the youth.

In cooperation with the Intesa Sanpaolo Group, the Bank developed and implemented the **Knowing How to Save 2017** financial education programme. The aim of the programme is to reaffirm the importance of saving and the need for timely financial education in Serbia, to educate as many young people as possible, thus providing a practical contribution to the long-term sustainability of the financial market in Serbia. The institutional partner of the project was the NBS, whose support significantly increased the visibility of the initiative and its results. The programme included a series of educational activities for 300 children aged 6 to 17, who attend elementary and secondary schools in Belgrade, Novi Sad, Niš and Kragujevac. On this occasion, elementary school pupils and high school students learned about the most important financial concepts, as well as simple and practical tools for personal finance management. As part of the programme, the employees of Banca Intesa held six interactive educational workshops in elementary schools in Novi Sad, Niš and Kragujevac, at which they presented a modern concept of saving, while the children of employees participated in an educational social game motivated by the topic of saving, which the Bank designed especially for them.

As a member of the working group for financial education and financial literacy in the Association of Serbian Banks, Banca Intesa participated in the preparation and implementation of the national programme for marking the **European Money Week in Serbia**. As part of the project, the Bank employees visited one kindergarten and one elementary school in Belgrade and held two interactive workshops for a total of 60 girls and boys. The aim was to introduce basic financial concepts to the youngest, promote the need for rational financial management among children, and stress the importance of the concept of saving and responsible financial decisions.

In addition, one of the Bank's most important projects aimed at empowering women in business continued. As part of the **Women in Business** project, the Bank grants loans from the EBRD credit line for financing investments and working assets to SMEs managed by

women. Last year, 367 of these loans were granted in the total amount of almost EUR 3 million. In addition to financial support, the programme also included educational support to women entrepreneurs throughout Serbia. The Bank organised a series of educational workshops in Leskovac, Kragujevac, Belgrade and Novi Sad on the topic of managing one's own finances and improving business, presenting a financial tool for assessing one's own business from the aspect of financial advice, assessment of weaknesses, risks, etc. It is the Business Lens platform, which can be accessed by logging in through a special website. In 2017 the Bank continued to support the Flower of Success project, organised by the Association of Business Women, thus pointing to the importance of women's entrepreneurship.

Apart from that, taking into account the specific needs of its customers, the Bank continued with the development of promotional/information material on the Bank's products and services (leaflets, posters in the Bank's branches, ads in newspapers, etc.) in a language of a minority living in Vojvodina. It is a **perennial initiative to overcome language barriers** among the users of the Bank products and services, which may occur among minority groups, due to the lack of understanding of the language, and in particular, the banking terminology. More specifically, it was the material in Hungarian that was prepared for loans intended for farms in the territory of Vojvodina - in areas inhabited by the Hungarian national minority. This material was developed for the Intesa Farmer offer and the loan product Agroprotekt – a loan with free-of-charge insurance of arable crops which is specific and, as such, assumed to be harder to understand by the minorities.

During 2015 the Bank also implemented a programme for training the elderly population (old-age pensioners) to use payment cards intended for withdrawing cash from ATMs and info-terminals for paying bills. Based on the pilot-programme conducted in several major cities, a decision was made to increase the number of locations where promoters would be placed in order to train the pensioners and help perform transactions (while respecting the user's privacy), with the aim of steering a larger number of users towards ATMs for cash withdrawals and payment cards for payments.

A Small Business Academy titled 7 Habits of Successful People was also organised for young entrepreneurs and small business owners in Čačak, Niš, Belgrade and Novi Sad on the topic of enhancing business and finance management skills. The Padinska Skela Extension Service's Winter School for Farmers was supported in Belgrade municipalities of Grocka, Surčin and Obrenovac, for the purpose of providing training to farmers on topical issues from the areas of primary agriculture (crop farming, plant protection, animal husbandry, fruit growing, agro-economics).

### 7th Intesa Academy for Customers

During 2017, the seventh year in a row, the Intesa Academy was organised as a workshop for corporate customers – large corporates, multinationals, as well as SMEs. The 2017 Intesa Academy was titled MEET THE FUTURE, with its central topic being innovation in a world of unrelenting change and an environment of dynamic technological changes shaping our future. The special guest of the event which brought together over 100 clients of the Bank was Luca de Biase, editor of innovations in leading Italian newspapers, a writer and lecturer at universities in Padua and Pisa.

**The AmChamps Summer School** is a one-week educational programme of the American Chamber of Commerce in Serbia (AmCham), which allows students to acquire knowledge and skills that can help them navigate the first challenges of the modern business environment. The school was established with an idea to have successful business people hold a number of lectures and workshops to the largest possible number of participating students, who would thus get an opportunity to gain and apply useful business knowledge, related to, inter alia, financial planning and management. In 2017 the lecturers included managers from the Bank, whose lectures covered the topics of business strategy and development, PR and marketing communications, customer relations and communications, etc.

Banca Intesa employees again supported the **Bank Officer** project, organised by the local chapter of the UN Global Compact for the purpose of providing training to high school students and teachers in various banking topics. This activity is implemented by the Working Group for Corporate Social Responsibility in Banking and Finance, chaired by the National Bank of Serbia.

### Business Skills Academy

Banca Intesa has been awarded a plaque for officially joining the programme of the Responsible Business Forum's Business Skills Academy. The Business Skills Academy is a programme designed for the purpose of enabling transfer of business knowledge and skills to organisations and social enterprises, thus contributing to their higher efficiency, business viability and market visibility. The programme is based on a combination of lectures, consulting and mentoring work, and is implemented owing to voluntary participation of professionals from the Bank, willing to relay their knowledge and experience in the area of their expertise, without remuneration, as part of individual volunteering arrangement, to civil society organisations and social enterprises assessed to be in such need.

By joining the Academy, Banca Intesa plans to support the Programme in the long run, by relaying its experience and knowledge through volunteer efforts of the largest possible number of colleagues who are experts in various areas. The activities are implemented as part of the Intesa from the Hearth corporate volunteering programme. During 2017 as many as five colleagues participated in the programme.

During 2017 daily communication on social networks was improved by involving the entire Contact Centre of the Bank in communication through that channel. This form of information exchange, due to the large number of daily inquiries, can be seen as raising the level of financial literacy by offering additional clarifications about specific terms, advantages and disadvantages of a specific financial product/service, as well as provision of advice on the best solution.

## Customer Satisfaction Management

When it comes to customer satisfaction, 2017 marked a 10-year anniversary of the **Listening to You 100%** programme. As part of this programme, all feedback received by the Bank in the form of complaints, suggestions, commendations, and principally from customer satisfaction and experience survey, is consolidated in order to analyse and properly understand their needs, as well as to improve business processes, products and services. During the previous ten years, the programme enabled the customers to become active participants of the Bank's development – an engine which, among other things, has a major impact on the improvement of its offer and services. Judging by the results achieved by the Bank, client engagement has been more than successful.

Listening to You 100% also has an internal aspect, because it maintains a fully customer-oriented corporate culture. To that end, the Bank conducted internal trainings for all its staff, aimed at emphasising the importance of customer satisfaction, acquainting staff with customer experience concept and importance of each organisational unit in the process of customer satisfaction improvement.

### Communication Mechanisms

According to the Law on Financial Service Customer Protection, a written complaint is considered to be a complaint. The following communication channels with Banca Intesa are open to its customers:

telephone: +381 11 310 88 88

e-mail: kontakt@bancaintesa.rs

fax: +381 11 310 88 55

mail: Customer Satisfaction Management Office, Milentija Popovića 7b, 11070 Novi Beograd  
direct contact, when the client delivers the written complaint and contact form on the Bank's official website.

For the purpose of improving relations with the customers who came to the Bank with a complaint, as well as general corporate responsibility, the period needed for processing and sending a response to customer complaints was significantly reduced relative to 2015 and 2014, so the Bank's average time for responding to a complaint is significantly shorter than the legally prescribed timeframe. Furthermore, when processing other customers' applications or requests, the Bank

complies with the same principles as when processing complaints, although it is not obligated to do so by the regulatory framework.

In February 2016, the Executive Board of the Bank adopted an internal regulatory document - Parent Bank Guidelines for the Management of Complaints, Payment Card Claims and Related Customers' and Supervisory Authorities' Requests, which, together with Procedure for Handling Customer Complaints, is an important part of a set of internal documents defining roles, responsibilities and rules for the orderly resolution of complaints and disputes regarding the protection of the rights of Banca Intesa customers. With these documents, the Bank goes beyond its legal obligation, confirming its strategic dedication to be fully committed to a continuous dialogue with its customers, in order to maintain mutual relations at a high level. Complaint processing has been centralised in such way that one organisational unit, which directly reports to the President of the Executive Board of the Bank, is responsible for their resolution.

Each customer can make personal contact with the employees of the Customer Satisfaction Management Office. In case the customer is not satisfied with the response, he/she can contact the National Bank of Serbia, as the second-instance authority, for potential mediation.

The Bank has been monitoring customer satisfaction since 2008. In order to evaluate the level of customer satisfaction a scientifically tested and well-established approach has been used, based on the model of the European Customer Satisfaction Index (ECSI). The use of this model makes it possible to compare the results of Banca Intesa Beograd with the banks in the local banking market, as well as with other ISBD banks (International Subsidiary Banks Division). ECSI includes a wide range of key factors: image, branch organisation, relationship with the staff, price and quality, aftersale support, complaints resolution and other. Since 2016, in addition to customer satisfaction surveys conducted among individuals, small businesses and small and medium-sized enterprises, surveying corporate and multinational customers was also initiated, so satisfaction surveys cover all segments of the Bank. Last year surveys were conducted among individuals and small businesses, while other segments – SMEs, large corporate and multinational customers will be surveyed in 2018. The results obtained confirmed high customer satisfaction and loyalty indices, as well as all related indicators, in particular the Net Promoter Score (NPS).

Along with the internal customer satisfaction survey, which solely involves the Bank customers, Banca Intesa conducted a comparative (benchmarking) retail survey as well, enabling a comparison with competitors in the local market, not just when it comes to the customer satisfaction and loyalty index, but also with regard to all individual indicators (image, price and quality of products and services, relationships with the staff, or-

organisational efficiency, aftersale support, handling of complaints, electronic banking services, etc.). The survey results confirmed the leadership of Banca Intesa in the field of customer loyalty aspects, with the highest NPS result – even above the record 2014 level. This survey indicated the high customer satisfaction level, in particular as regards aftersale support, digital channels, followed by customers' willingness to recommend the Bank, as well as to purchase financial products and services again in Banca Intesa. All these aspects were additionally confirmed by the high NPS.

### Upgrading E-commerce Services

The Bank continued to upgrade and develop its digital services, in line with global and local trends, which led to rising customer expectations regarding the speed and simplicity of the process. The significant number of corporate and retail users of Banca Intesa's digital platforms demonstrates that in 2017, with its technical innovations, the Bank managed to meet its customers' expectations, strengthen its brand and market position in this extremely competitive area.

The total number of active clients on the Intesa online channel is close to 117 thousand. In December 2017 the total number of transactions executed through the Intesa online application reached around RSD 4.6 billion, while the number of transactions in the same month reached almost 402 thousand. The number and volume of transactions point to a stable growth trend on this channel, both in terms of the total volume and by transaction type, i.e. payments, fund transfers and currency exchange operations.

At the same time, the total number of active users of the Intesa Mobi application reached almost 133 thousand. In December 2017 the volume of transactions was around RSD 7 billion, while their number reached 516 thousand.

During 2017 the Intesa online application was upgraded by introducing the option of submitting online cash loan applications, and towards the end of the year online current account overdraft applications as well. Until December 2017 inclusive, the number of cash loan applications submitted via the Intesa online application was 11,266 or 15.6% of all cash loan applications, while the disbursements amounted to around RSD 400 million, or 17% of the total amount of all approved cash loans.

As regards support to corporates, the number of merchants on the Nest Pay e-commerce platform was 320. E-commerce transactions accounted for 2.4% of the total number of transactions, or 3.4% of the total number of transactions on the e-commerce platform and POS terminals at the end of the year.

In order to further improve the quality of services in the Bank's business network, a survey was again conducted based on the Mystery Shopper methodology. This survey, inter alia, enables each branch to be viewed as a separate entity and, based on the results obtained, to initiate and undertake activities which improve the

quality of service provided and consequently, directly influence the experience and satisfaction of the customers who frequent those branches. The success of the activities undertaken is demonstrated by the results achieved.

In order to improve small business customer experience, last year Banca Intesa stepped up its activities in the area of the so-called instant feedback customer satisfaction surveys. Owing to instant feedback surveys, through which the customer is contacted immediately after his/her interaction with the Bank staff, feedback is obtained while the experience is still "fresh", enabling the bank to respond promptly by eliminating potential causes of dissatisfaction and increasing the satisfaction of each individual customer. In the following period, this type of survey will be applied for other customer segments, aiming to cover all "points of contact" between the customers and the Bank.

### Data Transparency

Establishing a relationship of trust implies a full understanding of the characteristics and values of products, so Banca Intesa strives, in addition to complying with the Law on the Protection of Financial Service Consumers, to contribute additionally to simplifying communication on its products.

In line with the Law on the Protection of Financial Service Customers, in advertising its products, the Bank states all the costs borne by the consumers. The Bank is transparent in its price policy and always shows clearly and visibly representative examples containing all data in accordance with the Law on the Protection of Financial Service Consumers. When it comes to contracts, the Bank strives to formulate them so that they are simple to understand, reducing a possibility of misunderstanding and ambiguous interpretation by providing clear and exhaustive information. The Bank notifies its customers in a timely manner of any change in the contracts and their terms and conditions. In 2017 the Bank did not receive any complaints related to intentional non-compliance with regulations or voluntary codes which refer to adequate notification of customers about its products and services.

### Data Security

As defined in the Code of Ethics and the Business Code, the protection of persons, their assets and valuables, as well as a multitude of data and internal organisational processes, is guaranteed in Banca Intesa in a manner that fully meets the criteria of reliability, continuity and confidentiality.

In addition to its legal obligations, Banca Intesa complies with the criteria of absolute transparency in informing its customers of their rights to privacy and the manner it treats their personal information. During 2017, with regard to the definition of banking, as well as business secret, Banca Intesa did not find any well-founded complaints in connection with the violation of customer privacy or any disclosure, leakage or theft of customer information.

# Employees

Respecting the rights of employees, investing in the development of their professional qualifications and creating a work environment in which employees feel comfortable and motivated to contribute to the achievement of common goals is a strategic commitment of Banca Intesa. For this reason, the Bank continuously develops numerous programmes and initiatives with the aim of empowering its employees and providing them with new opportunities for development. With the intention of recognising and meeting the needs of employees in the best possible way, the following key areas have been defined:

- Equal opportunities
- Human resource development
- Employee satisfaction

## Equal Opportunities

Recruitment procedures and HR management in Banca Intesa are based on the principles guaranteed by the Code of Ethics, implying objectivity and consistent conduct in the process of candidate selection and recruitment, as well as HR management, prevention of favouritism, abuse or discrimination based on any personal feature such as gender, ethnicity, religion, political beliefs, language, age, disability or trade union membership. In keeping records on employees, Banca Intesa uses an internal HR application where employees are able, if they wish to do so, to enter and update their personal information by themselves.

At the end of 2017, Banca Intesa had a total of 2,934 employees, of whom 71.6% were women. Women also dominate managerial positions (56.9%), while their share in the Executive Board is 40%.

Total number of employees by category and gender																								
	2012						2013						2014						2015					
	Managers		Officers		Employees		Managers		Officers		Employees		Managers		Officers		Employees		Managers		Officers		Employees	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
	26	20	167	264	722	1,935	23	16	166	261	698	1,875	20	15	160	252	713	1,865	21	16	157	252	703	1861
<b>Total</b>	<b>46</b>	<b>431</b>	<b>2,657</b>	<b>39</b>	<b>427</b>	<b>2,573</b>	<b>35</b>	<b>412</b>	<b>2,578</b>	<b>37</b>	<b>409</b>	<b>2,564</b>												

Total number of employees by category and gender												
	2016						2017					
	Managers		Officers		Employees		Managers		Officers		Employees	
	M	F	M	F	M	F	M	F	M	F	M	F
	22	14	160	234	709	1,893	21	15	151	212	661	1874
<b>Total</b>	<b>36</b>	<b>394</b>	<b>2,602</b>	<b>36</b>	<b>363</b>	<b>2,535</b>						

Total number of employees by location	2012		2013		2014		2015		2016		2017	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
<b>Belgrade*</b>	459	963	464	969	481	986	491	1,013	496	1,008	483	1,000
<b>Other locations**</b>	456	1,256	423	1,183	412	1,146	390	1,116	395	1,133	350	1,101
<b>Total</b>	<b>915</b>	<b>2,219</b>	<b>887</b>	<b>2,152</b>	<b>893</b>	<b>2,132</b>	<b>881</b>	<b>2,129</b>	<b>891</b>	<b>2,141</b>	<b>833</b>	<b>2,101</b>

\* The number of employees in Belgrade includes all employees at the Bank Headquarters located in Belgrade, as well as all employees in branches belonging to the Belgrade Regional Centre.

\*\* Employees in other locations include Bank Headquarters employees located in Novi Sad, as well as all employees in branches in all the towns in Serbia in which the Bank operates (which include all branches in the three remaining Regional Centres: RC Novi Sad, RC Kragujevac, and RC Niš). This interpretation of other locations is applied throughout the report.

\*\*\* The Bank does not employ permanent third parties.

Total number of employees by type of employment contract	2012		2013		2014		2015		2016		2017	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Fixed-term	29	56	31	40	49	79	52	88	47	115	47	162
Permanent	886	2,163	856	2,112	844	2,053	829	2,041	844	2,026	786	1,939
<b>Total</b>	<b>915</b>	<b>2,219</b>	<b>887</b>	<b>2,512</b>	<b>893</b>	<b>2,132</b>	<b>881</b>	<b>2,129</b>	<b>891</b>	<b>2,141</b>	<b>833</b>	<b>2,101</b>

Type of employment contract by location	2012		2013		2014		2015		2016		2017	
	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent
Belgrade	12	1,410	39	1,394	94	1,373	99	1,405	78	1,426	94	1,389
Other locations	73	1,639	32	1,574	34	1,524	41	1,465	84	1,444	115	1,336
<b>Total</b>	<b>85</b>	<b>3,049</b>	<b>71</b>	<b>2,968</b>	<b>128</b>	<b>2,897</b>	<b>140</b>	<b>2,870</b>	<b>162</b>	<b>2,870</b>	<b>209</b>	<b>2,725</b>

\* In Banca Intesa, there are no part-time employees, so in terms of employment type, all employees are engaged as full-time employees.

Gender structure	2012		2013		2014		2015		2016		2017	
	M	F	M	F	M	F	M	F	M	F	M	F
Employee gender structure	29.20%	70.80%	29.19%	70.81%	29.52%	70.48%	29.27%	70.73%	29.4%	70.6%	28.4%	71.6%
Management gender structure	56.52%	43.48%	58.97%	41.03%	57.14%	42.86%	40%	60%	42.3%	57.7%	43.1%	56.9%

Age structure	2012			2013			2014			2015			2016			2017		
	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age
Employee age structure	9.76	75.47	14.77	7.77	77.23	15	9.42	74.88	15.70	7.41	75.61	16.98	10	74.5	15.5	9.5	75.5	14.9
Management age structure	/	84.78	15.22	/	66.67	33.33	/	80	20	/	80	20	1.2	79.1	19.8	0.5	82.0	17.5

The preservation of jobs is one of the priorities of the Intesa Sanpaolo Group, so Banca Intesa Serbia strives to maintain the employee turnover rate at stable levels.

Employee turnover	2012		2013		2014		2015		2016		2017	
	M	F	M	F	M	F	M	F	M	F	M	F
Employee turnover	60	74	60	60	67	78	71	85	103	140	61	146
Total number of newly employed	134		120		145		156		243		207	
Left the Bank	63	137	88	127	61	107	83	88	93	128	119	186
<30	8	26	10	14	8	11	8	14	17	15	16	17
30-50	35	51	55	71	41	66	69	56	60	85	77	116
>50	20	60	23	42	12	30	6	18	16	28	26	53
Total number of employees who left the Bank	200		215		168		171		221		305	
Turnover rate	6.38%		7.07%		5.55%		5.67%		7.24%		10.25%	

In accordance with the current legislation of the Republic of Serbia, all Banca Intesa employees have the right to maternity leave. Being a responsible employer, the

Bank guarantees a return to their job to all employees who exercise this right.

Right to maternity leave	2012	2013	2014	2015	2016	2017
The total number of employees who exercised their right to maternity leave	287	270	168	166	148	100
Rate of return to work after the end of maternity leave	99.65%	99.26%	96.4%	98.8 %	98.8%	99.3%
Rate of remaining in employment 12 months after returning to work	96.17%	95.47%	98%	95.83 %	91.6%*	94.6%**

\* Of 14 employees who have left their post, 11 of them have done so of their own accord.  
\* Of 8 employees who have left their post, 5 of them have done so of their own accord.

## Occupational Health and Safety

The Bank approaches occupational health and safety issues in a responsible and systemic manner. This area is defined in detail in the Collective Bargaining Agreement, the Rulebook on Occupational Health and Safety (OHS), and the Act on the Assessment of Risk at Workplaces and in the Working Environment of the Bank. The Collective Agreement and Rulebook on OHS define the rights and obligations in this area, and the Act on the Assessment of Risk defines preventive measures for safe and healthy work in the workplace and the needed personal protective equipment. Listed documents cover the following topics: personal protective equipment, training and education, complaint mechanism, the right to refuse hazardous work, and periodical inspections. The injury rate represents the frequency of injuries during the reporting period, per 100 employees.

Injury rate - employees	Reporting period			
	2016		2017	
	Male	Female	Male	Female
	0,097	0,389	0,097	0,517
<b>Total</b>	<b>0,486</b>		<b>0,614</b>	

\* In 2016, there were no cases of occupational diseases.

The lost day rate represents the frequency of lost days due to injuries per 100 employees.

Lost day rate - employees	Reporting period			
	2016		2017	
	Male	Female	Male	Female
	0,076	8,034	0,307	0,613
<b>Total</b>	<b>8,11</b>		<b>0,92</b>	

The absentee rate represents the percentage share of days of sick leave in the total number of business days.

Absentee rate - employees	Reporting period			
	2016		2017	
	Male	Female	Male	Female
	0,076	8,034	0,32	2,92
<b>Total</b>	<b>3,42</b>		<b>3,25</b>	

\*In 2016 or 2017, there were no fatalities.

## Human Resource Development

Year after year, Banca Intesa has been launching and improving programmes that enable employees to acquire new knowledge and skills, providing them with an opportunity to achieve their professional potential and to overcome the challenges ahead in a better way. Process transparency and indicator objectivity are the main principles to which the Bank adheres in monitoring its staff performance and their fair remuneration. Performance assessment was received by 99% of employees in 2017, with the Bank preserving continuity relative to previous years – 2016 (95.63%), 2015 (93.19%), 2014 (94.87%), 2013 (93.45%) and 2012 (94.64%).

Banca Intesa internally provides opportunities to its employees for learning and education in the form of training courses, seminars, workshops and especially through an e-learning platform that includes various online training programmes. Occasionally, the Bank publishes manuals and other internal tools that facilitate the dissemination of knowledge of various relevant topics. Besides, the Bank also supports employees in their initiatives to acquire the necessary knowledge and skills externally, providing financial support for these types of educational activities, as well as for various study trips with guaranteed return to their post.

Being a member of the Intesa Sanpaolo Group, every year the Bank encourages international career development, as well as acquisition of new professional knowledge through the exchange of experience with colleagues from the Group and other Intesa Sanpaolo bank members.

Through continuous and systemic monitoring of all new employees, the number of training days increased significantly in 2017, with more than 12 training days per employee on average. There were 4,290 training days conducted in the classroom, as well as 11,698 days of mentoring. Each employee attended an average of three programmes on the e-learning platform, and learning via the e-learning system was carried out through 18 different e-learning programmes.



Training	2012		2013		2014		2015		2016		2017	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total number of training hours by gender	16,065	31,762,5	26,422,5	64,825	22,070	49,147,5	29,754,5	59,785,5	33,900	61,580	58,082,50	105,955
Average number of training hours per year by gender*	17,56	14,31	29,79	30,12	24,71	23,05	33,77	28,08	42,22	35,43	70,49	53,03

Training	2012			2013			2014			2015			2016			2017		
	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees
Total number of training hours per employee category*	720	11,025	36,082,5	607,5	18,342,5	72,297,5	637,5	8,145	62,435	950	19,025	69,565	1,425	14,590	79,465	1,677,5	21,048,75	141,311,25
Average number of training hours per employee	15,65	25,58	13,58	15,85	42,6	28,1	18,21	19,77	24,22	25,67	46,51	27,13	41,61	43,55	36,58	48,0	60,14	57,98

\* The division into employee categories is extracted from the Bank's HR system.

Two talent programmes were launched in 2017 – an international talent programme in the Intesa Sanpaolo Group in which selected Banca Intesa employees will gain international experience and knowledge in training courses conducted by the most eminent international experts in the next three to five years, as well as the Bank's programme focused on developing the leadership of recognised managers, titled the Treasure Leadership Talent Programme. This programme, which brings together mentors and talents from prominent managerial positions and lasts a year and a half, is characterised by a specific approach to talent development, based on individual profiles and career goals.

Several employee development projects have been implemented, the most important of which being the permanent education programme for the employees at the Headquarters, designed to develop managerial skills, communication and team work, as well as a programme of connecting and developing colleagues who deal with business intelligence within the Bank. A number of specific programmes for different employee categories that started in the previous years continued as well, including the SB Academy, an innovative programme for training employees who deal or will deal with small business. It is a programme recognised as the best practice in the field of human resources within the Intesa Sanpaolo International Subsidiary Banks Division (ISBD).

The development of the Small Business Academy programme, intended for current and future small business advisors – continued during 2017 as well. This programme is designed so as to cover a wide range of knowledge and skills needed in everyday work, such

as sales, communication and conflict resolution skills, financial analysis and time management. In addition, the programme also aims to enable familiarisation with the characteristics and specificities of the small business segment in the local market, study of financial products and services in this segment, as well as provision of key business insights to better recognise the value of customers and acquire other highly technical knowledge.

The programme consists of three modules, a test and certificate for participants, so a special certificate award ceremony was organised in March 2017 for a total of 26 employees who successfully completed the first cycle of the Small Business Academy. The programme was initiated in late 2015 for all new colleagues from the business network and since the end of 2016 new colleagues at the Headquarters have also been included.

### Small Business Workshop

In February 2017, CIB Bank and Intesa Sanpaolo International Subsidiary Banks Division (ISBD) organised a Small Business Workshop in Budapest. On this occasion, the Banca Intesa Beograd employees presented the SB Academy programme, which was recognised as the best practice in the field of human resources within the ISBD, shared their local experiences through an open discussion, and offered their expertise to the colleagues designing the CIB Bank Small Business Academy.

The innovative approach and uniqueness of the methodology behind the SB Academy enabled all participants to get better acquainted with new solutions and get motivated to meet the high standards set by this programme.

In addition, during 2017 students from the final academic years were given an opportunity to gain basic corporate experience as the first generation of the Junior Programme, which is based on mentoring, concrete work tasks, rotations and training of young colleagues.

In late 2015, the pilot phase of the SinteZa project was launched, aimed at improving sales and management skills of the Bank's sales staff, team cooperation, as well as process efficiency at all management levels. The idea is to have the employees who are part of a special Task Force Team relay, in the best manner possible, to their colleagues the new standards in the business process and thus help them adapt to changes.

The pilot phase of the project consisted of a total of 205 hours of mentoring activities, with the participation of 240 employees, the best ones of whom were awarded special prizes. After the successful completion of this phase, and the results in the form of significant improvement of the sales service model as well as better customer experience in the Bank's branches, the SinteZa project was officially launched in April 2016. The project included another 29 branches in the Belgrade Regional Centre, and 10 branches initiated the pilot phase for the small business segment.

Following the success of the pilot phase in the newly included small business segment, the implementation continued in the entire RC Belgrade in this segment, so in late 2016 the SinteZa project was officially implemented in all RC Belgrade branches. The phased approach continued in 2017 and the project was extended to all other regional centres in March, in parallel in both segments in selected branches. In addition, the SinteZa elements were modified and improved based on field experience. The latest implementation phase, initiated in October 2017, with which the project was finally implemented across the BIB network in the two segments mentioned above, is considered to be the pinnacle of the two-year implementation of the SinteZa concept. Thus, after the initial 27 branches, 61 mass advisers and 146 tellers, more than 1,400 colleagues employed in the network were already covered in the course of the year; the number of regular, monthly management meetings (transmission and performance reviews) grew to around 4,000; internal and external observations of our advisers' skills confirmed the improvement (double-digit growth rates); missed opportunities in branches decreased by over 30%; sales increased by over 50% at the teller desks and by 79% by senior tellers; managerial skills of branch managers were improved. In 2017 as many as 125 individuals and 35 teams were rewarded, and 54% of the top performers from 2016 were promoted.

In December 2017, the preparation phase for inclusion of the Magnifica segment into the project started as well.

In addition to all of the above, in 2017 the Bank continued to encourage international career development of its employees, as well as the acquisition of new professional knowledge and exchange of experience with the col-

leagues from the Group. In addition to investing in their professional development, the Bank continued to recognise their personal needs as well, so health insurance was introduced for all permanent employees in the Group, which includes treatment abroad in cases of serious illness.

### Employee Satisfaction

Creating a healthy and stimulating work environment is an indispensable element of the Bank's attitude towards its employees, which greatly contributes to their loyalty and commitment to pursuing the mission of the organisation of which they are a part. Banca Intesa strives to make the time spent at work, but also out of it, stimulating for employees through diverse activities, regularly listening to their needs and aiming to fulfil them in the best possible way. The degree of importance attached to this area is also demonstrated by the fact that employee satisfaction is one of the key topics in the business plan of the Intesa Sanpaolo Group, as well as in that of Banca Intesa.

Apart from the rights guaranteed to employees by law – the right to healthcare, maternity leave, retirement gratuity and disability benefits - the Bank also provides to its employees annual leave allowance, meal allowance and commuter allowance. All employees in Banca Intesa are covered by the Collective Bargaining Agreement, regardless of whether they are trade union members.

Banca Intesa employees are offered preferential credit terms, the right to private health insurance under favourable terms and special benefits and discounts for in-store purchases and with travel agent's with which the Bank has business cooperation. Moreover, the Bank plans the retirement of employees who are at the end of their working life and pays to them retirement gratuity based on their age and years of service.

Staff complaint procedure is defined in the internal documents of the Bank, which are available to employees on the internal portal. Any complaint by an employee is considered thoroughly and the employee is provided with detailed feedback in a timely manner. A total of 7 labour-related complaints were submitted in 2017, of which 6 were accepted as well-grounded in the reporting period (2017). They equally relate to internal and external stakeholders.

In 2017 Banca Intesa had no work duty violation reports against its employees regarding bribery or corruption. No proceedings for protection against abuse at work (mobbing) were initiated in 2017, either.

### Corporate Volunteering

In 2013 Banca Intesa launched a corporate volunteering programme titled Intesa from the Heart, the goal of which was to contribute to the community by placing the time, talents and knowledge of its employees at its disposal. Employees can submit proposals themselves for volunteering engagements and the organisation of activities, thus making volunteering a true part of our corporate culture. See the chapter Community for more about the numerous activities implemented during 2017.

### OneDesk Platform

With an intention of enabling employees to obtain information on all important initiatives and events in each of the Group members, and strengthening the sense of belonging, various activities continued on the promotion of the OneDesk communication platform within Banca Intesa in 2017. With a resulting participation of over 97%, a high level of registered users, i.e. employees at the Bank Headquarters, was achieved. OneDesk is an ISBD communication platform intended for various professional communities within the banking group, which, apart from a lot of information, also offers simple technical tools for sharing documents and experiences.

For the thirteenth year in a row, in 2017 Banca Intesa made it possible for around 50 children of its employees to spend a two-week holiday in Italy, for the first time in Misano. In cooperation with the Intercultura Foundation for International Educational Exchange, in 2017 Banca Intesa again supported a one-year programme of studying abroad. The programme is aimed at high school students, aged 15 to 18, who can easily adapt to changes, and are curious and open to cultural and other diversity. Two children of the Bank employees completed the previous school year in Italy, taking advantage of an opportunity to learn Italian, live in a different cultural environment and gain new experiences.

### Sports Activities

The Intesa Sanpaolo Group regularly organises sports competitions as part of its regular activities, aimed at reinforcing team spirit and enabling employees from the member banks to get to know each other.

Banca Intesa staff participated in the eighth ISBD Olympiad, which took place in Portorož and Koper in September 2017. For the second time in a row, the event host was Intesa Sanpaolo Bank (Slovenia). Over 500 participants from Bank Koper (Slovenia), VUB Bank (Slovakia), Intesa Sanpaolo Bank (Romania), Privredna Banka Zagreb (Croatia), CIB Bank (Hungary), Intesa Sanpaolo Bank (Bosnia and Herzegovina), fund from Italy competed in football, volleyball and basketball. This time male basketball players of Banca Intesa won the first prize, while female basketball players came in second. During this event the BIB Band had its first international performance.

Under the auspices of the Intesa Sanpaolo Parent Group, more than 350 colleagues from Italy and seven member states of the ISBD division took part in the third ISBD marathon. Banca Intesa was for the first time represented by thirteen participants, since, with the support of the Group, all of the marathon runners who applied went to Portorož.

In addition, for the first time, the ISBD group organised a Bike Event. Nine cyclists from Banca Intesa took part in a unique cycling race across the Dolomites in Italy.

### Care for Employees' Children

Sports spirit is also nurtured among the youngest – children of colleagues from the Group member banks. The sixth ISBD Children's Olympiad in Portorož brought together over 400 children from Bosnia and Herzegovina, Croatia, Hungary, Serbia, Slovakia and Slovenia in May 2017. Over 20 teams competed in football and volleyball, while over 100 young basketball players, boys and girls, attended the Junior Armani camp, which was run by the coaches of the Armani Milano basketball club. The entertainment programme of the event consisted of magicians, a dance group, as well as football masters who performed numerous tricks with balls. The children whose parents work with the Bank won two cups – as the best teams in basketball and volleyball.

# Community

As the leading bank in the Serbian market, Banca Intesa has an important role in the economic development of the country, as well as in the life of the entire community. As in previous years, the Bank strove to meet the needs of the community through philanthropic investment and initiatives in the field of culture, education as well as social issues, but also by strengthening its corporate volunteering programmes, with a particular focus on the financial education of the youngest. The Bank received important recognitions for this, as a confirmation of success of its strategy. The primary aspects of the Bank's activity in relation to the community are the following:

- **Heritage preservation and culture promotion**
- **Social and financial inclusion**
- **Support to young talents**

Constantly following the needs of the community, in 2017 Banca Intesa allocated more than RSD 9 million for philanthropic purposes, supporting the implementation of projects in the field of culture and preservation of cultural heritage, as well as initiatives of social and humanitarian importance.

## Recognitions for Corporate Volunteering

Banca Intesa was awarded the annual recognition of the Responsible Business Forum for the best domestic corporate volunteering programme in 2017 in the Innovative Skill Based Volunteering category for its model of employees taking part in various humanitarian projects and raising their awareness of the issues concerning vulnerable social groups (BIB bend plays for children, Volunteering day...).

## Heritage Preservation and Culture Promotion

The socially responsible activity of Banca Intesa is primarily based on the provision of support to art and culture, guided by the commitment of its Intesa Sanpaolo Parent Group, as well as its origin from Italy, a country that takes care of a significant part of the global cultural treasures. Thus, in 2017, in cooperation with the Intesa Sanpaolo Group and the History Museum in Belgrade, the Serbian public was acquainted with a part of the Italian cultural heritage and Italian art treasures in an exhibition of paintings from the Intesa Sanpaolo art collection.

## Exhibition of Paintings by Gaspar van Wittel in Belgrade

This exclusive cultural event was organised in Belgrade upon the initiative of Gian Maria Gros-Pietro, Chairman of the Intesa Sanpaolo Board of Directors. The ex-

hibition comprised works by Gaspar van Wittel – early 18<sup>th</sup>-century oil paintings named View of Rome from Piazza Navona and View of Rome from Piazza del Popolo. Both paintings are typical representatives of the veduta genre of landscape painting, of which Van Wittel himself was one of the main pioneers, and are kept in the gallery of the Zevallos Stigliano Palace.

The Intesa Sanpaolo collection includes about 20,000 works of art, and a significant part of the collection is permanently displayed in galleries that form a network of museums called the Galleries of Italy. The Galleries of Italy initiative is aimed at promoting the art treasures of Intesa Sanpaolo through exhibitions, concerts, workshops, seminars, as well as educational programmes. This initiative is an important part of the Culture project, a multi-year plan of the Group's activities on promoting art and culture across divisions in the countries in which it operates. As part of the Culture project, Intesa Sanpaolo also implements an Italian heritage protection initiative called Restituzioni, restoring more than a thousand works of art so far.

As part of the support to national cultural institutions, investments continued in 2017 with the aim of improving the conditions of work of the institutions themselves and raising the quality of cultural contents they produce and implement for the broadest population. The Bank helped finalise the reconstruction of the building of the National Museum, the central museum institution of national importance, which had been forced to relocate its activities and museum collections more than a decade and a half ago due to poor state of the building itself. Consequently, during the reconstruction period, works of art of exceptional cultural importance were difficult to access or inaccessible.

The Bank also supported the National Library with a donation for the procurement of equipment necessary for the implementation of various cultural programmes. Support was also provided to cultural heritage preservation programmes, including the language and script preservation initiatives implemented by the Vuk's Foundation, as well as a publication with pictures of mediaeval Serbian money, issued by the Politika daily.

Over the years the Bank has supported numerous local and regional cultural events and organisations, festivals and other events. In 2017 the Bank contributed to the organisation of one of the oldest cultural events – Smederevo Autumn, and supported the Ljubičevo Equestrian Games in Požarevac, Without Translation regional theatre festival in Užice, as well as the Vranje Days event.

## Social and financial inclusion

The Bank's responsibility to take care of its community, of which it is an integral part, is reflected in the donation programme, through which the Bank helps by donating equipment and money, trying to support the inclusion of specific social groups. The Bank endeavours to contribute to the resolution of current social issues by providing financial assistance to projects in the field of education, sports, and social and health care. In addition to direct financial contributions, the Bank makes available time, skills and energy of its employees through the Intesa from the Heart programme, constantly improving their volunteering activities and opening up new opportunities to help the community.

To that end, the Bank supported the initiative of the History Museum of Serbia to install an elevator for persons with disabilities, allowing access to museum contents to persons in wheelchairs as well. Standing out among the numerous humanitarian initiatives is the support to the Novak Đoković Foundation project, which included Christmas and New Year gifts and parties for children without parental care. In addition, the Bank supported programmes helping sick children through fundraising campaigns for their treatment, with partner organisations such as BELhospice and NURDOR.

When it comes to infrastructure investments in the community that are focused on health care and protection, in 2017 the Bank supported an initiative of the BELhospice association to build the first hospice centre in Serbia for palliative care of patients with malignant diseases in the progressive, advanced stage, with poor prognosis. This initiative is of particular importance, since in Serbia there are no specialised institutions for the care of terminally ill patients.

Wishing to contribute further to greater humanisation and improvement of the conditions of treatment and stay of persons with mental disorders, the Bank donated funds to the Dr. Laza Lazarević Psychiatric Clinic. Support was also provided to humanitarian activities of the Foundation of Her Majesty Princess Katarina, within which basic medical devices and equipment for children's hospitals in Serbia were provided in 2017.

The construction of a new children's chemo-oncology department of the Clinic for Children's Internal Medicine in Niš was supported by participation in the traditional humanitarian campaign Choosing the Most Beautifully Decorated Christmas Tree, organised by the Hyatt Regency Belgrade Hotel in cooperation with the National Association of Parents of Children with Cancer (NURDOR).

Apart from this, the Bank continued helping the creation of a stable and financially independent mechanism of support to the Paralympic Committee of Serbia, which it supported with RSD 5.4 million in 2017.

## Support to Paralympic Sport

Through the Banca Intesa Visa Classic Paralympic donation programme supporting the development and promotion of Paralympic sport, where the Bank waives a part of the amount of membership fees and transactions conducted by Visa Paralympic cards, it has been providing support for more than 10 years to the Paralympic Committee of Serbia and its foundation. For its significant support financing athletes with disabilities, in 2016 the Bank was awarded a special recognition of the Paralympic Committee for the contribution to the development and promotion of Paralympic sports in the country and a title of largest corporate donor to Paralympic sports in Serbia.

## Financial Education for the Youngest

In addition to the fact that the Bank has been empowering women entrepreneurs, farmers, senior citizens and other customers for many years with numerous initiatives through its financial education programmes, 2017 was marked by a special initiative focused on children. For the World Savings Day, Banca Intesa, under the auspices of its parent group Intesa Sanpaolo, launched a Knowing How to Save financial education programme for children and youth, which was implemented in cooperation with the National Bank of Serbia. The initiative, which involved over 300 girls and boys in elementary and secondary schools throughout Serbia, was organised during the Savings Week, with the aim of improving youth financial culture.

The programme included interactive educational workshops in elementary schools in Novi Sad, Niš and Kragujevac, which were held by Banca Intesa employees in order to present the concept of saving to the children in a simple and understandable way and familiarise them with basic money management concepts.

The Knowing How to Save programme is a part of the Intesa Sanpaolo Group's broader initiative named The Art of Saving, which was conducted in October 2017. The initiative includes a series of educational and entertainment activities in Turin, Milan, Naples, Vicenza, Bologna and Palermo, such as workshops for pupils, family visits to Intesa Sanpaolo branches, as well as tours of the Intesa Sanpaolo Group's Savings Museum (Museo del Risparmio), its Galleries of Italy (Gallerie d'Italia), as well as the Historical Archives.

The Art of Saving initiative was designed by the Savings Museum, an interactive multimedia laboratory of the Intesa Sanpaolo Group, which provides visitors with financial education through personalised experience and entertainment.

## Corporate Volunteering

Since 2013, when it was officially launched under this name, the goal of the corporate volunteering programme **Intesa from the Heart** has been to enable its employees to give an important contribution to positive social changes by investing their time, talents and knowledge. In line with such commitment, in 2017

Banca Intesa continued to incorporate new activities into the Intesa from the Heart corporate volunteering programme. According to its internal records, the Bank invested a total of 6,598 volunteer hours during 2017. The volunteer initiative Wrap a Gift, Make a Child Smile, which was improved in 2016 with the application of a new concept, continued with humanitarian concerts of the BIB Band, comprising ten musicians from among the Bank employees. The band's mission is to use its musical performances throughout Serbia to bring together and motivate as many colleagues as possible to pool funds by buying "tickets" in order to help vulnerable children throughout Serbia. Four BIB Band concerts were held in 2017 – in Niš, Novi Sad, Kragujevac and Belgrade – which brought together nearly 2,000 employees and raised more than RSD 1,700,000 in support of six organisations and institutions for medical or social care of children and youth with developmental disorders. The institutions to receive help were selected by the representatives of Regional Centres, i.e. the colleagues who are the most familiar with the needs of their local communities. All funds raised were donated in agreement with recipients, in accordance with their most urgent needs at the moment. This was one of the main objectives of the project – to map appropriately the needs of the community and, through mobilising as many employees as possible across Serbia, to draw attention to the problems faced by institutions at the local level and offer an appropriate model for their resolution.

In addition, as part of the Intesa from the Heart corporate volunteering programme, Banca Intesa organised the Volunteer Day 2017, which had an environmental character and was dedicated to cleaning and improving the banks of Lake Gruža, an important natural asset in central Serbia. Around 200 employees from all over Serbia contributed to resolving acute environmental problems of the local community by cleaning the lake banks, collecting waste and planting poplar seedlings, making this activity one of the most massive volunteer initiatives so far.

As in previous years, Banca Intesa employees participated in the largest national volunteering initiative Our Belgrade in 2017 as well, for the seventh time in a row, within which they improved the yard and the access fence of the Novi Beograd Elementary School for Children with Developmental Disorders. The Our Belgrade campaign is organised of the Responsible Business Forum and Smart Kolektiv, with the support of the Forum member companies and USAID for the ninth consecutive year, and has so far brought together over 3,000 employees from more than 30 companies, owing to which the quality of life of more than 10,000 people and children was improved. In addition, in 2017 the Bank again encouraged its employees to support socially relevant initiatives through the programme of individual volunteering. The Bank

and its employees contributed around 200 volunteer hours in this segment in 2017 through individual volunteer work – lectures, workshops and trainings.

### **Special Virtus Award**

Banca Intesa won a special Virtus award for volunteering, which is given by the Trag Foundation, with support of the European Union and the Charles Stewart Mott Foundation.

This distinguished national award was given to the Bank for the implementation of coordinated projects and activities as part of the Intesa from the Heart corporate volunteering programme in 2017. The programme included the Knowing How to Save financial education project for the youngest, the BIB Band Plays for Children humanitarian project supporting children without parental care, the Volunteer Day, as well as the results of its employees' individual volunteer work.

The Virtus awards, given by the Trag Foundation for the 11<sup>th</sup> time, are aimed at promoting philanthropy and innovative socially responsible practice in Serbia, as well as at promoting organisations that support non-profit initiatives and programmes in the most comprehensive and effective manner and motivate others to engage in socially responsible activities.

The Trag Foundation had previously recognised the importance of Banca Intesa's socially responsible activity three times. The Bank received the Virtus Certificate of Appreciation for its contribution to the development of philanthropy in Serbia in 2016, the Virtus award in the Employee Volunteering category in 2014, as well as the Virtus award for support to the most innovative project for the Place I Love initiative for the protection of cultural and historical heritage in 2013.

### **Support To Young Talents**

Providing support to projects aimed at children and young people, whether in terms of their education or psychological and physical development, is one of the main strategic directions of investment in the community. In the area of education, the Bank seeks to contribute to improving the quality of education in Serbia and promoting talents through the preparation for their further development, as well as presentation in the market.

The youth were supported through sponsorship of the AmChamps Summer School Powered by Banca Intesa, a summer school of the American Chamber of Commerce in Serbia in 2017. It is a multi-week educational programme of the American Chamber of Commerce that enables students aged up to 25 (from the final year of undergraduate studies or from graduate studies) to acquire, inter alia, the knowledge and skills relating to financial planning and financial management. Owing to this programme, the students are trained to skillfully overcome the first challenges in the modern business environment, regardless of whether they opt for a corporate career, or choose to start their own business. This project provides an opportunity to hear first-hand personal and professional experiences and advice

of successful business people, through lectures and workshops. This year, the lecturers at the AmChamps summer school included the Bank managers, who held presentations on the topics of business strategy and development, PR and marketing communication, customer relations and communication, etc.

The Bank supports educational initiatives and institutions through assistance to the City of Belgrade Young Talents Foundation, within which financial assistance was provided to 69 talented students in 2017. In addition, the Bank supported the UNIVERSEUM annual international conference, organised by the Belgrade University.

Talented students were also supported by the Bank through the Foundation of the Serbian Association of Economists, which encourages the development and promotion of economic science and profession, the promotion of talented students of economics and the improvement of the quality of education as well as the quality of scientific work and research.

### **Support to Sports**

Furthermore, the sponsorship activities of Banca Intesa were focused on the promotion of value of sports, namely unity, solidarity and team spirit, placing children in an environment in which, in the earliest period of their upbringing, confidence is built and important leadership skills are acquired, which will stand them in good stead throughout their lives.

In 2017, under the auspices of the Bank, the traditional Italia Soccer Camp was held, which was attended by 120 children aged 7 to 14. With the support of the national and international experts they had an opportunity to learn and perfect their football skills and the most successful participants of the camp were invited to attend the National Day Camp Italy in Florence in April 2018, on the grounds of the Academy of Coverciano. Selected players were able to enjoy a tour of the Museum of Italian football, trainings and as well Serie A match. The young people who attended the camp of the Italian national team were given an opportunity to improve their football skills following the methods of officially the best Italian coaching staff, and particularly talented children will continue to be carefully monitored in order to be offered an opportunity to demonstrate their skills in Italy as well.

In addition to supporting amateur and Paralympic sports, the Bank invests in professional sports through traditional support to the Water Polo Association of Serbia, contributing to further promotion of this trophy-winning sport.

---

# Suppliers

Banca Intesa has a significant, direct impact on society, local economy and the environment through its supply chain. As a large purchaser and the leading bank in the market, the Bank has a possibility of positively influencing the development of sustainability practices in companies which are part of its supply chain, by applying social and environmental responsibility criteria during the selection of its suppliers.

The Bank's initiatives in this area are directed at the following primary aspects:

- **Transparency and equality in supplier selection**
- **Promoting corporate social responsibility in the supply chain**

Sustainability in the supply chain is recognised as a significant topic in important internal documents: the **Procurement Policy, the Procedure for the Procurement of Goods and Services and the Code of Ethics**, which regulate all key aspects of cooperation with suppliers.

## Transparency and Equality in Supplier Selection

Starting from the aforementioned principles, in 2017 the Bank's criteria for the selection of suppliers in the selection process remained the same: price offered, quality, compliance of the characteristics of the offered goods/services with the required characteristics, delivery period, payment terms and method, warranty period, servicing/maintenance services during and after the warranty period, existence and level of cooperation with the Bank and/or members of the Group, and other special conditions depending on the type of procurement. One criterion is also the alignment of the supplier's operation with the CSR principles. The Real Estate Management and Procurement Department and the organisational unit in charge of the given procurement are obliged to agree upon the criteria for the evaluation of bids before inviting bidders to submit bids and then evaluate them using the qualitative and quantitative analysis methods. In late 2017, the method of supplier evaluation in terms of the technical part of the tender, so now, instead of the previous scoring system, the supplier is assessed as adequate or inadequate.

Clear and objective criteria and terms of cooperation have been defined in the Code of Ethics, which the suppliers are informed about during the process of registration in the supplier register. Relations with suppliers are founded on the principles of equal opportunity, transparency, fairness and integrity, as well as on the principle of two-way communication.

Since 2015, in line with the recommendations of the Parent Group, Banca Intesa Beograd has been implementing the **SAP R/3 and Supplier Portal-Portale Fornitori** application systems. Apart from the centralised List of Suppliers, the Supplier Portal includes an area dedicated to online procurement, in which applicants are registered and if invited, they can take part in tenders and keep up with all of the stages of the process in a transparent manner. For the purpose of better understanding its suppliers and their sustainability policies, during the online registration, all suppliers are presented with a set of questions regarding social and environmental responsibility. In addition, the Portal includes a supplier communication area and a document archiving area, as well as an accounting communication management module, which enables suppliers to see the data related to orders, invoices and payment.

In accordance with the **Procurement Policy** and the **Procedure for the Procurement of Goods and Services**, employees in the Real Estate and Procurement Management Department have an obligation to report any potential conflict of interest, implement a provision prescribing that the procurement of goods and services between the Bank and its employees and their family members is prohibited, and that any type of contacts that exceed business customs should be avoided, unless an approval of their superiors has been obtained. The issue of the conflict of interest has also been specifically regulated in the Bank's Code of Ethics, with which the employees who are in direct contact with the suppliers, are acquainted in detail. In 2017 no cases of violation of the Code of Ethics has been recorded or reported by the suppliers.

## Promoting Corporate Social Responsibility in the Supply Chain

Social responsibility, as one of the criteria in the selection of suppliers, was introduced in 2012 with the adoption of the Procedure for the Procurement of Goods and Services. This document introduces a questionnaire on the basic information of the company, which also contains questions related to CSR operation. This way the Bank gains insight into the existing practices of the potential suppliers, but also raises awareness of this topic. The questionnaire encompasses the following topics:



---

**Corporate Governance**

- Transparent procedures for the election and operation of the Board of Directors;
- Equal and timely access for shareholders to relevant information on the operation of the company;
- Equal and timely access for investors to relevant information on the operation of the company;
- Code of Ethics/Code of Conduct of which all employees are aware;
- Data on the company's ownership structure is publicly available;
- Financial statements of the company are publicly available;
- Information on the sectors in which the company operates is publicly available;
- Transparent publication of the markets in which the company operates;
- Anti-trust principles and principles of the protection of competition, in accordance with which the company operates;
- Social responsibility and sustainable development are incorporated into the mission, vision or strategy of the company;
- CSR principles have been defined.

---

**Market**

- Informing customers about products/services;
- Complaint channels for customer comments and complaints.

---

**Working Environment**

- Equal opportunities for employment as well as for promotion;
- Right of employees to association;
- Occupational safety and health measures

---

**Environment**

- Consideration of impact on the environment when making strategic decisions;
- Existence of an Environmental Protection Policy;
- Key environmental aspects defined, relative to activity;
- Annual budget planned for costs and investments in the area of the environment;
- Documented measurement and monitoring of environmental impacts conducted;
- Reporting on aspects of environmental impacts that are not mandated by law;
- Impact on the environment is taken into consideration in the selection of suppliers;
- Application of some voluntary environmental protection instruments (ISO:14001, ISO:50001, EN:16001);
- Environmental protection is among the responsibilities of one of the members of the company's top management;
- Employees are informed about the Environmental Protection Policy;
- A procedure is in place with a deadline for responding to complaints in relation to environmental protection;
- Innovation in production and products/services focused on reducing environmental impacts;
- Gas emission measurement;
- Rational use of energy and the implementation of economy measures;
- Rational use of water and the implementation of economy measures;
- Responsible waste management;
- Combating climate changes;
- Application of the green procurement principle

---

**Local Community**

- Assessment of impacts on the community;
  - Consulting stakeholders;
  - Procedures for granting monetary donations.
- 

Certain CSR topics have been included in contracts with suppliers, which, in addition to other general provisions and cooperation conditions, contain articles that relate to the application of technical, measures, fire protection measures and occupational health and safety measures, in line with the applicable legislation.

---

# The Environment

In line with its commitment to achieving business success with full compliance with the sustainability principle, Banca Intesa continued to improve its standard practice in the field of environmental protection in 2017 as well. This is testified by its offer of products intended for improving energy efficiency and using renewable energy sources, as well as by its ongoing efforts to reduce resource consumption in its business.

During previous year, environmental protection was again one of the strategic areas of Banca Intesa's activity in the field of sustainability, in the following priority aspects:

- **Responsible resource management**
- **Responsible financing**

Managing direct and indirect impacts of the Bank in this area has been defined in **the Policy on Environmental Protection and Energy Efficiency**, which is based on the principles of reducing waste, improving energy efficiency and improving the direct and indirect performance of the Bank in the area of environmental protection, as well as focusing attention on the consequences which the Bank's decisions may have on the environment and society. These provisions are available to all employees on the internal portal.

When it comes to responsible financing, the Bank is committed to integrating social and environmental criteria in its business decisions in order to contribute to reducing adverse impacts its customers' operation may have on the environment, which was further reaffirmed by the adoption and application of the **Rulebook on and Procedure for Social and Environmental Risk Management** and the **Procedure for the Implementation of the Equator Principles in Project Financing**.

**Procedure for Social and Environmental Risk Management** regulates the credit process when approving loans to corporates and entrepreneurs to which the credit exposure of the Bank is at a level of one million euros or higher, including the requested new product, in the case of credit products from a credit line or other funds approved to the Bank by international development banks and when approving long-term credit products funded from other sources.

Taking into account the direct and indirect impact it has on its environment, but also the risks to business sustainability brought about by the disturbance of environmental balance, in 2017 Banca Intesa, in cooperation with

the EBRD, conducted the first round of environmental protection trainings on the topic of managing social and environmental risks in the customer lending process.

Stronger support to financing investment in renewable energy sources, as well as well-structured large-volume transactions for selected customers in the area of property construction financing, are the basic directions of future development of structural financing. Better terms for the development and financing of investment in renewable energy sources enable the Bank to define a strategy of stronger financing, thus providing additional support to environmental protection. In connection with the above, Banca Intesa acts in its business operation in accordance with the Equator Principles, which ensure adequate risk management in the financing of transactions related to renewable energy sources.

**Procedure for the Implementation of the Equator Principles in Project Financing** is applied when preparing and implementing project financing and related advisory services, where the investment value of the project is USD 10 million dollars or higher, both for new projects and for all project financing intended for the expansion or improvement of existing facilities where changes can create significant social or environmental impacts. The Equator principles are a set of international standards applying to project financing in the amount of USD 10 million or higher and provide criteria for their classification based on different risk levels, together with appropriate tools for managing such risks. See the **Risk Management** section for further information regarding the aforementioned procedures.

In addition to guaranteeing full compliance with the legal provisions relating to environmental protection, the objective of Banca Intesa is to identify innovative and effective solutions in this area, apply the best environmental standards and promote and develop the concept of environmental responsibility, with continued commitment to the implementation of the international principles in practice, in particular the Declaration of the United Nations Environment Program (UNEP) and the United Nations Global Compact. Banca Intesa is also open to dialogue and discussion with stakeholders for whom environmental protection is a priority topic.

## **Responsible Resource Management**

Active monitoring of resource consumption and the implementation of measures for their efficient use are the main ways in which Banca Intesa strives to minimise its environmental impacts and thus give its contribution to this issue.

During 2016 the implementation of an automated mechanism for remote computer shutdown at the end of the business day was continued, which brought savings of 32%, i.e. 211,439.59 kWh of electricity. In order to further improve reporting in this area, the Bank

introduced a new GRI indicator, which represents a measure of the company's energy efficiency. According to this indicator, the Bank's energy efficiency for 2017 is 4,483.2 kWh per employee.

	2012	2013	2014	2015	2016	2017
<b>Total energy consumption, kWh*</b>	13,136,308,00	3,129,296,00	2,419,176,00	12,409,809,00	12,419,176,00	13,153,777,44
<b>Total water consumption, m3**</b>	87,074,00	86,380,00	85,977,00	84,654,00	85,977 ***	85,178,16

\* Total energy consumption for 2012, 2013 and 2014 relates to indirect energy. Data for 2015, 2016 and 2017 relate to the total energy consumption in the company.

\*\* Data on the total energy and water consumption relate to all administrative buildings and the entire branch network in Serbia and is obtained by assessing the costs of utilities, electricity/water bills.

\*\*\* Cause for the slight increase in consumption of both water and energy during 2016 are extensive construction works on the reconstruction and refurbishment of the new administrative building for the relocation of all organisational units into a common facility.

### Initiatives for Resource Consumption Reduction and Engagement of Employees

Banca Intesa joined for the sixth time the An Hour for Our Planet campaign, which is the largest global volunteering campaign for the preservation of nature and environmental protection. The World Wildlife Fund for Nature, which is the organiser of this campaign, invites all individuals and companies to turn off the lights at the same time on the same day for an hour and send a strong message that together we can help mitigate climate change and the consequences of the excessive consumption of natural resources. As in previous years, in 2017 Banca Intesa again participated in this activity by turning off its neon signs on its branch offices and decorative lighting on its office buildings. Apart from that, the employees were invited to join the campaign by means of the intranet network and switch off the light in their homes, with the same message sent to the general public over the Facebook.

In addition, an important part of systemic efforts to protect the environment are the internal initiatives for raising awareness and engagement of employees. The Bank conducts internal campaigns to reduce the consumption of electricity and water through messages intended for employees on each floor of the administrative building. In front of the administrative building in Belgrade, as well as Bank branch office at this location, parking ramps for bicycles have been installed, in order to motivate employees and customers to make more use of this sustainable mode of transport. Also, a number of volunteering campaigns involving employees of the Bank are aimed at environmental protection.

	2014	2015	2016	2017
<b>Total waste generated (t)*</b>				
Hazardous waste	17,04	39,6	48,83**	6,14
Non-hazardous waste	268,007	410,08	385,627	48,944
<b>Total</b>	<b>285,047</b>	<b>414,04</b>	<b>434,457</b>	<b>55,084***</b>

\* The following estimate was used for municipal waste: 0.7 kg/employee/day x 8/24h x 365 days x 3,000 employees.

\*\* The increase in the quantity of hazardous waste in 2016 was a consequence of the periodic write-off of the equipment/devices which were handed over as hazardous waste (UPS batteries, toner cartridges and a large number of ATMs – around 40 units). Consequently, hazardous waste is expected to decline in 2017.

\*\*\* From September 2016, the replacement of the firms in charge of branch cleaning led to a change in the schedule of removal of packaging waste from the branches and in the reporting method

In addition to switching to electronic versions of the company magazine Espresso and daily press-clipping reports in 2013, since 2012 the focus of the Bank has been on reducing the paper waste by ensuring that all internal documents adopted by the Executive Board and Board of Directors are approved electronically, without the need for all organisational units involved to print and physically sign the documents. Furthermore, when organising events, the Bank sends invitations only electronically, both for the internal trainings of its employees and for external events. In 2017 the Bank continued with the Printing Consolidation project, which includes an active promotion of both-side printing, as well as black and white printing in all business processes.

	2011	2012	2013	2014	2015	2016	2017
<b>Total recycled paper waste (t)</b>	37	60	74	96,48	150	130	80,552

	2011	2012	2013	2014	2015	2016	2017
<b>Total recycled electronic and electrical waste (kg)</b>	18,950	33,000	22,560	22,000	39,600	46,750	27,000

Waste generation is also one of the significant impacts of the Bank's operations on the environment. In addition to efforts to reduce the generation of waste by applying a responsible approach, in cooperation with authorised subcontractors, optimal methods of its disposal are applied. The Bank branches separate municipal, metal, plastic and paper waste.

---

When it comes to environmental impacts of transportation, Banca Intesa tries to minimise them by maintaining high standards of its fleet. The Bank fleet only consists of new generation vehicles that use Euro Premium BMB 95 and Euro Diesel fuel, in compliance with the Euro 5 standards of European quality. The planned procurement of a new car fleet in the period to follow will bring additional improvement.

### **Responsible Financing**

Financing the improvement of energy efficiency and the use of renewable energy sources is a significant part of overall Banca Intesa lending.

The process of lending to the Bank's customers must also include the compliance with the principles of responsible financing contained in the procedure relating to **the Procedure for Social and Environmental Risk Management and the Procedure for the Implementation of the Equator Principles in Project Financing**. In addition to constant improvement of this process, the Bank strives to provide "green" credit lines on a regular basis, which will enable all types of firms to obtain financing for their environmental projects.

Each agreement that Banca Intesa enters into with its customers within the Corporate Banking Products Department contains, among other things, an article that addresses environmental protection. It obliges the loan beneficiary, during the contact period, to act with due diligence and care concerning the environment, to ensure the rational use of natural resources, to implement environmental protection regulations, and to plan and undertake measures and standard activities in order to prevent environmental degradation, in line with the Law on Environmental Protection, as well as the agreements, permits, technical and other standards and norms in the area of environmental protection. If the loan beneficiary fails to meet the above contractual obligations, the Bank is entitled, by delivering a notice to the loan beneficiary, to foreclose on the loan, including accrued interest and other claims in line with the agreement, and to request immediate payment or payment at first call by the Bank if the Credit Management Department determines that there is increased social and environmental risk.

In 2017 the Bank had in its offer energy efficiency and environmental protection loans for SMEs, the public sector and the agricultural sector.

### **EBRD Credit Line for Financing Energy Efficiency for the Public and Private Sector**

The Bank's commitment to investing in resolving acute environmental problems is aptly illustrated by the credit line for the improvement of energy efficiency – both in the public and private sector. Banca Intesa and the European Bank for Reconstruction and Development (EBRD) signed an agreement on the use of a credit line for energy efficiency amounting to EUR 10 million, whose users may be private enterprises (regardless of

their size), as well as local governments and public utility companies.

This credit line is intended for financing investments in fixed assets that lead to energy savings of at least 20%, with a maximum repayment period of 5 years and a maximum credit amount of EUR 2 million for private companies and EUR 2.5 million for public sector customers. A specificity of this credit line are grants amounting to 5-15% of the loan amount, which the end user receives after the implementation of the investment. More than EUR 9.5 million has so far been invested from this credit line. In 2017 EUR 1.23 million was granted from this credit line only to SMEs.





### 3. GRI Contents and Indicators

## GRI INDEX

GRI Standards	GRI 102: General data	Page	UNGC principles and sustainable development goals
<b>1.</b>	<b>COMPANY PROFILE</b>		
102 - 1	Name of the organisation	9, 10	
102 - 2	Activities, brands, products and services		
102 - 3	Location of headquarters	9, 10	
102 - 4	Location of operations	9, 10	
102 - 5	Ownership and legal form	10	
102 - 6	Markets served	9, 10	
102 - 7	Scale of the organisation	9, 21	
102 - 8	Information on employees and other workers	30, 31	PRINCIPLE 6 SDG 8
102 - 9	Supply chain	40	
102 - 10	Significant changes to the organisation and its supply chain	10	
102 - 11	Precautionary Principle or approach	17, 18	
102 - 12	External initiatives	12	
102 - 13	Membership of associations	12	
<b>2.</b>	<b>STRATEGY</b>		
102 - 14	Statement from the President of the Executive Board	6	
102 - 15	Key impacts, risks and opportunities	9, 10, 17-19	
<b>3.</b>	<b>ETHICS AND INTEGRITY</b>		
102 - 16	Values, principles, standards and norms of behaviour	11, 12, 16	PRINCIPLE 10 SDG 16
102 - 17	Mechanisms for advice and concerns about ethics	16, 17	PRINCIPLE 10 SDG 16
<b>4.</b>	<b>GOVERNANCE</b>		
102 - 18	Governance structure	15	
102 - 19	Delegating authority for economic, social and environmental topics	16	
102 - 22	Composition of the highest governance body	15	SDGs 5, 16
102 - 23	Chair of the highest governance body	15	SDG 16
102 - 24	Nominating and selecting the Board members	15	SDGs 5, 16
102 - 25	Conflicts of interest	16	SDG 16
102 - 26	Role of the Board and senior executives in setting mission, strategy, policies and objectives related to sustainability	16	
102 - 35	Remuneration policies for the highest governance body and senior executives	15, 16	
102 - 36	Process for determining remuneration	15, 16	
<b>5.</b>	<b>STAKEHOLDER ENGAGEMENT</b>		
102 - 40	List of stakeholders engaged	13	
102 - 41	Collective bargaining agreements	34	PRINCIPLE 3 SDG 8
102 - 42	Identifying and selecting stakeholders	14	
102 - 43	Approach to stakeholder engagement	13, 14	
102 - 44	Key topics and concerns raised	14	
<b>6.</b>	<b>REPORTING PRACTICE</b>		
102 - 45	Entities included in the consolidated financial statement	10, 51	
102 - 46	Defining report content and topic boundaries	7, 13, 14, 51	
102 - 47	List of material topics	14	
102 - 48	Restatement of information	/	
102 - 49	Changes in reporting	/	
102 - 50	Reporting period	51	
102 - 51	Date of most recent report	51	
102 - 52	Reporting cycle	51	
102 - 53	Contact point for questions regarding the report	51	
102 - 54	Claims of reporting in accordance with the GRI standards	7	
102 - 55	GRI content index GRI and UNGC cross-reference table	47-50	
102 - 56	External assurance	/	

GRI categories and indicators	2012.	2013.	2014.	2015.	2016.	2017.	Page	UNGC PRINCIPLES AND SDGs
<b>GRI Sustainability Reporting Guidelines (Standards)*</b>								
<b>Category: economy – GRI 200</b>								
<b>Aspect: Economic performance – management approach GRI 201</b>							21	SDGs 2, 5, 7, 8, 9
1.	201-1 Direct economic value generated and distributed	✓	✓	✓	✓	✓	22	
<b>Aspect: Indirect economic impacts – management approach GRI 203</b>							21	
2.	203-1 Infrastructure investments and services supported	✓	✓	✓	✓	✓	21	SDGs 2, 5, 7, 9
<b>Aspect: Anti-corruption – management approach GRI 205</b>							19	
3.	205-1 Total number and percentage of operations assessed for risks related to corruption	✗	✗	✗	→	→	19	PRINCIPLE 10 SDG 16
4.	205-2 Communication and training about anti-corruption policies and procedures of the company	✓	✓	✓	✓	✓	19	PRINCIPLE 10 SDG 16
5.	205-3 Confirmed incidents of corruption and actions taken	✓	✓	✓	✓	✓	19	PRINCIPLE 10 SDG 16
<b>CATEGORY: ENVIRONMENTAL – GRI 300</b>								
<b>Aspect: Energy – management approach GRI 302</b>							42, 43	
6.	302-1 Energy consumption within the organisation* *for 2012, 2013 and 2014 reported according to the GRI G3.1. EN 4: Indirect energy consumption by primary source	→	→	→	✓	✓	43	PRINCIPLES 7,8 SDGs 7, 8, 12,13
7.	302-3 Energy intensity	✗	✗	✗	✗	✗	43	PRINCIPLE 9 SDGs 7,8,12,13
8.	302-4 Reduction of energy consumption* *for 2012, 2013 and 2014 reported according to the GRI G3.1 EN 5: Energy saved due to conservation and efficiency improvements	✓	✓	✓	✓	✓	43	PRINCIPLES 8,9 CIJL 7,8,12,13
<b>Aspect: Water – management approach GRI 303</b>							42, 43	
9.	303-1 Water withdrawal by source	✓	✓	✓	✓	✓	43	PRINCIPLES 7,8 SDG 6
<b>Aspect: Effluence and waste– management approach GRI 306</b>							43	
10.	306-2 Total weight of waste by type and disposal method in t	✗	✗	✓	✓	✓	43	PRINCIPLE 8 SDGs 3, 6, 12
<b>Aspect: Supplier environmental assessment – management approach GRI 308 nakon approach</b>							40	
11.	308-1 New suppliers that were screened using environmental criteria	n/a	n/a	n/a	✓	✓	40, 41	PRINCIPLE 8
<b>Category: Social – GRI 400</b>								
<b>Aspect: Employment – management approach GRI 401</b>							30	
12.	401-1 New employee hires and employee turnover	✓	✓	✓	✓	✓	30	PRINCIPLE 6 SDGs 5, 8
13.	401-2 Benefits provided to full-time employees	✓	✓	✓	✓	✓	34	SDG 8
14.	401-3 Parental leave	✓	✓	✓	✓	✓	32	PRINCIPLE 6 SDGs 5, 8
<b>Aspect: Occupational health and safety – management approach GRI 403</b>							32	
15.	403-2 Rate of injuries, occupational diseases, lost days and absentee rate and number of work-related fatalities	✗	✗	✗	✗	✓	32	SDGs 3, 8
<b>Aspect: Training and education – management approach GRI 404</b>							32, 33	
16.	404-1 Average hours of training by employee category	✓	✓	✓	✓	✓	33	PRINCIPLE 6 SDG 8
17.	404-2 Programs for upgrading employee skills and transition assistance programs	✓	✓	✓	✓	✓	32-34	SDG 8
18.	404-3 Percentage of employees receiving regular performance and career development reviews	✓	✓	✓	✓	✓	32	PRINCIPLE 6 SDGs 5,8



GRI categories and indicators	2012.	2013.	2014.	2015.	2016.	2017.	Page	UNGC PRINCIPLES AND SDGs
<b>GRI Sustainability Reporting Guidelines (Standards)*</b>								
<b>Aspect: Diversity and equal opportunity – management approach GRI 405</b>							30	
19.	405-1 Diversity of governance bodies and employees	✓	✓	✓	✓	✓	30, 31	PRINCIPLE 6 SDGs 5, 8
<b>Aspect: Local communities – management approach GRI 413</b>							36	
20.	FS 13 Access points in low-populated or economically disadvantaged areas by type*	✗	✗	✓	✓	✓	25	SDGs 1, 8, 10
21.	FS 14 Initiatives to improve access to financial services for disadvantaged people*	✗	✗	✓	✓	✓	25, 26	SDGs 1, 8, 10
<b>Aspect: Supplier social assessment – management approach GRI 414</b>							40	
22.	414-1 New suppliers that were screened using social criteria * Former indicators G4-LA14, G4-HR10 and G4-SO9 were combined into 414-1 with the introduction of GRI Standards **Indicators G4-LA14, G4-HR10 and G4-SO9 were fully complied with in the reports for 2015 and 2016	n/a	n/a	n/a	✓	✓	40, 41	PRINCIPLES 2,4,5 SDGs 5,8,16
<b>Aspect: Public policy – management approach GRI 415</b>							18, 19	
23.	415-1 Political contributions by state and beneficiary	✓	✓	✓	✓	✓	19	PRINCIPLE 10 SDG 16
<b>Aspect: Marketing and labelling– management approach GRI 417 (includes former indicator FS16 - Initiatives to enhance financial literacy by type of beneficiary)</b>							26, 27, 29	SDGs 1, 8,10
24.	417-1 Requirements for product and service information and labelling	✓	✓	✓	✓	✓	29	SDG 12
25.	417-2 Incidents of non-compliance concerning product and service information and labelling	✗	✗	✗	✗	✓	29	SDG 16
<b>Aspect: Customer privacy – management approach GRI 418</b>							29	
26.	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data	✓	✓	✓	✓	✓	29	SDG 16
<b>Sector-specific aspects according to GRI financial sector disclosures</b>								
<b>Aspect: Product and services portfolio – management approach (former indicators FS 1 and FS 2)*</b>							17, 18	SDG 10
27.	FS 7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose*	✗	✓	✓	✓	✓	25, 26	SDGs 1, 8, 9, 10, 11
28.	FS 8 Monetary value of products and services designed to deliver as specific environmental benefit for each business line broken down by purpose*	✗	✓	✓	✓	✓	44	

## The level of meeting the indicators in accordance with the GRI methodology:

- ✓ Fully met
- Partly met
- ✗ Not met

\*Indicators from the GRI Financial Services Sector Supplement

\*\* Report has been prepared in accordance with the Core option of the GRI Standards. Additionally, some requirements for the comprehensive options have also been met: 102-15, 102-19, 102-22 through 102-26, 102-35, 102-36, 102- 17.

Additional notes:

Under the new index, former indicator EN27 is not presented in the form of an indicator, but through topic management approach: materials, energy, emissions.

With the introduction of the GRI standards, former indicators LA16 and HR12 were combined into 103-2-C (General management approach).

Indicator PR5 was moved to 102-43 and 102-44.

With the introduction of the GRI standards, former indicators G4-LA14, G4-HR10 and G4-SO9 were combined into 414-1.

Cross reference table United Nations Global Compact Principles (UNGC)	Relevant GRI G4 indicators
<b>Human rights</b>	
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights and	103-2
Principle 2 Make sure that they are not complicit in human rights abuses.	414-1
<b>Labour</b>	
Principle 3 Business should uphold the freedom of association and the effective recognition of the right to collective bargaining,	102-41
Principle 4 The elimination of all forms of forced and compulsory labour	414-1*
Principle 5 The effective abolition of child labour and	414-1*
Principle 6 The elimination of discrimination in respect of employment and occupation	102-8 401-1 401-3 404-1 404-3 405-1
<b>Environment</b>	
Principle 7 Business should support a precautionary approach to environmental challenges	302-1 303-1
Principle 8 Undertake initiatives to promote greater environmental responsibility	302-1 302-4 303-1 306-2 308-1
Principle 9 Encourage the development and diffusion of environmentally friendly technologies.	302-4
<b>Anti-corruption</b>	
Principle 10 Business should work against corruption in all its forms, including extortion and bribery	102-16 102-17 205-1 205-2 205-3 415-1

\*In accordance with the GRI principle of materiality based on which priority topics present in the report are defined, the corresponding indicators are not covered by this report, taking into account their relevance to the banking sector. The Bank, as an active member, supports the promotion of all 10 Global Compact principles in its partners, suppliers, customers and in the general business and social community.

Additional note:

Under the new GRI index, former indicator EN27 is not presented in the form of an indicator, but through topic management approach: materials, energy, emissions.

## Report Parameters

Sustainability reporting is conducted in an annual cycle. Data presented in the report relate to the activities of Banca Intesa a.d. Beograd for the year 2017. Wherever possible, comparative data for previous years (2016, 2015, 2014, 2013 and 2012) were provided as well, thus complying with the GRI principles for ensuring report quality: timeliness and comparability. Compared to the previous year there were no significant changes regarding the basic parameters of the report, except for the change in methodology, i.e. transition from the GRI G4 version of the Sustainability Guidelines to the GRI Standards. For the purpose of more comprehensive convergence to the organisational model of the parent bank, the Bank's Human Resources and Organisation Department is in charge of the preparation of this report, within which the

competent CSR function has been positioned since December 2016. Other organisational units of the Bank took part in the collection and processing of information through the internal network of CSR Ambassadors. Most of the data were collected directly, while assessments, measurement methods and data sources were mentioned separately, as needed. Credibility of the information presented in the report was ensured through consistent compliance with the GRI principles for report quality: balance, accuracy, clarity and reliability.

The contact person in charge of the Sustainability Report 2017: Branislav Jovanović, CSR Manager, [branislav.jovanovic@bancaintesa.rs](mailto:branislav.jovanovic@bancaintesa.rs)

Previous sustainability reports of Banca Intesa (for 2010, 2011, 2012, 2013, 2014, 2015 and 2016) are available at <http://www.bancaintesa.rs/dobro-dosli/odrzivost/izvestavanje.1807.html>



## GALLERIE D'ITALIA. THREE MUSEUM VENUES: AN ITALIAN CULTURAL NETWORK.

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities creating a unique museum network.

Set in an architectural context of great value, **Gallerie d'Italia - Piazza Scala in Milan** displays a selection of two hundred nineteenth-century works of the Lombard school of painting, along with a collection representative of twentieth-century Italian art. **Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza** holds the most important western collection of Russian icons, examples of eighteenth-century Veneto art, and a collection of Attic and Magna Graecia pottery.

**Gallerie d'Italia - Palazzo Zevallos Stigliano in Naples** houses *The Martyrdom of Saint Ursula*, Caravaggio's last documented painting, as well as a collection of over one hundred and twenty artworks representative of Neapolitan artistic output from the early seventeenth century to the beginning of the twentieth century.

Cover photo:



CARLO BRANCACCIO (Naples 1861–1920)

**Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression c. 1888-1889**

oil on canvas, 40 x 80 cm

Intesa Sanpaolo Collection

Gallerie d'Italia - Palazzo Zevallos Stigliano, Naples

*Napoli, Via Toledo: impressione di pioggia / Naples, Via Toledo: Rain Impression* by Carlo Brancaccio depicts an outdoor daily-life scene with a lively narrative style. The artist is particularly renowned for his radiant depictions of the most famous streets and sites in Naples, as well as for his seascapes and landscapes.

This picture is part of the permanent collection on display at Gallerie d'Italia - Palazzo Zevallos Stigliano, Intesa Sanpaolo's museum venue in Via Toledo, Naples. This collection of nineteenth-century paintings offers a remarkable overview of landscape painting, a genre that experienced an incredible season in Naples, on a par with the most advanced figurations developed in the rest of Europe.

