INTESA SANPAOLO

2018 Consolidated Non-financial Statement

in accordance with Legislative Decree No. 254 of 2016

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

Boards, Management, Auditors

BOARD OF DIRECTORS

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA (a)
Board members	Gianfranco CARBONATO
	Franco CERUTI
	Francesca CORNELLI
	Giovanni COSTA
	Edoardo GAFFEO *
	Giorgina GALLO
	Giovanni GORNO TEMPINI
	Rossella LOCATELLI
	Marco MANGIAGALLI **
	Maria MAZZARELLA
	Milena Teresa MOTTA *
	Bruno PICCA
	Alberto Maria PISANI *
	Livia POMODORO
	Daniele ZAMBONI
	Maria Cristina ZOPPO *

MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS	Fabrizio DABBENE
INDEPENDENT AUDITORS	KPMG S.p.A.

(a) General Manager
* Member of the Management Control Committee
** Chairman of the Management Control Committee

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Letter to stakeholders

With the 2018-2021 Business Plan, Intesa Sanpaolo confirms its goal to be a leading Bank in Europe, focused on the creation of long-term and sustainable value and its distribution to all stakeholders. The Plan relies on solid bases and can count on the vital contribution of our people and a cutting-edge digital platform. In response to the requests received from stakeholders regarding sustainability, the Group is also seeking to reinforce its leadership role in Corporate Social Responsibility and become an exemplary model for society.

The Group's performance in 2018 confirms Intesa Sanpaolo's ability to create value, with growing and sustainable profitability over time, thanks to a unique business model, geared towards a low risk profile, operating efficiency and the ability to generate revenue through innovation and expanding the scopes of activities.

In particular, Intesa Sanpaolo has confirmed its position as a driving force behind the development of the real economy by disbursing approximately 60 billion euro in new medium – to long – term loans, with some 50 billion in Italy, around 42 billion euro of which was granted to households and SMEs. In addition, the Group facilitated the return from non-performing to performing status of around 20,000 Italian companies, with a positive impact on employment through the protection of over 100,000 jobs.

Intesa Sanpaolo is the engine of the social economy in Italy: the dividends distributed by the Bank have enabled the foundations that are among its shareholders to grant more than half of the total funds granted by all Italian banking foundations.

A particular focus has been placed on financial inclusion. In 2018, approximately 4.5 billion euro in high-social impact financing was disbursed for the most vulnerable segments of customers, households affected by disastrous events, microcredit and the third sector.

In line with the Business Plan, the Fund for Impact was launched, which will make it possible to disburse loans of around 1.2 billion euro to sections of society that find it difficult to access credit, in spite of their potential. The first initiative – per Merito – entailed financing provided to students residing in Italy, over 1.7 million young people, with the aim of increasing, in a structural manner, access to Italian and foreign universities with no need for guarantees.

The Group has also provided considerable support to households and businesses affected by earthquakes and natural disasters, as well as the bridge collapse in Genoa, with cancellations and suspensions of loans, along with subsidised loans for reconstruction.

In 2018, approximately 250 million euro was granted to support social enterprises and the third sector.

The Bank pays constant attention to excellence in the quality of service provided to customers, the satisfaction indices of which are on the rise, and has developed its products and services offered through a multi-channel platform and smart technology for digitisation and dematerialisation. Intesa Sanpaolo is the first multi-channel bank in the country, with 85% of its products available on multi-channel platforms, 8.3 million multi-channel customers, and 15.7 million paperless transactions over the year.

Intesa Sanpaolo is also committed to offering its customers sustainable investment products, which envisage environmental, social and governance criteria in financial analysis: the Group is the leading operator in Italy in this respect. In particular, Eurizon, which has adhered to the Principles for Responsible Investment since 2015, is the first asset management company in Italy operating in sustainable and ethical funds, thanks to a wide range of dedicated products, worth a total of 5.6 billion euro.

The Bank has always assigned a central role to projects promoting the social, cultural and civil growth of the communities in which it operates, and has set out various actions and developed initiatives to respond to needs arising from social emergencies.

The overall monetary contribution to the community in 2018 totalled some 62 million euro, half of which was put towards art and culture. In 2018, the Fund for charitable, social and cultural donations of Intesa Sanpaolo has disbursed approximately 12 million euro in support of over 900 projects carried out by non-profit organisations. Intesa Sanpaolo also supports a series of financial literacy initiatives, designed and developed by the Museo del Risparmio (Savings Museum), the first multimedia financial education workshop in the world.

There has also been the launch of a major project for reducing child poverty and helping people in need, which, in 2018, through support to charity bodies and associations, allowed for 3.3 million meals and over 94,000 beds to be offered, around 48,000 medicines to be provided, and 36,000 items of clothing to be given out.

The commitment to develop the artistic, cultural and historical heritage of the Group, so as to promote art and culture in Italy and abroad, saw over 500,000 visitors come in 2018 to admire the collections on display in the museum complexes of Gallerie d'Italia in 14 major exhibitions, while roughly 73,000 children and young people took part in free educational activities.

Intesa Sanpaolo's environmental commitment has ensured the continuity of the CO_2 emission containment measures, thanks to a multi-year action plan, and also of the support for the development of the green economy, with loans totalling over 1.9 billion euro disbursed in 2018.

In particular, the commitment to the circular economy, developed in partnership with the Ellen MacArthur Foundation, was reinforced through the establishment of a credit plafond of 5 billion euro and the launch of the first Italian laboratory for the circular economy – in conjunction with Fondazione Cariplo – dedicated to businesses.

The Intesa Sanpaolo Green Bond, issued in 2017 and totalling 500 million euro, was fully allocated for the financing of 77 projects, which made it possible to avoid the generation of over 213,000 tonnes of CO_2 emissions annually.

The results achieved were made possible by the people who work at Intesa Sanpaolo. Thanks to their professionalism, expertise and growth paths, together with a major technological investment introduced for digital transformation, our employees guarantee top-quality customer service and the achievement of all the 2018-2021 Business Plan objectives. Their involvement in the objectives for the future is demonstrated by the subscription to the capital increase reserved to employees, which exceeded 80%.

Major initiatives of the Plan were set out during 2018 for our employees, firstly by protecting employment, with 1,000 employees already reassigned to priority initiatives, and by supporting their development and growth, first and foremost through training initiatives (9.1 million hours provided in 2018), and also through talent development projects. Many activities have been dedicated to the ongoing improvement of the integrated welfare system, characterised by heavy investment and innovative initiatives in the areas of work-life balance (around 11,500 people can take part in the flexible work scheme), inclusion and non-discrimination. For the first time ever, the promotion of increasing female representation in higher positions is a goal that has been included as one of the management objectives.

In accordance with its commitment to sustainability, Intesa Sanpaolo has signed up to a series of international initiatives, including the Global Compact, the United Nations Environment Programme Finance Initiative (UNEP-FI) and the Equator Principles. In addition, in order to strengthen its commitment to disseminating transparent reporting on the risks and opportunities linked to climate change, Intesa Sanpaolo decided in October 2018 to support the recommendations of the Task Force on Climate-related Financial Disclosures.

Intesa Sanpaolo's mission to foster cultural, social and civil growth in the areas in which it operates is reflected in the contribution provided by its initiatives in order to achieve the United Nations Sustainable Development Goals, supporting and encouraging new prospects for sustainable growth and development at a global level.

The Corporate Social Responsibility commitment was recognised with Intesa Sanpaolo's inclusion in a number of sustainability indices, including, as the only Italian Bank featured, the Dow Jones Sustainability Indices, CDP's Climate Change A List 2018 and the index of the 100 most sustainable corporations in the world, compiled by Corporate Knights.

These results, described in greater detail in the Consolidated Non-financial Statement, encourage us to be confident about the future and the expectations of our stakeholders, with whom we uphold an open and attentive dialogue. Our commitment to each of them remains the benchmark for all that we do.

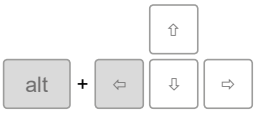
Carlo Messina

Gian Maria Gros-Pietro

KEY

page XX — Link to the pages
2018 Consolidated Non-financial Statement

[i] — Links to websites



Keyboard short cut

Back

Methodology

The 2018 Consolidated Non-financial Statement – hereinafter also Statement – was drafted in accordance with Article 4 of Italian Legislative Decree 254/2016, the Core option of the GRI Standards defined in 2016 by the GRI (Global Reporting Initiative) and the "Financial Services Sector Supplements". Consideration was also given to the recommendations issued in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD), adopted by Intesa Sanpaolo in October 2018, for the voluntary dissemination of transparent reporting on the risks and opportunities linked to climate change.

MATERIALITY AND REPORTING PRINCIPLES

As required by Legislative Decree 254/2016, content was identified and chosen for this Statement in such a way as to clearly communicate the activities of the Group, its progress, its results and the impact of its activities, also in consideration of the GRI Standard principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The materiality analysis (see page 32), conducted in compliance with the GRI Standards, made it possible to assess the topics based on their relevance in terms of their potential impact on both the Bank's activities and the community and stakeholders. The GRI Standards principles were also applied to define the quality of information (balance/neutrality, comparability, accuracy, timeliness, clarity and reliability) and the reporting boundary. Further details on the information provided in the Consolidated Non-financial Statement are published in the Sustainability section of the website [i].
Links to this additional information are included within the Statement, in the descriptions and in the GRI Content Index.
The 2018 Consolidated Non-financial Statement was subject to a limited audit by KPMG S.p.A. The report describing the steps involved and related conclusions can be found on page **217**.

THE REPORTING PROCESS

All company structures contribute to the drafting of the 2018 Consolidated Non-financial Statement and to dialogue activities with stakeholders through the CSR Delegates who, appointed by the various heads of Group areas and companies, work in close contact with the CSR structure. Data collection is centralised on the same reporting platform used for monitoring the economic, financial and commercial performances of the Business Units. The Statement's reporting process was formalised in 2018 with specific Guidelines and the related Process Guide, which establish the process, activities and roles and responsibilities of the Group structures and bodies involved in the drafting, approval and publication of the document.

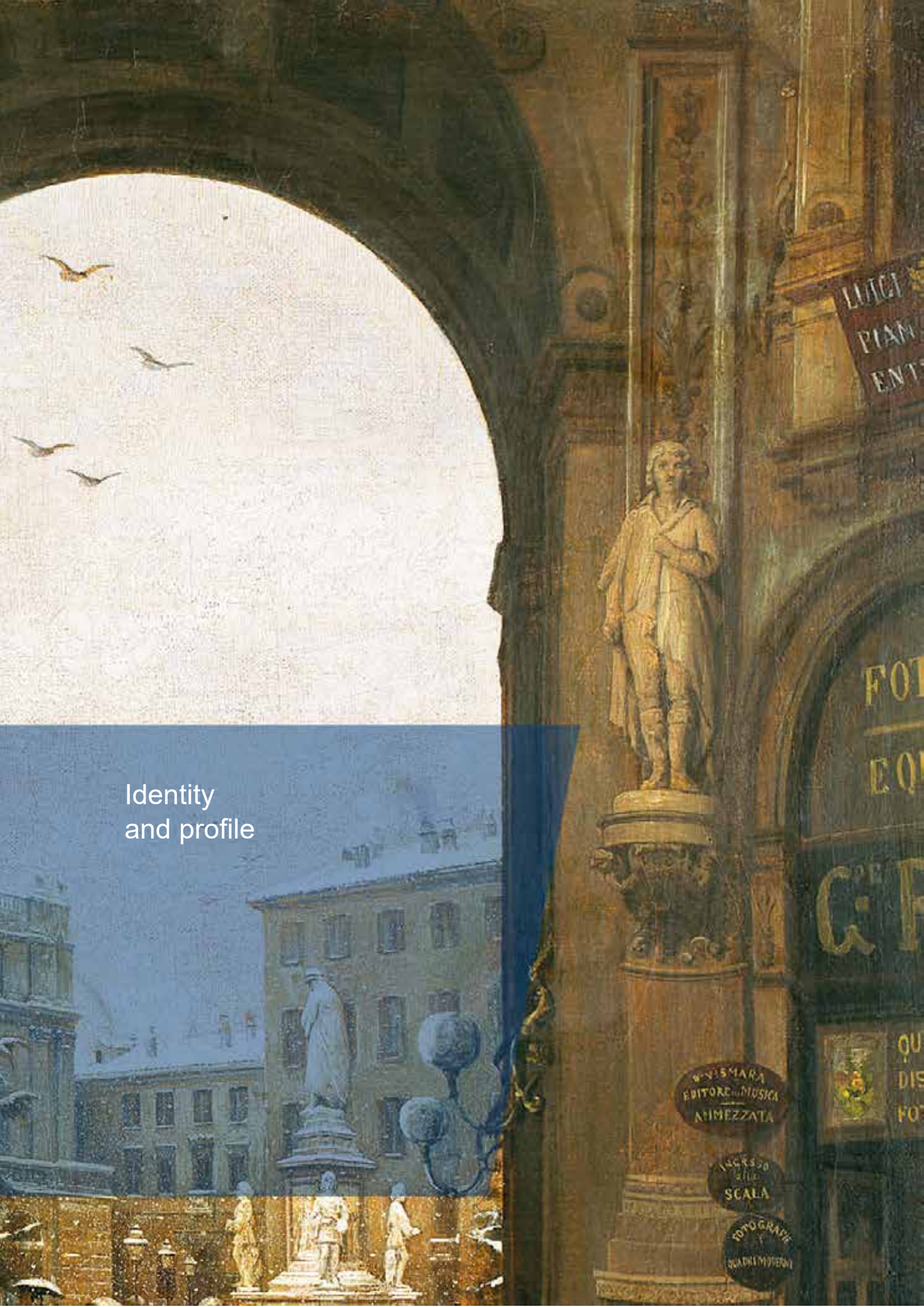
MEASUREMENT SYSTEMS

The indicators illustrated in the 2018 Consolidated Non-financial Statement were identified on the basis of the indications of the reference standards (GRI Standards), obligations deriving from Intesa Sanpaolo's adoption of international sustainability protocols, and our commitment to ensuring that the process of achieving our improvement objectives is measurable. With the exception of certain estimates which are duly indicated, almost all of the data was acquired through accurate measurements. To ensure the accurate collection and consistent interpretation of the identified indicators, the data measurement systems are supported by a technical manual which establishes the relevance, calculation method and data source of quantitative indicators.
The data presented refers to the 2018 financial year and, where possible, is compared to the previous two years. Unless otherwise specified, re-statements concerning data published in previous years were not carried out. The data relating to 2018 is not comparable with that of previous years, particularly the indicators relating to Employees and the Environment, due to the inclusion of the aggregate set of the former Banca Popolare di Vicenza and the former Veneto Banca in the reporting boundary of the 2018 Statement.

REPORTING PERIOD AND BOUNDARY

The Statement is published on an annual basis, with the previous edition published in March 2018.
The reporting boundary of the Intesa Sanpaolo 2018 Consolidated Non-financial Statement covers 99.54% of the scope of the 2018 Consolidated Financial Statements as regards number of employees (net of employees with non-standard contracts), and therefore makes it possible to understand the activities of the Group, its progress, results and impacts.
In particular, the non-financial data of the Risanamento Group companies and Autostrade Lombarde S.p.A., for which the parent company Intesa Sanpaolo does not carry out management and coordination activities, are excluded.
This edition of the Consolidated Non-financial Statement is also available on the website [i].

The Consolidated Non-financial Statement was prepared in accordance with current regulations and with particular reference to the areas outlined in Italian Legislative Decree 254/2016 in the social and environmental spheres that are applicable to the Group.



Identity and profile

Group Presentation

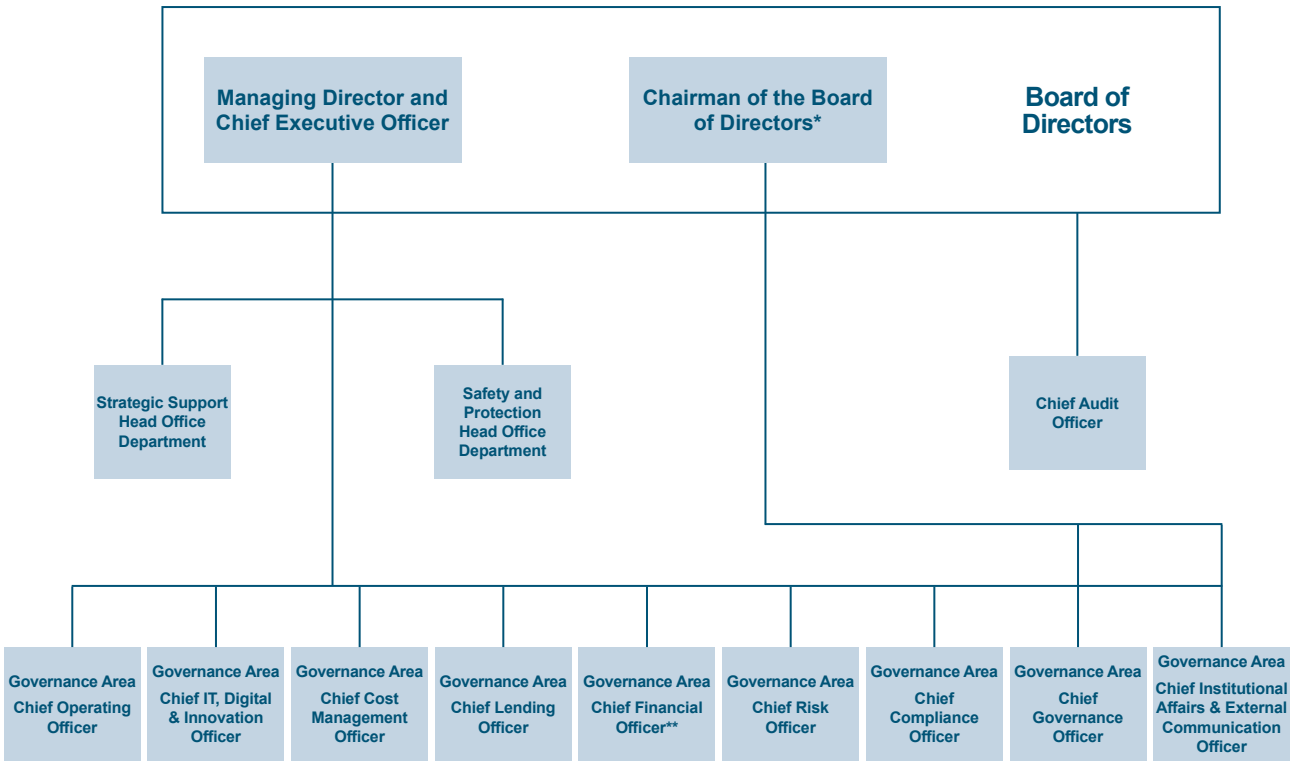
Intesa Sanpaolo is one of the leading banking groups of the Eurozone, with a market capitalisation of approximately 38 billion euro[1], and is the market leader in Italy in all operating sectors (retail, corporate and wealth management).

In Italy, Intesa Sanpaolo supplies its services to some 11.9 million customers via a network of over 4,200 branches across the country, boasting a market share of at least 12% in most regions.

Intesa Sanpaolo has a strategic international presence, with roughly 1,100 branches and 7.5 million customers, including subsidiary banks operating in commercial banking in 12 countries in Central/Eastern Europe and in the Middle East and North Africa. It also has an international network specialising in providing support to corporate customers in 25 countries, particularly the Middle East and North Africa, and in countries where Italian businesses are especially active, such as the United States, Brazil, Russia, China and India.

1 As of 28 February 2019.

The Group is organised into Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO, and six divisions focusing on customers.



* Reporting to the Chairman of the Board of Directors: Chairman's Technical Secretariat.
** Reporting to the Chief Financial Officer: Manager Responsible for preparing the Company's financial reports.

The six divisions into which the Group's activities are organised are as follows:

Banca dei Territori	Focused on the market and on the central role of the territory, with a view to strengthening relationships with individuals, small and medium-sized enterprises and non-profit entities. It includes the Italian subsidiary banks and industrial loans, leasing and factoring (carried out through Mediocredito Italiano) and instant banking activities (via Banca 5).
Corporate and Investment Banking	A global partner to support the balanced and sustainable development of businesses and financial institutions, from a medium/long-term perspective and on a national and international basis. It includes capital market operations and investment banking (conducted through Banca IMI), and is present in 25 countries, supporting the cross-border activities of its customers through a specialised network of branches, representation offices and subsidiaries that carry out corporate banking activities. The Division operates in the Public Finance sector as a global partner for public administration.
International Subsidiary Banks	Includes subsidiary banks performing commercial banking activities in the following countries: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), Moldova (Eximbank), Czech Republic (the Prague branch of VÚB Banka), Romania (Intesa Sanpaolo Bank Romania), Serbia (Banca Intesa Beograd), Slovakia (VÚB Banka), Slovenia (Intesa Sanpaolo Bank), Ukraine (Pravex Bank) and Hungary (CIB Bank).
Private Banking	Serves customers in the Private and High Net Worth Individuals segment by offering targeted products and services. The division includes Fideuram - Intesa Sanpaolo Private Banking, with 5,995 private bankers.
Asset Management	Provides asset management solutions aimed at the Group's customers, non-Group distribution networks and institutional customers. The division includes Eurizon, with assets managed totalling 243 billion euro.
Insurance	Develops the provision of insurance and pension products for the Group's customers. The division includes Intesa Sanpaolo Vita, Fideuram Vita and Intesa Sanpaolo Assicura, with direct deposits and technical reserves of 149 billion euro.

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

International presence

ITALY
4,217 Branches

OTHER EUROPEAN COUNTRIES
901 Branches 2 Representative Offices

AMERICA
2 Branches 1 Representative Office

ASIA
7 Branches 6 Representative Offices

AFRICA
175 Branches 1 Representative Office

OCEANIA
1 Representative Office

Figures as at 31 December 2018.

Competitive positioning

Ranking in Italy

1st	Loans	17.7%
1st	Deposits[1]	18.1%
1st	Collected premiums for life policies[2]	17.7%
1st	Asset management[3]	20.9%
1st	Pension Funds[2]	22.6%
1st	Factoring[2]	25.6%

Figures as at 31 December 2018.
1 Include bonds
2 Figures as at 30/9/2018
3 Mutual funds, figures as at 30/9/2018

Business Model

VISION AND VALUES

GOVERNANCE

STRENGTHS

- Strong balance sheet
- One of the best cost/income ratios in Europe
- Leader in risk management
- High number of customers
- Capital exceeding regulatory requirements
- Excess liquidity reserves
- Low degree of leverage
- Leader in Corporate Social Responsibility

STRATEGIC PRIORITIES

- Being a real-economy Bank
- Achieving sustainable profitability
- Being the #1 Bank in Europe for risk profiles
- Being the #1 Bank in Europe for efficiency
- Being the #1 Bank in Italy for all banking products, and a European leader in Wealth Management & Protection
- Supporting Italian businesses abroad with our international presence
- Being a simple and innovative Bank
- Ensuring the very best customer relations with a multichannel approach

OUR FORMULA FOR SUCCESS

1
Significant de-risking at no cost to shareholders

2
Cost reduction through further simplification of the operating model

3
Revenue growth, seizing new business opportunities

Our People and Digital Technology representing key enablers

OUTCOME

- Solid and sustainable value creation and distribution, whilst maintaining a high capital base
- Medium/long-term credit disbursed to households and businesses
- Support for groups struggling to access credit, despite their potential
- Employment protection and HR development
- Supplier partnership development
- Contribution to fulfilling the needs of the community
- Improvement of customer relations
- Innovation in products and service models
- Being an exemplary group for society in terms of social and cultural responsibility
- Support for combating climate change

Company value and solidity

THE 2018-2021 BUSINESS PLAN

Intesa Sanpaolo, thanks to the results achieved during the 2014-2017 Business Plan, has laid the foundations for confirming its leading role in Italy, while reinforcing its competitiveness at an international level, through the transformation of its business model and significant investments in digital technology, playing a key role in the current macroeconomic scenario.

The 2018-2021 Business Plan seeks to maintain solid and sustainable value creation and distribution for all stakeholders. In addition, Intesa Sanpaolo, already a leader in the field of Corporate Social Responsibility, is seeking to become an exemplary group in terms of social and cultural responsibility. The new Business Plan integrates the commitments set by the Group, by defining measures to contribute to global development, in order to support its customers, promote the development and well-being of people and communities, and protect the environment, including through combating climate change. In particular, Intesa Sanpaolo wishes to become an exemplary group for society, through a series of initiatives aimed at, among other things, granting loans to groups who have difficulty accessing credit despite their potential, ensuring support to those who need it most, mitigating the consequences of natural disasters for households and businesses, supporting the Circular Economy's development, and making the most of the artistic, cultural and historical heritage of the Group to promote art and culture in Italy and abroad. In this sense, the Group, including in its strategy, takes into consideration the Sustainable Development Goals (SDGs) set by the United Nations, and therefore wishes to provide a concrete response not only in wording, but also in implementing the commitments undertaken, whose results have now become an integral part of the Bank's sustainable and responsible business model. Intesa Sanpaolo thus intends to seize every opportunity to strengthen the central role of sustainability and social and environmental responsibility within its overall strategy.

The Plan focuses on reinforcing the Group's resilient and highly-diversified business model, particularly to position the Group as a significant player in wealth management & protection.

In a new, highly digitalised and competitive world, the Bank is continuing to achieve its goals by relying upon its values and the proven implementation capacity of a results-oriented delivery machine.

The new strategy hinges on a number of priorities that are now part and parcel of Intesa Sanpaolo, which aims to confirm its leadership as a Bank of the real economy, supporting households and businesses. With a strong balance sheet and a leading position, the Group fulfils requests for credit and responsibly manages customers' savings. Intesa Sanpaolo wishes to be a Bank with sustainable profitability, in which the operating results, productivity, risk profile, liquidity and soundness/leverage are carefully balanced.

The new 2018-2021 Business Plan is based on three central pillars:

- significant de-risking at no cost to Shareholders;
- cost reduction through further simplification of the operating model;
- revenue growth seizing new business opportunities.

The enabling factors are people, who continue to be Intesa Sanpaolo's most important resource, and the completion of the digital transformation, which will make it possible to increase the levels of efficiency and offer advanced, high-quality products and services to customers.
People, in particular, will benefit from a series of initiatives aimed at strengthening their involvement, promoting inclusion and ongoing dialogue with the company, developing the best talents, improving skills, maintaining employment levels, promoting internal fairness and facilitating a work/life balance through flexibility initiatives (see 2018 Financial Statements, page 68 [i]).
Through the new Business Plan, Intesa Sanpaolo has set itself goals which will generate value for its stakeholders. As a solid Bank that is increasingly profitable, Intesa Sanpaolo is able to make a positive contribution for the interests of its shareholders and all its stakeholders.

These objectives are detailed in the various sections of the document, together with the progress achieved during 2018. These include:

Stakeholder	Benefits	2018 results	Plan Objectives for 2021 Cumulative value 2018-2021
Shareholders	Cash payout ratio	85%	85% in 2018, 80% in 2019, 75% in 2020 and 70% in 2021
Households and businesses	New medium/long-term credit granted to the real economy	~60 billion euro	~250 billion euro
Employees	Personnel expenses	~5.8 billion euro	~24 billion euro
Suppliers	Procurement and investments	~2.7 billion euro	~11 billion euro
Public sector	Direct and indirect taxes	~2.5 billion euro	~13 billion euro

ECONOMIC AND FINANCIAL PERFORMANCE AND DISTRIBUTION OF VALUE ADDED

ECONOMIC AND FINANCIAL PERFORMANCE[1]

The results for 2018 need to be interpreted bearing in mind the major change with respect to the 2017 Financial Statements, consisting of the adoption, for the first time, of IFRS 9 from 1 January 2018. This adoption has resulted in a change to the accounting standard governing the classification and assessment of financial instruments, as well as the adoption of new financial statement formats, with changes to the content of some of their items.

In a scenario of a slowing economic cycle and high volatility on financial markets, the Intesa Sanpaolo Group reported a net income of 4,050 million euro in 2018, up by 6% on the like-for-like figure in the previous year, excluding, in the interest of uniformity of comparison, the public contribution of 3,500 million euro to offset the impact on capital ratios of the acquisition of certain assets and liabilities and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca.

In detail, operating income rose slightly (+0.2% on the like-for-like figure at 17.9 billion), attributable to the profits on financial assets and liabilities (around +25%) and income from insurance business (around +16%), which was fully offset by the decrease in interest and fee (around -2%) and commission income (around -2%).

Operating costs, which are carefully monitored, were down compared to the like-for-like figure (-3.6%), both for personnel expenses (-3.3%) and administrative expenses (-5.1%).

As a result of these revenue and cost trends, the operating margin amounted to 8.4 billion, up by 4.8%.

Net adjustments to loans decreased overall (around -28%) due to lower adjustments to bad loans, with net provisions and net impairment losses on other assets also falling (around -20%).

Other income (expenses) includes the capital gain of 443 million euro relating to the finalisation, in December, of the agreement with Intrum for the strategic partnership regarding the non-performing loans.

The expenses aimed at maintaining the stability of the banking system also had a negative impact, of 340 million euro, albeit to a lesser degree than the previous year.

With regard to the balance sheet aggregates, loans to customers as at 31 December 2018 totalled 394 billion euro and were slightly down overall (-1.5%) on the like-for-like figure as at 1 January 2018, which includes the effects of the first-time adoption of IFRS 9. In terms of funding, direct deposits from banking business came to 415 billion euro (-2%) at the end of 2018. Direct deposits from insurance business, which include technical reserves, were also slightly down overall compared to the beginning of the year (-2%), at 149 billion euro.

1 Commentary refers, unless otherwise specified, to the reclassified data published in the 2018 Consolidated Financial Statements of the Intesa Sanpaolo Group. Changes in annual percentages are based on 2017 figures, restated, where necessary and if they are material, to take into account changes in the scope of consolidation. Amounts are in millions of euro. For additional details or information, see the 2018 Consolidated Financial Statements of the Intesa Sanpaolo Group.

Indirect customer deposits amounted to approximately 496 billion euro, down (-4.8%) from the beginning of the year, essentially due to the negative trend on the markets. In addition to a moderate decline in assets under management (-2.6%), the negative performance of this aggregate was driven above all by assets under administration (-8.8%). The persisting complexity of the macroeconomic environment and the marked volatility of financial markets call for constant control of the factors enabling the Group to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base and prudent asset valuations.
Group liquidity remains high: as at 31 December 2018, both the regulatory indicators, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), also adopted as internal liquidity risk measurement metrics, had reached a level well above fully phased-in minimum requirements. At the end of the year, the Central Banks' eligible liquidity reserves came to 175 billion euro (171 billion euro in December 2017), of which 89 billion euro, net of haircut, was unencumbered (98 billion euro at the end of December 2017). The loan to deposit ratio at the end of 2017, calculated as the ratio of loans to customers to direct deposits from banking business, stood at 95%.
In terms of funding, the widespread branch network remains a stable, reliable source: 75% of direct deposits from banking business come from retail operations (313 billion euro). Moreover, over the year, 2.5 billion US dollars of unsecured senior bonds, 46.6 billion Yen of unsecured senior bonds, and 2.25 billion euro of unsecured senior bonds were placed, along with 1 billion euro in covered bonds.
With regard to the targeted refinancing operation Targeted Longer-Term Refinancing Operations II (TLTRO II), at the end of December 2018, the Group's participation amounted to 61 billion euro.
The Intesa Sanpaolo Group's leverage ratio was 6.3% as at 31 December 2018.
The capital base also remains high. At the end of the year, the Total Capital Ratio stood at 17.7%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 15.2%. The ratio of Common Equity Tier 1 capital (CET1) to risk-weighted assets (the Common Equity Tier 1 ratio) was 13.5%.

Key indicators [millions of euro]

Economic indicators	2018	2017*
Loans to customers	393,550	399,539
Direct deposits from banking business	415,082	423,738
Direct deposits from insurance business and technical reserves	149,358	152,403
Consolidated shareholder's equity	54,024	53,268
Consolidated net income	4,050	7,316
Dividends	3,449	3,419
Stock Exchange average capitalisation	44,947	44,820
Total assets	787,721	794,528
Economic value generated	16,986	21,003
Economic value distributed	-14,852	-16,082

* The restated figures of the balance sheet reflect the impact of the first-time adoption of the IFRS 9 accounting standard (01.01.2018).

CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

The economic value generated is calculated in accordance with ABI ("Italian Banking Association") instructions and consistent with international reference standards. The calculation is done by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular no. 262, which, for 2018, were updated to take into account the introduction of accounting standard IFRS 9.

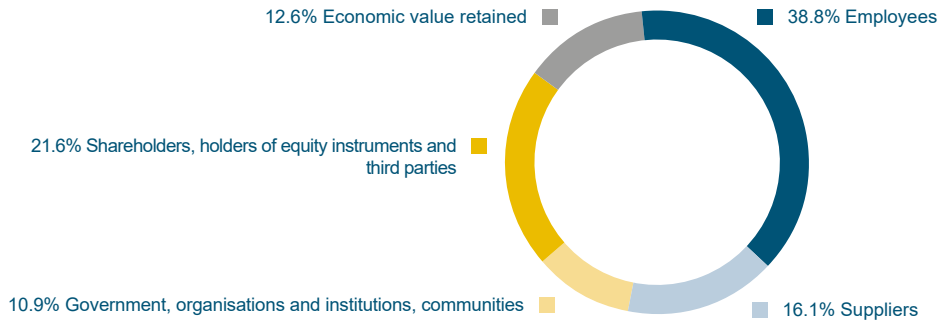
The economic value generated, which in 2018 was approximately 17 billion euro, came from net income from financial operations and the insurance business – which therefore takes into account the impairment losses on loans and other financial assets – plus the realised gains and losses on investments and other operating income. The amount of the economic value generated expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

- employees and other staff benefited from almost 39% of the economic value generated, for a total of 6.6 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;
- suppliers received approximately 16% of the economic value generated, for a total of 2.7 billion euro in payments for goods and services;
- The Government, Organisations and Institutions recorded a total flow of funds of 1.8 billion euro, around 11% of the economic value generated, over 900 million euro of which referring to indirect taxes and duties, almost 500 million euro to taxes on income from continuing operations, and over 400 million to levies and other charges concerning the banking industry, consisting of contributions to resolution and guarantee funds. There were also numerous social and cultural initiatives and other actions taken to support the charity funds and issue disbursements by way of social and cultural contributions;
- approximately 22% of the economic value generated was allocated to Shareholders, holders of equity instruments and third parties, largely due to the proposed dividend, for a total of 3.7 billion euro.

The remaining amount, over 2.1 billion euro, was withheld by the corporate system and mainly comprises deferred tax assets and liabilities, amortisation and depreciation, provisions for risks and charges, and retained earnings. Self-financing is to be considered an investment that other stakeholder categories make each year to maintain efficiency and allow development of the Bank as a whole.

BREAKDOWN OF 2018 ECONOMIC VALUE

ECONOMIC VALUE	Millions of euro	
ECONOMIC VALUE GENERATED	16,986	100.0%
ECONOMIC VALUE DISTRIBUTED	-14,852	87.4%
Employees	-6,601	38.8%
Suppliers	-2,732	16.1%
Government, organisations and institutions, communities	-1,849	10.9%
Shareholders, holders of equity instruments and third parties	-3,670	21.6%
ECONOMIC VALUE RETAINED	**2,134**	**12.6%**



Vision and Values

We work to provide quality banking and financial services to our customers and activate ways to promote development in all the areas where we operate.
Conscious of the value of our activities in Italy and abroad, we promote a style of growth that focuses on sustainable results over time and the creation of a virtuous cycle based on trust arising from customer and shareholder satisfaction, a sense of belonging among employees, and a close monitoring of the needs of the community and the local area.
We compete honestly and fairly on the market, and are willing to cooperate with other economic entities, both private and public, whenever necessary to reinforce the overall growth capacity of the economies of the countries in which we operate.
We take responsibility for prudent savings management, we commit to extending access to credit and financial instruments to everyone, and we support sustainable development of the entrepreneurial system, aware that our decisions have a significant direct and indirect impact on the natural environment and on the community.
We want to contribute to the well-being, material and otherwise, of both by supporting and implementing cultural initiatives and projects for the common good.

(from the Code of Ethics [i])

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

Integrity

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

Quality

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

Transparency

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

Respect for specific qualities

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

Equality

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

Value of individuals

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

Responsibility in the use of resources

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

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

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

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

Global Compact [i]
A UN initiative that aims to promote corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, the environment and combating corruption.

UNEP Finance Initiative [i]
The UN Environmental Programme that promotes dialogue among financial institutions on economic performance, environmental protection and sustainable development.

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

TCFD - Task Force on Climate-related Financial Disclosures [i]
Established in December 2015 by the Financial Stability Board (FSB), the Task Force published eleven recommendations in June 2017 to promote transparent reporting of risks and opportunities linked to climate change by companies. The Intesa Sanpaolo Group decided to support the TCFD recommendations in October 2018.

PRI - Principles for Responsible Investment [i]
Principles on the integration of sustainability/ESG criteria on investments, the result of the partnership between UNEP-FI and the Global Compact. The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Eurizon Capital SGR and the Intesa Sanpaolo Group Pension Fund.

Global Reporting Initiative [i]
Organisation which develops Guidelines for sustainability and non-financial reporting recognised at a global level. Intesa Sanpaolo is a member of the Gold Community.

Forum per la Finanza Sostenibile [i]
Multi-stakeholder association with the objective of spreading the culture and supporting the development of sustainable finance. It is the Italian representative of the EuroSIF (European Forum for Sustainable and Responsible Investments).

LBG [i]
An internationally recognised reporting standard on investments in the community by businesses.

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

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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

The Goals aim to:

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure access to water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems
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
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

Intesa Sanpaolo is aware of the fact that many of the objectives set in the new 2018-2021 Business Plan are strictly connected with certain Sustainable Development Goals. This link is also confirmed by the materiality analysis, which highlighted the importance of certain issues both in terms of impact on the Group's strategies and on its stakeholders. Therefore, the link with the Business Plan and the material issues (namely the topics that the materiality analysis has shown to be of key importance) have been bolstered by the various Sustainable Development Goals, as well as with the actions, projects and results of greatest significance in terms of their positive effects on the community. This approach is proof of the Group's contribution to generating positive change at a global level, focused on 11 objectives in particular.
These are the identified goals, the main actions carried out in 2018 and the strategies for the future, with specific reference to 2021, unless otherwise specified.

	1	4	5	7	8	9	10	11	12	13	16
Company value and solidity											
Direct environmental impacts				■						■	
Green economy				■					■	■	
Employee growth and development		■	■		■		■				
Employee well-being					■						
Employment protection					■						
Quality and innovation in customer relations											
Access to credit and financial inclusion	■	■	■		■	■		■			
Responsible asset management and customer protection											
Relations with the community	■	■						■			
Integrity in corporate conduct											■

SUSTAINABLE DEVELOPMENT GOAL

End poverty in all its forms everywhere

MATERIAL ISSUES FOR INTESA SANPAOLO

Access to credit and financial inclusion
Relations with the community

ACTIONS IN 2018

Microcredit (see page 84)
As part of its offer of products and services promoting financial inclusion and access to credit, in particular, in 2018, the Group disbursed over 72 million euro in microcredit or anti-usury projects, in Italy and abroad.

Supporting the Third Sector (see page 88)
In 2018, Intesa Sanpaolo disbursed new medium and long-term donations in support of social enterprises, totalling around 250 million euro.

Charity Fund (see page 103)
Traditionally, a key part of the Group's contribution to the Community for initiatives with a social impact has come from the donations granted through the Charity Fund, sourced from retained earnings (in 2018, the Fund disbursed around 12 million euro in support of over 900 projects carried out by non-profit organisations). The objective has been to allocate a share of resources (>70%) for donations supporting projects benefiting more disadvantaged groups in society; this target has been exceeded by a considerable amount, reaching almost 92%.

Intesa Sanpaolo for the needy (see page 104)
The Group has developed the Intesa Sanpaolo Programme for the Needy, which has allowed for 9,000 meals a day (3.3 million per year, over 90% of the commitment in the 2018-2021 Business Plan) and around 7,900 beds a month (over 94,000 per year, around 130% of the commitment in the Plan) to be offered, around 4,000 medicines a month to be provided (around 48,000 drugs per year, 130% of the commitment in the Plan) and approximately 3,000 garments a month to be given out (36,000 items of clothing per year, 100% of the commitment in the Plan).

OUR OBJECTIVES

The "Cibo e Riparo per i bisognosi" (Food and Shelter for the needy) initiative to guarantee 10,000 meals a day, 6,000 beds a month and 3,000 clothing items and medicines a month by 2021.
New medium- to long-term loans in support of social enterprises, totalling approximately 0.7 billion euro over the 2018-2021 period, thus confirming Intesa Sanpaolo's position as the largest third-sector lender in Italy.
Intesa Sanpaolo Fund for Impact (established by allocating 0.5% of the shareholders' equity, for an estimated value of ~250 million euro), which will enable the disbursement of loans totalling 1.2 billion euro over the 2018-2021 period to sections of society who find it hard to access credit despite their potential.

SUSTAINABLE DEVELOPMENT GOAL

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

MATERIAL ISSUES FOR INTESA SANPAOLO

Employee growth and development
Access to credit and financial inclusion
Relations with the community

ACTIONS IN 2018

Training (see page 127)
The Group has implemented training and development actions designed for all the Group's people, by developing innovative multichannel methods that make learning as accessible and flexible as possible. The training solutions are based on key skills for each role, and are geared towards the acquisition of new knowledge and skills in the context of the major transformations taking place concerning the Group's service models and roles. 9.1 million hours of training were provided in 2018.

Financial inclusion of vulnerable people (see page 85)
Intesa Sanpaolo, within the framework of its Fund for Impact, has launched "per Merito", the first unsecured credit line dedicated to all university students residing in Italy who study in Italian and foreign universities, being available to roughly 1.7 million students.

Contribution to the community (see page 109)
A partnership has been launched with Generation, a global project to reduce youth unemployment.

OUR OBJECTIVES

1 billion euro of investment in training and learning for employees, with the provision of around 46 million hours of training in the 2018-2021 period (11.9 million hours in 2021).
Continuation of the 'per Merito' initiative, launched as part of the Fund for Impact.
Supporting training and access to the Italian labour market for 5,000 young people in 2019-2021 through the Generation initiative.

SUSTAINABLE DEVELOPMENT GOAL

Achieve gender equality and empower all women and girls

MATERIAL ISSUES FOR INTESA SANPAOLO

Employee growth and development
Access to credit and financial inclusion

ACTIONS IN 2018

Inclusion and diversity management (see page 128)
In 2018, Intesa Sanpaolo established, within the Chief Operating Officer Governance Area, the new Diversity &

Inclusion structure with the goal of promoting an inclusive approach, incentivising the respect and appreciation of diversity and enhancing the assets of multiculturalism, the experiences and the qualities of the Group's people.
2018 saw the introduction of the Diversity & Inclusion objective into the assessment system of approximately 900 Intesa Sanpaolo Group managers. This objective entails the promotion of female talent to enhance the skills of the female workforce through specific initiatives, and accounts for 10% of the total evaluation.
Intesa Sanpaolo has continued to support associations and projects that promote diversity, including "Valore D" and "Inspiring Girls Italia", a project dedicated to young people in lower secondary schools which seeks to support pupils, especially girls, in overcoming gender stereotypes.

Support for female entrepreneurship (see page 93)
The Business Gemma programme provided a multi-year credit line of 600 million euro for businesses run by women and for self-employed women from 2014 to 2017, which was subsequently extended to 2018. In 2018, over 400 loans were disbursed, making a total of 15.4 million euro.
Banca Intesa Beograd and Intesa Sanpaolo Bank Albania continued with their initiatives dedicated to female entrepreneurship, launched thanks to the partnership with the European Bank for Reconstruction and Development (EBRD) as part of the Women in Business programme. Overall in 2018, around 400 new customers benefited from this subsidised loan, with a total disbursement of over 3.6 million euro.

OUR OBJECTIVES
Launch of dedicated initiatives to ensure diversity and inclusion are fully promoted.

SUSTAINABLE DEVELOPMENT GOAL

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

MATERIAL ISSUES FOR INTESA SANPAOLO
Green economy
Direct environmental impacts

ACTIONS IN 2018
Loans and services for the green economy (see page 146)
In 2018, the Group disbursed approximately 1,922 million euro to the green economy (more than 18 billion euro over the 2010-2018 period), equalling 3.2% of all Group loans.
In June 2017, Intesa Sanpaolo issued a Green Bond totalling 500 million euro: the collected funds were fully allocated over the first year, with 68.5% going to photovoltaic power, 14% to wind power, 8.5% to hydroelectricity power, 7.4% to biomass and 1.6% to energy efficiency. 77 projects were financed, making it possible to prevent the generation of over 213,000 tonnes of CO_2 emissions annually.

Renewable energy (see page 143)
Zero-emission electricity amounted to 80.5% of total consumption in 2018. The Group itself produced over 1,010 MWh of energy from renewable photovoltaic sources.

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

SUSTAINABLE DEVELOPMENT GOAL

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

MATERIAL ISSUES FOR INTESA SANPAOLO

Access to credit and financial inclusion
Employment protection
Employee well-being
Employee growth and development

ACTIONS IN 2018

Supporting production and innovation (see page 91)

In 2018, support for the real economy continued, with the disbursement of approximately 60 billion euro in new long- to medium-term loans, with some 50 billion in Italy, around 42 billion euro of which was granted to households and SMEs. Around 20,000 Italian companies returned to performing status from non-performing loan positions in 2018, protecting over 100,000 jobs.

"Finanziamento Microcredito Imprenditoriale" (Business Microcredit Financing) is dedicated to young people and micro-enterprises in order to help them launch a new business or invest in growth projects offering them access to credit even without real collateral. In 2018, 800 loans were disbursed for a total of 18.2 million euro.

Intesa Sanpaolo has joined "Resto al Sud", an initiative aimed at young people for the launch of start-ups in southern Italian regions and promoted by the Italian Ministry of the Economy, with 1.25 billion euro made available in funding by the Development and Cohesion Fund. Intesa Sanpaolo was the first bank to offer financing in response to the initiative, raising awareness about the project among some 5,000 young people in 38 stop-offs in branches in southern Italy.

In total, 132 loans totalling 6.3 million euro were disbursed in 2018.

Employment protection (see page 122)

As part of the measures to protect employment envisaged in the 2018-2021 Business Plan, in 2018 1,000 people were retrained and reassigned to priority activities, and 450 people with specialised profiles were hired.

Assessment and incentive systems (see page 124)

In order to motivate and involve its employees through employee share ownership, and following on from initiatives organised in previous years, Intesa Sanpaolo launched the LECOIP 2.0 (Leveraged Employee Co-Investment Plan), an incentive plan that was warmly received by the Group's people, with over 80% of those eligible subscribing to the plan for an overall Initially Allocated Capital value of around 184 million euro.

In addition, with the aim of rewarding all employees for their contributions to achieving the goals of the 2018-2021 Business Plan, second-level agreements were signed for the pay-out of the 2018 Variable Result Bonus (VRB) and the Protection Excellence System.

Talent development (see page 127)

While the first edition (involving over 100 employees) of the International Talent Programme continues, the second edition was completed in 2018; a further 120 new talents were identified and will be assigned to development initiatives.

Welfare and quality of life in the company (see page 130)

Intesa Sanpaolo has extended flexible work, involving an increasing number of structures and people across the Group (over 11,500 employees participating at the end of 2018), with the possibility of working from home, from different company sites and from the customer's premises. In 2018, Flexible Work was extended to Banca Intesa Beograd, along with flexible hours, as well as to Intesa Sanpaolo Bank Albania.

The Group Health Fund offers subscribers and their families services that supplement and replace those provided by the Italian National Health Service. In 2018, it provided services equivalent to 145 million euro, net of excesses, to its 201,000 subscribers.

In the context of the 2018-2021 Business Plan, the People & Process Care structure was established in 2018. Focusing on the central role of people and through continuous dialogue with employees, the initiative seeks to promote well-being at work and contribute to organisational improvements, in accordance with the values and culture of Intesa Sanpaolo.

OUR OBJECTIVES

New medium- to long-term loans disbursed to the real economy and totalling around 250 billion euro (~500,000 new investments financed)

Hiring of at least 1,650 people in the 2018-2021 period to support the growth of the core business and facilitate generational change.

Reassignment of excess capacity (5,000 people) into new high-value added initiatives (Proactive HR In-Placement)

Support for well-being (Process and People Care) and flexibility programmes (24,000 employees to participate in smart working schemes by 2021) to improve individual productivity and satisfaction, part-time and mixed work contracts.

International Talent Program aimed at strengthening the international middle management community through training programmes and personalised career paths involving around 500 resources by 2021.

SUSTAINABLE DEVELOPMENT GOAL

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

MATERIAL ISSUES FOR INTESA SANPAOLO

Access to credit and financial inclusion

ACTIONS IN 2018

Supporting production and innovation (see page 91)

Nova+, a loan supporting companies that invest in innovation, made it possible to finance 46 initiatives in 2018, with a total of around 54 million euro, an improvement on 2017 (around 32 million euro for 34 projects).

Through the Innovfin guarantee (issued by the European Investment Fund with financial support from the European Union) financing has been provided for a further 47 Small and Medium-Sized Enterprise initiatives – with specific innovative requirements – totalling over 70 million euro. Overall, 274 projects were financed in the 2014-2018 period, totalling almost 332 million euro.

In May 2018, Mediocredito Italiano signed an agreement with the European Investment Fund for the provision of an overall plafond of 300 million euro for new loans linked to research, innovation and development projects. Moreover, as a Bank that grants specific public subsidies for research and innovation (Sustainable Growth Fund, managed by the Italian Ministry of Economic Development), it has financed 40 projects with around 258 million euro.

In March 2018, the Intesa Sanpaolo Innovation Center was founded, with the goal of supporting the development of the national economy, exploring new business models through the creation of applied research laboratories, by, for example, forming collaborations with research institutions and universities.

The Group has made a specific commitment to the development of start-ups, with an international acceleration programme (Intesa Sanpaolo Start up Initiative [i]), which selects the most promising innovative start-ups, prepares them with coaching initiatives to face the market, and introduces them to the actors in the innovation ecosystem. In 2018, over 110 start-ups received training, 60 of which were presented to around 770 potential investors.

Intesa Sanpaolo manages Tech-Marketplace (in cooperation with Intesa Sanpaolo Innovation Center), a digital platform which promotes interaction between start-ups and small/medium-sized enterprises with around 5,200 companies that represent the demand for innovation and some 11,000 technology supplier proposals.

Digital Transformation (see page 74)

In 2018, Intesa Sanpaolo made significant investments in digital technology, reaching some important milestones:

- around 8.3 million multichannel customers (7.3 million in 2017), equalling around 70% of total customers;
- 85% of products available on the multichannel platforms and expansion of the offer and new innovative products and services for customers;

- 15.7 million paperless transactions and around 40 million since the launch of the initiative;
- around 18% of activities digitised;
- sales through digital channels more than doubled, representing ~5% of total sales.

OUR OBJECTIVES
2.8 billion euro of investments in 2018–2021 to complete the digital transformation.
70% of activities digitised in 2021 (10% in 2017)
Increase the % of sales on digital channels (15% in 2021 from 2% in 2017).

SUSTAINABLE DEVELOPMENT GOAL

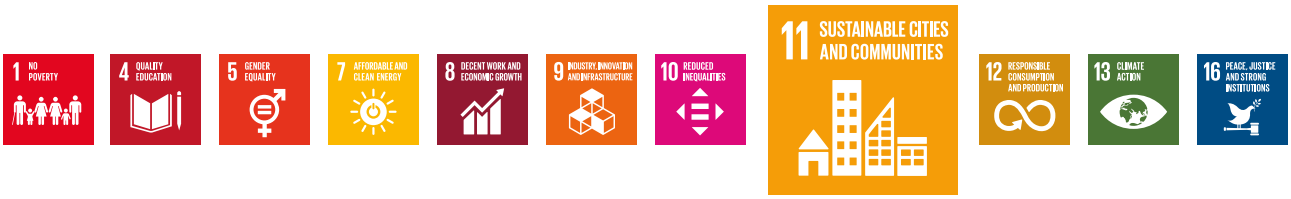
Reduce inequality

MATERIAL ISSUES FOR INTESA SANPAOLO
Employee growth and development

ACTIONS IN 2018
Inclusion and diversity management (see page 128)
Intesa Sanpaolo, seeking solutions to promote inclusion and increase cohesion and promote a sense of belonging among all the Group's people, developed a process, lasting around 12 months, to adjust and improve its internal processes in order to enhance working conditions, and develop the potential of and draw out talents living with specific learning disabilities. Intesa Sanpaolo did this by implementing the DSA Progress for Work project, designed and developed by the Fondazione Italiana Dislessia (Italian Dyslexic Foundation) with the University of Modena and Reggio Emilia – Unimore. On completion of the process, Intesa Sanpaolo received the Dyslexia Friendly in 2018.
As part of the renewal of the second-level collective bargaining agreement, in August 2018 the creation of an inter-functional Work group on disability management was planned, under the supervision of the Welfare Function, a point of reference for all issues linked with disability and illness.

Assessment and incentive systems (see page 124)
Among the initiatives outlined in the Business Plan to maximise internal equity, external competitiveness and a culture of meritocracy, Intesa Sanpaolo has introduced a system to map the organisational positions in the company called Global Banding (currently this concerns around 2,500 managerial positions in Italy and abroad).

OUR OBJECTIVES
Launch of dedicated initiatives to fully promote diversity and inclusion (e.g. gender, age, nationality, religion, personal and social conditions).



SUSTAINABLE DEVELOPMENT GOAL

Make cities and human settlements inclusive, safe, resilient and sustainable

MATERIAL ISSUES FOR INTESA SANPAOLO

Access to credit and financial inclusion
Relations with the community

ACTIONS IN 2018

Support to households and businesses affected by disasters (see page 86)

The Group has supported households affected by earthquakes and natural disasters through unilateral cancellations or suspensions of mortgages on damaged properties, for a total of over 15 million euro, in addition to roughly 200 million euro in subsidised loans disbursed during the year.
Intesa Sanpaolo has closely supported households and businesses affected by the Genoa bridge collapse, by making a plafond of 4.5 million euro available for the unilateral cancellation of mortgages and 50 million euro for reconstruction work.

Promotion of culture for social cohesion (see page 109)

“Progetto Cultura” of Intesa Sanpaolo aims to make the Bank’s immense artistic heritage more accessible to the general public and to contribute to safeguarding Italian cultural heritage.
In 2018, a structure was established to play an active role in the promotion of the Group’s artistic, historical and cultural heritage, with the cooperation of expert Italian and international partners. In 2018, over 500,000 people visited 14 major exhibitions organised in the Group’s Gallerie d’Italia. 140 works of art were lent to Italian and international museums, and over 100 art historians were working at the Gallerie d’Italia, one of the largest Italian museums in terms of number of visitors.

OUR OBJECTIVES

Proactive management of the Group’s artistic, cultural and historical heritage and promotion of art and culture in Italy and abroad.

SUSTAINABLE DEVELOPMENT GOAL

Ensure sustainable consumption and production patterns

MATERIAL ISSUES FOR INTESA SANPAOLO

Green Economy

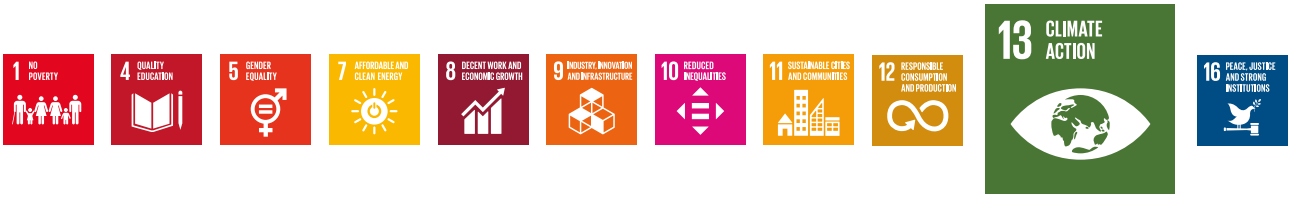
ACTIONS IN 2018

Circular Economy (see page 147)

For the 2018-2021 period, the Intesa Sanpaolo Group has made a plafond of 5 billion euro available to companies which adopt the circular model with innovative procedures, granting the best conditions for access to credit. In particular, as part of the credit process, Intesa Sanpaolo Innovation Center, based on criteria connected with investments in the Circular Economy defined together with the Ellen MacArthur Foundation, is responsible for providing a technical assessment on the level of circularity of the initiatives proposed.

The Circular Economy Lab was opened in September 2018 in Milan, launched by Intesa Sanpaolo Innovation Center and Fondazione Cariplo, with the goal of supporting and assisting the transformation of the Italian economic system and disseminating new models of value creation in the collective interest, accelerating the transition to the Circular Economy.

OUR OBJECTIVES
Allocation of a dedicated plafond and launch of an investment fund for the Circular Economy.



SUSTAINABLE DEVELOPMENT GOAL

Take urgent action to combat climate change and its impacts

MATERIAL ISSUES FOR INTESA SANPAOLO
Green economy
Direct environmental impacts

ACTIONS IN 2018
Environment and climate change (see page 138)
In accordance with what envisaged in the Environmental Plan, the actions and measures to reduce electricity and thermal energy consumption continued in 2018 both in Italy and in the International Subsidiary Banks, where there is an increasing awareness of energy efficiency issues. The actions undertaken confirm that the Intesa Sanpaolo Group also assesses the potential risks connected with climate change that may influence the future management costs of the properties.
2018 saw an increase in electricity and thermal energy consumption (+10.6% compared to 2017) mainly due to the extension of the reporting boundary.
Scope1 + Scope2 Market-based greenhouse gas emissions were also up by 27.4%, mainly because of the rise in consumption mentioned above, as well as the introduction of the new calculation method, which involved the use of higher emission factors compared with 2017, as recommended in the ABI Guidelines “Linee guida sull’applicazione in banca degli Standards GRI in materia ambientale” (Guidelines on the application in Banks of the GRI Environmental Standards).

Climate Change Action Plan (see page 140)
A new Multi-Year Environmental Sustainability Plan – the Climate Change Action Plan – was drawn up in 2017 with targets for 2022 and 2037. In the new Plan, the Intesa Sanpaolo Group outlines its goals as regards reducing the CO_2 emissions associated with its activities, taking 2012 as its base year. The 2022 objectives are supported by targeted actions. In 2018, the initial monitoring conducted of the Environmental Plan highlighted performance broadly consistent with the CO_2 emission reduction forecasts.

OUR OBJECTIVES
The Climate Change Action Plan, Intesa Sanpaolo’s Multi-Year Environmental Sustainability Plan, envisages a reduction of 37% in CO_2 emissions in the 2012-2022 period. The changes in scope which has occurred in the interim will require a recalculation of objectives.

SUSTAINABLE DEVELOPMENT GOAL

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

MATERIAL ISSUES FOR INTESA SANPAOLO

Integrity in corporate conduct

ACTIONS IN 2018

Combating corruption (see page 56)

The Group considers tackling corruption to be of paramount importance. The Anti-Corruption Guidelines have been approved by the main Group companies. In 2018, there were continued checks on the consistency of the detailed internal regulations with the general principles set out in the Anti-Corruption Guidelines, in order to implement the necessary alignment, in addition to a detailed analysis of the anti-corruption controls currently in place in the individual highest risk areas, in order to identify any strengthening measures. In particular, updates were made to the regulations on the subject of the Suppliers List and Sponsorships, and the issue of Charities was also reviewed.
In 2018, the Anti-Money Laundering Head Office Department processed 191 “advice” and “clearing” files.
In 2018, training to prevent corruption and money laundering involved the participation of 66,320 employees for a total of around 323,242 hours.

Compliance with tax regulations (see page 59)

Intesa Sanpaolo places a particular focus on the evolution of tax regulations, both on a domestic and international level, aimed at countering base erosion and profit shifting, with the ongoing commitment to adhere to those principles. The Group has strengthened the internal control system for tax risk, known as the Tax Control Framework, to make it capable of covering the strategically important area of tax risk and meeting the requirements for access to the collaborative compliance scheme introduced in Italy, in accordance with Italian Legislative Decree 128/2015. In 2018, Intesa Sanpaolo was granted access by the Italian Revenue Agency to the Cooperative Compliance scheme, starting from 2017 when the application was submitted. Under this scheme, Intesa Sanpaolo and the Italian Revenue Agency can perform joint assessments on certain situations that could lead to tax risks thanks to ongoing, preventive contact, with a view to resolving any potential disputes before they occur.

Controversial sectors (see page 50)

The Intesa Sanpaolo Code of Ethics promotes peaceful coexistence by not providing financial support to economic activities which may put this value at risk, such as those associated with arms, laying down specific corporate rules prohibiting the undertaking of any kind of banking or lending activity related to the production of and/or trade in controversial weapons and/or those banned by international treaties.

OUR OBJECTIVES

Continuation of the alignment of internal regulations with the Anti-Corruption Guidelines and verification of the adoption of the Anti-Corruption Guidelines by the Group’s Italian and international companies.
Feasibility study for the development of indicators designed to monitor the process and formalisation of the first second-level controls in the areas identified as being at the greatest risk of corruption.
Continuation of the provision of distance-learning training courses on the Group’s Anti-Corruption Guidelines and translation into English for employees operating abroad.

Sustainability indices and rankings

Intesa Sanpaolo is included in several sustainability indices and rankings defined by specialist ratings agencies that select companies not only for their financial performance but also for their results in the three ESG areas (Environment, Social, Governance), or in specific fields such as diversity.
Below is a summary of the main indices and rankings in which Intesa Sanpaolo is included:

Dow Jones Sustainability Indices [i]
Included in the DJSI World and DJSI Europe, based on an annual assessment carried out by RobecoSAM with a best-in-class criterion among companies with significant capitalisation. DJSI World includes around 300 companies among the 2,500 largest businesses in the world included in the S&P Global BMI. DJSI Europe includes around 150 companies among the 600 largest European businesses included in the S&P Global BMI. In February 2019, Intesa Sanpaolo received the Bronze Class Sustainability Yearbook Award 2019.

FTSE4Good Index Series [i]
Intesa Sanpaolo is included in four indices of the FTSE4Good series, with inclusion based on the ESG rating, assigned by FTSE Russell which exclusively uses public information of over 4,000 companies in 47 different financial markets.

MSCI ESG Indexes [i]
Based on an analysis of aspects of environmental and social sustainability, and governance, of over 13,000 companies, the indexes are subdivided, each representing a main ESG strategy. Intesa Sanpaolo is included in the MSCI ESG Leaders Indexes, and, as regards environmental aspects, the MSCI Low Carbon Indexes.

CDP - Climate Change A List 2018 [i]
Includes roughly 140 listed companies, selected based on the results of an annual assessment (over 7,000 companies participated in 2018) for their advanced approach to climate change mitigation.

Corporate Knights – 2019 Global 100 Most Sustainable Corporations in the World Index [i]
The index includes the 100 most sustainable companies in the world, which are assessed on the basis of public information, in relation to 21 indicators, within a universe of around 7,500 listed companies.

Euronext Vigeo Eiris Indices [i]
Intesa Sanpaolo is included in the Euronext Vigeo Europe 120 and the Euronext Vigeo Eurozone 120. The 120 companies included in both indices are selected on the basis of the assessment conducted by the ESG Vigeo-Eiris rating company on 4,500 issuers and various asset classes, the screening also includes the analysis of any disputes.

Ethibel Sustainability Indices [i]
The target universe of the Ethibel indices is composed of the Ethibel Excellence Investment Register, defined on the basis of the criteria of the independent association Forum Ethibel, which is based on the assessment conducted by Vigeo-Eiris. Intesa Sanpaolo is included in the Ethibel Sustainability Index Excellence Global and in the Ethibel Sustainability Index Excellence Europe.

STOXX® ESG & Sustainability and Low Carbon Indices [i]
The companies which make up the STOXX® Global ESG Leaders indices are selected using best-in-class criteria, based on the sustainability rating assigned by Sustainalytics. Intesa Sanpaolo is one of the approximately 400 leading companies included in STOXX® Global ESG Leaders Index, at a global level. It is also included in the following sub-indices: STOXX® Global ESG Environmental Leaders, STOXX® Global ESG Social Leaders, and STOXX® Europe ESG Leaders 50, as well as in some Low Carbon indices.

Standard Ethics Indices [i]
These indices analyse companies in terms of sustainability, governance and Corporate Social Responsibility. Intesa Sanpaolo is included in the Standard Ethics Italian Index, Standard Ethics Italian Banks Index and Standard Ethics European Banks Index.

ECPI Indices [i]
A family of over 50 indices based on the analysis of the public information of over 4,000 companies, which also includes an assessment of risks and any disputes. Intesa Sanpaolo is included in the ECPI World ESG Equity and ECPI Euro ESG Equity, to name a few.

2019 Bloomberg Gender-Equality Index - GEI [i]
Thematic index dedicated to gender equality: it includes 230 companies analysed in terms of four areas of investigation: gender statistics and policies, the offer of dedicated products/ services, and community engagement. The target universe includes over 9,000 listed companies.

2018 Equileap Ranking Top 200 [i]
Intesa Sanpaolo has been included in the ranking of 200 companies operating in 23 developed countries, out of over 3,200 around the world, that have stood out most for their commitment to gender equality.

Materiality analysis

Non-financial and sustainability reporting focuses on key aspects that reflect the impacts, positive or negative, generated by the Group's activities in the economic, social and environmental sphere which are capable of significantly influencing the stakeholders' perception of it. As well as constituting the core of non-financial and sustainability reporting, these aspects are also crucial for identifying and managing risks and opportunities, also contributing to shaping the company's strategy with regard to relevant issues for the business and its stakeholders. To this end, in line with the process outlined in the GRI Standards, Intesa Sanpaolo updates its Materiality analysis on an annual basis by performing the following steps and activities:

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

IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

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

- internal documents, including: the 2018-2021 Business Plan, the Code of Ethics, the Sustainability Reports/ Consolidated Non-financial Statements for the last three years, top management communications, Shareholders' Meeting minutes, company policies;
- external documents, including: reference standards for sustainability reports (AA1000, GRI Standards, <IR>, SASB), national and international documents linked to sustainability issues (Agenda 2030, COP22, SDGs, European Commission Action Plan on sustainable finance, Recommendations of the Task Force on Climate-related Financial Disclosures), the main regulations in the sector;
- Sustainability Reports/Consolidated Non-financial Statements of other Italian and international financial groups;
- documents drafted by national and international institutions for the identification of general and specific megatrends in the banking sector.

In 2018, Intesa Sanpaolo once again took account of the requirements of Italian Legislative Decree no. 254/2016 when identifying its priority issues. The update of the materiality analysis resulted in the confirmation of all of the issues that emerged last year, with the exception of the topic "Responsible asset management", expanded with regard to customer protection aspects in 2018 due to the importance attributed to the insurance area in the 2018-2021 Business Plan. In order to provide clear definitions to all stakeholders, these issues were described (see outline on page **215**) with their meaning to Intesa Sanpaolo clearly explained. Finally, the issues were evaluated in terms of priority, related risks, areas of priority action and specific actions.

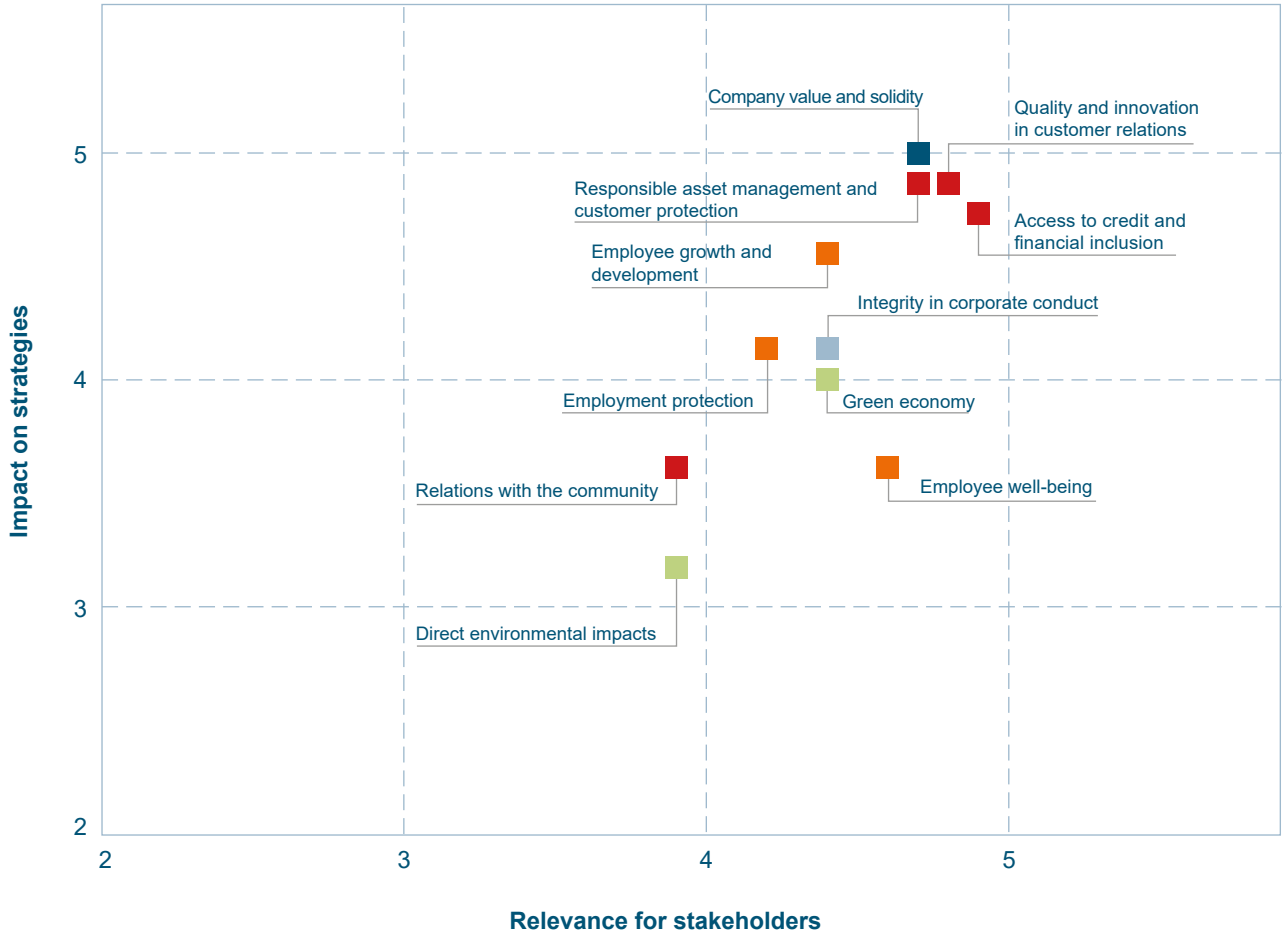
PRIORITISATION OF ISSUES AND DEFINITION OF MATERIALITY MATRIX

To assess the priority of each theme consideration was given both to the interests of the company in terms of its goals and strategies, as reported on the "Impact on strategies" axis of the materiality matrix, and to those of its stakeholders as regards their expectations and needs, reported on the "Importance for stakeholders" axis of the same matrix.
In both cases, the issues were assessed using a scale of 1-5, where 1 indicates that the company strategies or stakeholders have minimal interest in the issue, and 5 indicates that they have maximum interest.
The results of the "stakeholder engagement" process (see page **155**). were used when defining the stakeholder 2018 axis. The results were classified on the basis of Intesa Sanpaolo's issues and weighted according to the stakeholder's relevance for the Bank.
The 2018 strategies axis was put together as follows:

- documentary analysis: in order to highlight issues that emerged in 2018 and their evaluation in the strategies of Intesa Sanpaolo, the main strategic guidelines, like the 2018-2021 Business Plan, were analysed together with the key findings from 18 meetings held with the company's top management, the press releases published during the year acting as the voice of the company's management, and the new company policies defined during the year;
- construction of the 2018 strategies axis: the values assigned to the axis in 2017 were updated on the basis of the outcome of the documentary analysis, with particular focus on the new 2018-2021 Business Plan which significantly influenced the construction of the 2018 matrix, as it encapsulates the policies, strategies and objectives defined to guide the company in its choices.

The results of the materiality analysis are graphically represented using a Cartesian coordinate system known as the Materiality Matrix which reports the company's interest on the vertical axis and the stakeholder's interest on the horizontal axis. This representation makes it possible to assess the significance ("materiality") of each issue on the basis of its overall position with respect to the two axes. The 2018 Intesa Sanpaolo Materiality Matrix is composed as follows.

2018 MATERIALITY MATRIX



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

MAIN VARIATIONS IN THE 2018 MATERIALITY MATRIX COMPARED TO 2017

A look at the 2018 materiality matrix shows that the most important issues for both the company and its stakeholders were Company value and solidity, Quality and innovation in customer relations, Access to credit and financial inclusion, and Responsible asset management and customer protection, areas on which the new Business Plan places a significant focus. The importance assigned by stakeholders reflects their well-established sensitivity towards these issues, highlighting their understanding that as well as playing a traditional role, the Bank can now also support virtuous and responsible approaches for society and the protection of the environment.

A comparison of the 2018 and 2017 materiality matrixes shows a number of variations in the distribution of some issues. The main variations are reported below:

- Access to credit and financial inclusion: compared with 2017, this issue increased in importance for the Bank due to its commitment, as outlined in the Business Plan, to launch the ISP Fund for Impact. This issue also grew in importance for stakeholders, particularly the Community and Employees, aware of the support provided to vulnerable groups. This trend indicates a positive perception of the Bank's current response to the issue of access to credit and financial inclusion.
- Relations with the community: compared with 2017, this issue grew significantly in importance for the company due to the Business Plan's focus on extending the "Cibo e Riparo per i bisognosi" (Food and Shelter for the needy) initiative and promoting art and culture, including through the creation of a specialist unit dedicated to overseeing these aspects. In general, there was a slight fall in interest in this issue among stakeholders, in particular with the Environment stakeholder, more interested in areas which directly concern them. For the Community, the stakeholder of reference for this issue who assigned it the maximum score, the widespread presence of the Bank is one of the key factors in the Bank's efforts to promote dialogue and culture.
- Green economy: the importance of this aspect on the strategies axis has grown compared with last year thanks to the inclusion of specific commitments in the Business Plan to support the Circular Economy, and following the bank's decision to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the promotion of transparent reporting on the risks and opportunities linked with climate change. This issue substantially maintains a high score also among stakeholders who place great importance on the Bank's active support for sustainable development actions. The slight fall is mainly due to the Community stakeholder, which tends to focus its expectations primarily on aspects such as access to credit and financial inclusion.
- Employment protection: this issue confirmed its importance on the strategies axis, proof of the attentive and consolidated management of this issue by the Group, showing a slight reduction in interest among stakeholders. This fall was due to the positive reaction to the Bank's actions regarding the reorganisations that have characterised the national financial panorama and magnified the focus on the issue in recent years. Despite an overall decrease in importance on the stakeholders axis, the topic remains very important to sustainable investors who have shown interest in the employment protection initiatives (reassignment of roles and new hires) introduced by the Bank and described in the new Business Plan.

In addition to those mentioned, the following issues showed only very slight variations:

- Company value and solidity: as in 2017, this topic one again recorded maximum importance on the Impact on strategies axis. Despite falling slightly, stakeholders' focus on this issue also remains very high. This decrease is mainly due to the Environment stakeholder, more interested in issues conceptually more relevant to its interests, such as the Green economy and Direct environmental impacts. The categories of stakeholders with direct relations with the Bank (Customers, Employees, Shareholders and Suppliers) showed maximum interest in the issue, recognising the key importance of economic strength in the Bank generating positive impacts, and largely reiterating the level of interest they attributed to the issue last year.
- Employee growth and development: compared with 2017, this issue was more important for strategies, particularly with regard to aspects like training and the promotion of diversity and inclusion among both the management and employees, issues also highlighted in the Business Plan. For stakeholders, the issue decreased slightly in importance due to the contribution of the Community stakeholder which, in any case, highlighted the important role that employees play in achieving the Bank's goals. Conversely, the Shareholder and Employee stakeholders attributed greater importance to the issue, focusing their attention on the importance of training employees.

- Employee well-being: compared with 2017, this topic rose slightly on the strategies axis due to the numerous initiatives included in the Business Plan to support the work-life balance of employees. There was a slight increase in the score given to this topic also on the stakeholder axis, due to the contribution of the Customers stakeholder, which views the well-being of employees as an important aspect of its relationship with the Bank.
- Quality and innovation in customer relations: compared with the previous year, this issue grew in importance for the company due to the multiple digital innovation and customer proximity aspects of the new Business Plan, including the expansion of the insurance sector. The importance attributed to this issue also increased for stakeholders, especially Employees, who recognise the importance of transparency and customer care, and Shareholders, for whom the digital innovation of services is particularly important.
- Responsible asset management and customer protection: the importance of this topic to the company, already very high in 2017, grew slightly thanks to the greater strategic commitment to strengthening the insurance sector, and is reflected in the range of new ESG funds. Although its importance fell slightly compared with 2017, stakeholders continued to have a strong focus on the issue, mainly due to the Environment and Community stakeholders who, despite prioritising other topics like the Green economy, Direct environmental impacts and Access to credit and financial inclusion, expressed good satisfaction with the Bank's current management of the issue. The issue grew in relevance for Shareholders who, in particular, continue to stress the importance of measuring the impact of the investment portfolio.
- Direct environmental impacts: this issue remains stable for the company, which confirms its commitment to reducing the impact of its activities, as declared with the Climate Change Action Plan. Stakeholders, employees in particular, overall attributed a slight increase in relevance to the topic, demonstrating an interest in aligning the environmental goals of the Bank with international objectives in this area. In addition to climate change, aspects such as saving resources and reducing waste production were important for the Environment stakeholder.
- Integrity in corporate conduct: the importance attributed to this issue in terms of strategies rose slightly compared with 2017 due to an acknowledgment of the increasing importance of monitoring reputational risks. The issue remained relevant for stakeholders, showing little change compared with 2017. There was a particular increase in the relevance attributed to this issue by Shareholders, Community and Suppliers, who reiterate the importance of making clear commitments at all levels.

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

MATRIX VALIDATION

All significant issues (i.e. those with a score of 3/5 or higher) for the company and/or for at least one of its stakeholders are material and are accounted for in this document.
Each one is assessed in terms of its positive and negative impact on internal and external stakeholders and the company structures, and on the basis of potential associated business risks/opportunities. The reporting boundaries are also stated for each issue (see page **215**).
The Materiality Matrix was shared with the internal company functions and examined by the Risks Committee, which forms part of the Board of Directors, in order to present feedback provided by company units concerning these activities to the governing bodies.

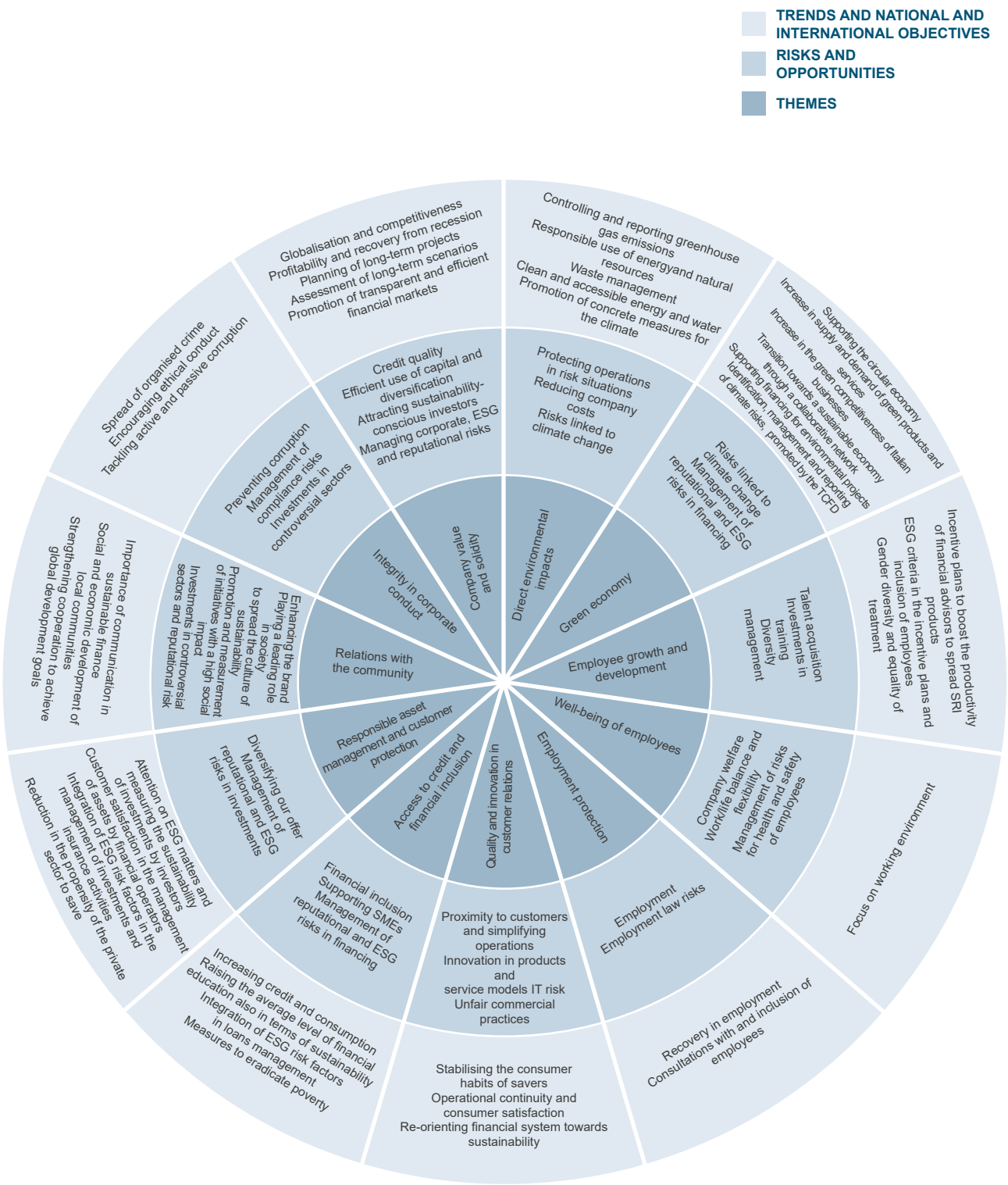
ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

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

- a context analysis on general CSR issues and a sector analysis at national and international level, also carried out with the involvement of internal Group structures;
- a benchmark analysis of the reference sector.

The analysis of the 2018 context confirmed a number of previously identified elements, and did not reveal any major changes in risk assessment. What did emerge, however, were a number of interesting future scenarios focused on certain aspects such as the growing influence of sustainability in investment choices, the integration of ESG factors in company activities, and the focus on ESG and reputational risks, also in relation to controversial sectors.
According to the analysis, Intesa Sanpaolo is highly attentive to key areas in relation to future trends.

IMPACTS, RISKS AND OPPORTUNITIES



Governance and management of risks

Governance structure

Intesa Sanpaolo adheres to the goals and recommendations of the Corporate Governance Code for listed companies, and has adopted the one-tier corporate governance system. Detailed information on the corporate governance system and remuneration – including references to diversity in the Board of Directors – is provided in the "Report on Corporate Governance and Ownership Structures" and in the "Report on Remuneration", to which reference should be made.

THE BOARD OF DIRECTORS

The Board of Directors is tasked with the functions of guidance and strategic supervision. The management duties primarily rest with the Managing Director and CEO (except for those which the Board decided not to delegate), whereas the control duties are performed by the Management Control Committee, appointed by the Shareholders' Meeting from the members of the Board and entirely composed of Independent Directors.
The Board of Directors in office is composed of 19 members elected for three years by the Ordinary Shareholders' Meeting on 27 April 2016. The election took place on the basis of lists of candidates who meet the requirements envisaged by law and by the Articles of Association, presented by Shareholders holding at least 0.5% of the ordinary share capital. The presence within the Board of a large majority of independent members (14 out of 19) and the appointment by the Board of a single Managing Director and Chief Executive Officer, excluding the possibility of other Members holding executive positions and of the Board delegating its duties to an Executive Committee, were considered priorities. Under the governance model adopted by the Bank, the members elected by the minority are also assigned, in addition to the chairmanship of the Management Control Committee, the chairmanship of the Committee for Transactions with Related Parties and Associated Entities.
In the performance of its duties, the Board of Directors receives support from Internal Committees, whose organisation and operation are governed by specific Regulations approved by the Board:

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

The Chairman of the Board of Directors has a non-executive role and does not carry out, not even de facto, management functions. The Chairman oversees the work of the Board, organises and directs the activity, and performs all the tasks set by the supervisory regulations.
The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his/her assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors.

DIVERSITY OF THE MANAGEMENT AND CONTROL BODIES

In line with the Supervisory provisions, for the appointment and co-option of the Directors, the Board of Directors is required to indicate its optimal qualitative and quantitative composition, which must include an adequate level of diversity among members, including in terms of age, gender, geographical origin and skills. In this regard, Intesa Sanpaolo's Articles of Association specify that the Board shall adopt the necessary measures to ensure that each Director and the Board as a whole have a continually adequate level of diversification, including in terms of experience, gender and international orientation, in addition to competence, fairness, reputation, independence of mind, and time commitment.
The Board of Directors currently in office has been appointed in compliance with the optimal qualitative and quantitative indications issued in 2016 at the time of the election of the Board, by the outgoing Supervisory Board of Intesa Sanpaolo, within a specific document published on the Bank's website [i]. This document specifically asked shareholders to ensure that the Board of Directors had the widest gender diversity with adequate professional skills, as well as a diversity of age brackets amongst Directors, in addition to a comprehensive level of knowledge and experience. The indications established in terms of diversification were verified during the self-assessments, on an annual basis during the term in office. The less-represented gender must be reserved a share of at least one third of the total members (in the outgoing Board, 7 out of 19 members), as established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

The table below lists the competences stated by the Directors in 2016 in their application. These Directors were also subsequently engaged in continuous and in-depth education and training, as detailed in the paragraph below with specific regard to 2018.

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

In relation to the renewal of the outgoing Corporate Bodies with the approval of the 2018 Financial Statements, new criteria were drawn up on the composition of the Board and on diversity, which also took account of the Guidelines published by the European Banking Authority in September 2018 on the suitability requirements for members of bodies. On this point, please refer to the specific document published on the Bank's website.
Intesa Sanpaolo is also responsible, as part of the direction and coordination activities performed as the Parent Company, for ensuring the overall consistency of the Group's governance structure, and in particular the adequacy of the governance of the companies that make up the Group, including in relation to the Corporate Bodies' composition/structure.
Under the provisions of the Articles of Association, the senior officers of the subsidiaries are appointed by the Board of Directors of the Parent Company, which operates according to uniform principles at Group level and in compliance with the regulations and best practices applicable to each subsidiary, with the aim of ensuring an adequate qualitative and quantitative composition of the Bodies, with specific importance given to the level of diversity, including in terms of age, gender, seniority of service, geographical origin and international orientation. In establishing the composition of the Bodies, the most adequate and effective mix of personal and professional profiles is sought for each subsidiary in terms of its nature, the structure of its activities and the risks taken. The goal is to ensure that each Body has access to a set of expertise, experiences, skills and professional abilities that is sufficiently diversified and complementary. To this end, any indications made by the Management Body of each subsidiary during the annual self-assessment process are taken into account.
The principles regarding appointments in subsidiaries are also governed by specific guidelines.

TRAINING AND UPDATING OF THE DIRECTORS

The Chairman of the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the Board. In this context, he/she organises and promotes Board Members' participation in initiatives aimed at enhancing the degree of knowledge of the operating sectors of the Bank and of the Group's companies, company dynamics and their development, the principles of sound risk management and the regulatory and self-regulatory environment of reference, and in formal and informal meetings, aimed at further review of strategic matters.
This training activity also continued in 2018, with a total of 10 specific induction sessions held to allow Board Members to learn about and discuss the various aspects of the Bank's and Group's business, the applicable regulations and the duties and responsibilities of their office. The induction sessions conducted in 2018 dealt with topics such as financial statements (with particular reference to the application of accounting standard IFRS9), tax issues and risk management, and also more in-depth analysis of the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process, remuneration and incentive policies, US legislation and activities of the Bank's main Business Units.
One specific session was devoted to Intesa Sanpaolo's commitment to Corporate Social Responsibility and to non-financial reporting and Intesa Sanpaolo's position in the sustainability indices.

One of the four seminars held in 2018 handled the issue of climate change.
Finally, it should be noted that in order to promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, accounting positions and any additional documentation conducive to the performance of their duties is available to Board Members and regularly updated.

REMUNERATION

Full information, both in qualitative and quantitative terms, is provided in the Report on Remuneration, available on the website [i].
The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined by the Shareholders' Meeting in a fixed amount for the entire period of their office. The Shareholders' Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson. Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of this Committee, consisting of an equal amount for each Member, but with a special addition for the Chairman.
Pursuant to the Articles of Association, the Managing Director is entitled to receive a fixed and variable remuneration tied to the position of General Manager, determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.
In order for the short-term incentive system to be consistent and compatible with shareholders' remuneration, the Board of Directors decided that this short-term variable component in the remuneration should have a maximum limit of twice the fixed component, including the annual pro-rata long-term Incentive Plan 2018 – 2021 POP (Performance-based Option Plan), and should be indexed to performance in achieving the assigned objectives.
If the bonus is less than 100% of the fixed remuneration, 50% is paid in shares and 50% in cash; on the other hand, if the bonus is higher than 100% but lower than 150% of the fixed remuneration, 55% is paid in shares and the remaining portion in cash; and lastly, if the bonus is higher than 150% of the fixed remuneration, 60% is paid in shares and 40% in cash. The disbursement of 60% of the bonus is deferred for 5 years. The payment of this deferred portion will be subject to verification, each year, of the malus conditions.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

To ensure sound and prudent management, which combines business profitability with informed risk taking and operating conduct underpinned by fairness, the Bank has updated the Integrated Internal Control System Regulations, also to take account of the transition to the one-tier governance system.
The internal control system has been designed to achieve constant monitoring of the identification, governance and control of the risks involved in our activities and is based on three levels:

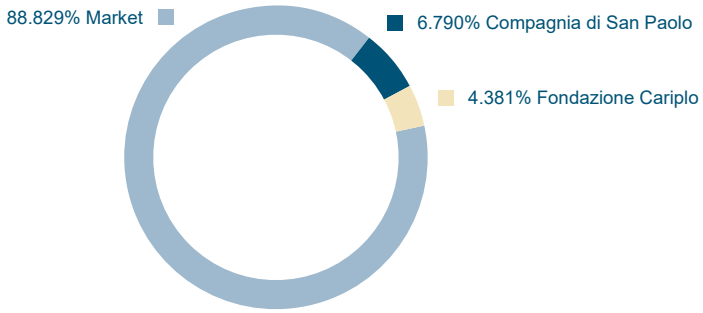
I level ▶ **First level**: consisting of line controls, which are aimed at ensuring the proper conduct of the operations and, where possible, are incorporated into IT procedures. These are carried out by the **Operating and business structures** themselves ("Level I Functions"), including through units dedicated solely to control duties reporting to the heads of those structures or performed as part of the back-office functions.

II level ▶ **Second level**: consisting of risk and compliance controls, whose objectives include ensuring the correct implementation of the risk management process; observance of operating limits assigned to the various functions; and compliance of the company's operations with regulations, including self-governance rules. These controls are performed by the Structures of the Governance Areas of the **Chief Compliance Officer**, who also reports to the **Anti-Money Laundering Head Office Department**, and the **Chief Risk Officer**, who reports to the **Internal Validation and Controls Head Office Department**. These structures (known as the "Level II Control Functions") are separate from the operating structures and from internal auditing.

III level ▶ **Third level**: consisting of internal audit controls – assigned to the **Chief Audit Officer** – to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

SHAREHOLDER BASE

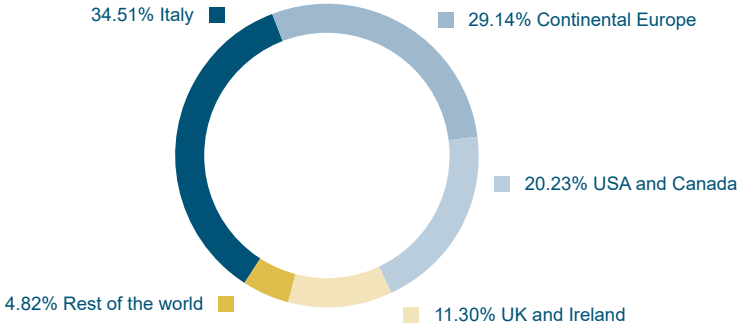
Intesa Sanpaolo's share capital is equal to 9,085,534,363.36 euro, divided into 17,509,481,027 ordinary shares.
In February 2019, Intesa Sanpaolo's shareholder base was composed as follows (holders of shares exceeding 3%*):



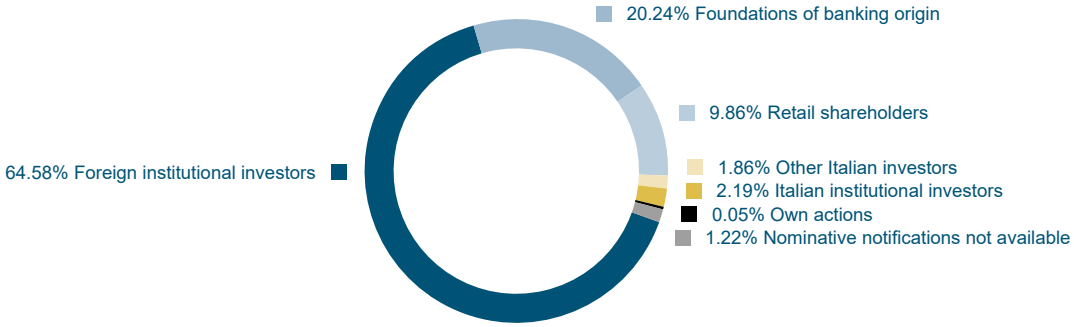
* Shareholders that are fund management companies may be exempted from disclosure up to the 5% threshold.

Below is a breakdown of the shareholder base by geographic area and type of shareholder, based on the names of the receivers of the dividend paid for the year 2017, as reported by the intermediaries (ex-dividend date 21 May 2018).

SHAREHOLDER COMPOSITION BY GEOGRAPHICAL AREA



SHAREHOLDER COMPOSITION BY TYPE OF SHAREHOLDERS



RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on fair and timely communication.
During 2018, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a firm point of reference for stakeholders. To guarantee access to all, again in 2018 this information was made available quickly, easily and economically through a number of channels: Internet, conference calls via a freephone number and the free distribution of financial statements on request. The Investor Relations section of the website [i] boasts well organised content and updates on topics, always providing stakeholders with extensive, systematic information.
In order to contribute to the creation of sustainable value over time, regular and frequent meetings were held with the financial community that consolidated long-term relations based on mutual trust.
Special attention was also paid to SRI (Socially Responsible Investment) investors and analysts, with dedicated events and road-shows.

INTESA SANPAOLO STOCK PERFORMANCE

The performance of Intesa Sanpaolo ordinary shares in 2018 mirrored that of the banking sector indices, showing an upward trend until the start of February, when the stock price peaked, followed by a floating trend until mid-May, and then a marked decline in the second half of May, and then a floating trend until the end of September and a downward trend in the last quarter reaching the minimum in the second half of November, with the stock closing 2018 down by 30% compared to the end of 2017.
Intesa Sanpaolo's capitalisation fell to 34 billion euro at the end of 2018, from 46.4 billion euro recorded at the end of 2017.
The Board of Directors shall propose to the Shareholders' Meeting to allocate a unit amount of 0.197 euro on ordinary shares, totalling approximately 3.45 billion euro.

SHAREHOLDERS' MEETING

For the Bank, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.
Intesa Sanpaolo has always strived to encourage the widest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.
The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate, or upon request by Shareholders representing at least one twentieth of the share capital.
The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman of the Board of Directors.
In 2018, the ordinary and extraordinary Shareholders' Meeting was held on 27 April; the Special Savings Shareholders' Meeting was held on the same date and approved the resolutions of the extraordinary Shareholders' Meeting concerning the conversion of the savings shares into ordinary shares.

RIGHT TO ATTEND AND VOTE

Each ordinary share confers the right to cast one vote at ordinary and extraordinary Shareholders' Meetings.

Governance of Corporate Social Responsibility

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

The Board of Directors, with the support of the Risk Committee, approves:

- the annual Consolidated Non-financial Statement, monitoring the Group's performance in sustainability, including in terms of combating climate change;
- the updates to the Code of Ethics and the CSR guidelines.

The Risks Committee assesses and examines CSR issues, to help ensure the best control of risks in this area.
In liaison with Corporate Social Responsibility and Internal Audit, the Management Control Committee monitors compliance with the principles and values contained in the Code of Ethics; as regards the Statement, it monitors observance of the applicable provisions and reports on this matter in the annual report to the Shareholders' Meeting.

The Managing Director and CEO, through the Chief Financial Officer, governs sustainability performance and exercises the power to make resolution proposals to the Board in line with his office.

Corporate Social Responsibility has the objective of monitoring the Group's areas of social and environmental responsibility, including those relating to climate change, by planning, managing and monitoring policies and tools for sustainability. In particular it is responsible for:

- Supporting the CFO and CEO in making proposals to the Corporate Bodies on social and environmental responsibility strategies in line with corporate strategies and objectives, and the Top Management in defining its sustainability policies
- Updating the Code of Ethics and monitoring its application, with the support of the Chief Audit Officer
- Preparing the Consolidated Non-financial Statement and the other thematic publications
- Overseeing the dialogue with the financial community of sustainable investors and ensuring precise information on ESG (Environment, Social e Governance) issues
- Working with the other structures to encourage social and environmental aspects in business development and in resource management
- Overseeing and promoting actions combating Climate Change
- Handling multichannel communications and CSR training initiatives

The CSR governance system is also based on the strong involvement of the Risks Committee, which has been established within Board of Directors, also to provide specific support to the Board in relation to all CSR matters. To this end, CSR periodically meets with the Committee to agree upon the approach and report on the progress of processes and activities related to sustainability and non-financial reporting. In 2018, it took part in four meetings with the Risks Committee (with the Management Control Committee also invited) to provide information on the 2017 Consolidated Non-financial Statement and on the Guidelines for its preparation, defined at Group level to regulate the process, activities, roles and responsibilities of the Group structures and bodies involved in the preparation, approval and publishing of the Statement in compliance with the provisions of the Decree. In addition, it presented the Annual Report on the implementation and governance of the Code of Ethics to the Management Control Committee together with the Surveillance Body pursuant to Italian Legislative Decree 231/2001.
In these activities, CSR is supported by the CSR Contacts appointed in the main structures and by the CSR Delegates in each of the Banks that are part of the International Subsidiary Banks Division.
In order to strengthen the governance of Corporate Social Responsibility, in 2018 CSR involved those reporting directly to the CEO in 18 meetings with a view to increasing engagement and knowledge of CSR themes, and to analysing material issues, also in relation to the priorities of the 2018-2021 Business Plan. In addition, a proposal was made to institute a Sustainability Manager in each Governance Area, Division and Head Office Department, who could play a strategic role in the definition and implementation of sustainability objectives and in the cooperation and coordination between Top Management and CSR.

In 2018, CSR promoted specific initiatives including:

- the preparation and sharing of the Guidelines for the drafting of the Consolidated Non-financial Statement pursuant to Italian Legislative Decree 254/2016 and the related Process Guidelines, through the specified process of internal agreement with the Group's structures; the Guidelines were approved by the Board of Directors;
- the support given to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), with the voluntary commitment to disseminate transparent reporting on the risks and opportunities linked to climate change;
- responding to 20 assessments from investors and analysts on ESG (Environment, Social, Governance) and climate change issues, and holding 23 meetings with 27 parties including investors and analysts focusing on sustainability, in collaboration with Investor Relations.

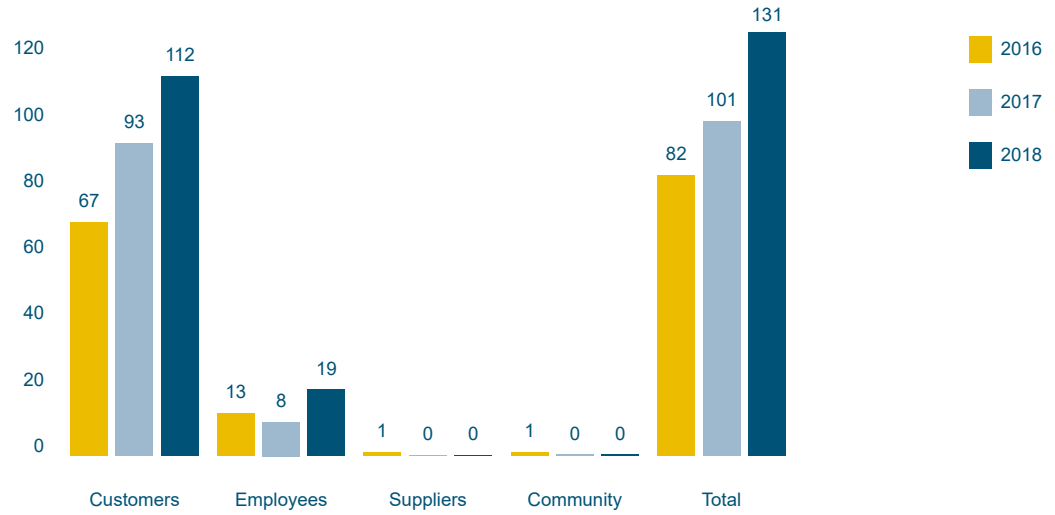
IMPLEMENTATION AND GOVERNANCE OF THE CODE OF ETHICS

The Code of Ethics is the self-regulation document for the integration of social and environmental considerations into company processes, practices and decisions. It contains voluntary commitments in the management of relations with all the Group's internal and external stakeholders, setting out the core values and foundations of the corporate culture.

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

- The principle of self-responsibility, where each structure is directly responsible and ensures adherence to the values and principles of the Code, setting the related objectives and action plans and, where appropriate, appointing a CSR contact.
- The commitments set out in the Code are given practical expression in the annual reporting process (Consolidated Non-financial Statement), which presents the management policies and procedures, initiatives, indicators and objectives for the issues relevant to the stakeholders and the business.
- The analysis and subsequent certification of corporate social responsibility governance by an independent third party in accordance with the principles and contents of standard ISO 26000, published annually on the website [i]. The Governance was assessed according to the method UNI PdR ("Reference Practice") 18:2016, which concluded with a rating of "Consistent and committed to excellence" and a score of 42 (in 2017, "In progress" with a score of 23 on a scale from 15 to 45). Some significant elements of progress were shown thanks to clear inclusion of social responsibility assessments in the Business Plan and the engagement of Top Management in dialogues with the CSR function. The Third-Party assessment in Italy showed strong coverage of the CSR issues investigated, with a clear commitment to fostering consistency in conduct with respect to the Intesa Sanpaolo Group Code of Ethics and the necessary improvements, through the liaison work by the CSR unit. In particular, the principles of the Code of Ethics are set out in a corporate regulatory system that enables their application, also taking into account the results of the stakeholder engagement processes. Compared to the previous year, in Italy progress was recorded in 8 of the 10 issues monitored, namely: Quality and innovation in customer relations, Employment protection, Employee well-being, Access to credit and financial inclusion, Employee growth and development, Relations with the Community, Green Economy and Integrity in corporate conduct. For the international subsidiaries, the analysis identified a structured approach in line with Group Policies and progress achieved in all monitored issues. Quality and innovation in customer relations was shown to be a strong point; the other issues were substantially in alignment, despite slight differences from the Italian context and with greater room for improvement in the Integrity in corporate conduct.
- Management of cases of non-compliance with the Code of Ethics: CSR receives reports sent in and, following the necessary checks, replies in collaboration with the structures concerned, ensuring to protect the reporting parties from any form of retaliation, discrimination or penalisation, and guaranteeing the utmost confidentiality, without prejudice to obligations laid down by the law. In 2018, 131 reports were received, of which 97 were received in Italy and 34 from abroad; this number was up on last year (101 in 2017) and comprises reports that reached the Code of Ethics email box directly (47 compared to 12 in 2017) and those that reached the International Subsidiary Banks, whose awareness regarding careful management of these reports has been raised in recent years through training initiatives. The highest number of reports came from customers (112), followed at a distance by those from employees (19). The category with the greatest impact, with 20 reports, concerned complaints about products or services considered to be provided incorrectly; about half of these reports came from International Subsidiary Banks and included claims due to technical errors, whereas the reports from Italian customers mainly resulted from tensions due partly to the ongoing economic crisis and partly to the difficulties that some categories of customers have in using products utilising the latest technologies.

Reports of alleged non-compliance with the Code of Ethics



There were 17 reports on problems associated with access to branches or services due to disabilities. Following a TV report on “armed banks”, the issue of financing controversial sectors led to 17 reports concerning this issue. The 19 reports from employees included two concerning cases of alleged mobbing. Non-discrimination issues were constantly and carefully monitored in 2018 as well.

- The spread of sustainability culture: a “Collection” of 9 Training Tools (training videos and drama series) on the values and principles in the Code of Ethics were produced and made available from February 2018 to all Group structures. A new collection – relating to six sustainability themes – has also been planned and launched to reinforce the knowledge and awareness of CSR issues among people, and was made available from February 2019. In 2018, two meetings were organised on responsibility culture issues and stakeholder engagement for CSR Delegates of the International Subsidiary Banks Division. At the same time, there were training initiatives on the Code of Ethics, with sessions devoted to the identification and reporting of potential non-compliances of the Code of Ethics. These involved employees from the structures engaged in the management of complaints and customer satisfaction in the International Subsidiary Banks. In order to complete the two pilot editions (in 2016 with PBZ and in 2017 with Banca Intesa Beograd), the project was extended to other subsidiaries following a “train the trainers” procedure, with the aim of transferring knowledge, skills and support (in terms of materials and tools) to colleagues who would then perform the training locally. 2018 ended with 7 editions, 6 of which were carried out locally, involving a total of 65 participants.

Compliance with the principles and values of the Code of Ethics was monitored with the support of the Chief Audit Officer, so that it could be reported annually to the Management Control Committee and the Surveillance Body pursuant to Italian Legislative Decree 231/2001. Checks were conducted on 20 risk areas that also considered social and environmental responsibility aspects and implications including:

- Transactions with Related Parties and associated entities;
- Personnel remuneration and incentive systems (in various Group companies) and the policies for the selection/hiring of employees;
- Reporting on the Research and Development Special Fund financing; management of the Sustainable Growth Fund and more generally the disbursement of loans in specific segments or business areas (involving an assessment of social and environmental elements);
- System of controls on health and environmental safety (Safety and Protection Department)
- Tests on investment tools (e.g. PIR- Individual Savings Plans) or on mechanisms safeguarding depositors (e.g. National Interbank Deposit Guarantee Fund) for certain contexts in the Fideuram Group;
- Management of purchasing procedures (i.e. centralised purchasing or for specific companies and activities), of monitoring and qualification of suppliers and of the significant outsourced processes of important operational functions;
- Local sponsorships and donations from the Charity Fund of the Banca dei Territori Division;
- Fraud prevention activities (Fideuram) and compliance with the Group’s Internal Code of Conduct (Banca dei Territori Division).

The audits did not identify any particular breaches or critical issues.

Management of the main social and environmental risks

The Group has implemented specific processes and responsibilities to understand and manage risks in such a way as to ensure long-term soundness and continuity, extending the benefits to its stakeholders.
Below is an overview of the main social and environmental risks that are significant due to their potential impact on company activities and stakeholders, and the related mitigation measures. A specific table explains in depth the risks associated with the environment and climate change.

Issue	Potential risk	Potential impacts	Mitigation measures
Integrity in corporate conduct	Risks of non-compliance with applicable legislation (corruption, money laundering, taxation, free competition, privacy, labour law) and ineffective response to regulatory changes Risk of providing employees with insufficient or no training Reputational risks	Fines and penalties, limitations to conducting business Damage to reputation and brand	Compliance system divided into different levels to monitor the risk of non-compliance, with specialised functions Internal Control System Definition of corporate internal regulations Specialist training for employees Introducing a whistleblowing system Drafting self-regulation policies for controversial sectors
Customer protection and responsible sales	Unfair commercial practices Inadequate customer service levels Inadequate customer communications Ineffective transition from traditional to digital channels Inadequate customer communications Business continuity in the event of an emergency, blocking or malfunctions	Loss of competitiveness, customers and market shares leading to reduced profitability Disputes and complaints Fines and penalties Damage to reputation and brand Damage to persons and objects during robberies	Model focussing on the level of service, on personalised advice, and on transparency Process of clearing for new products and services Careful and proactive management of complaints Innovation in the offer aimed at ensuring accessibility to services Business continuity plan
Multichannel approach and accessibility	IT risk		Prevention of IT risk
Health and safety of customers and employees	Robberies		Preventing and combating robberies
Supporting to businesses	Management of social and environmental risks in loans Transactions or loans in controversial sectors Reputational risks	Non-performing loans or needs for provisions Damage to reputation and brand	Rating model which also includes intangible aspects of companies Risk clearing processes Equator Principles for project finance Drafting self-regulation policies on controversial sectors Opinions involving social-environmental factors

Issue	Potential risk	Potential impacts	Mitigation measures
Responsible asset management	Assessment and control of ESG risks in the investment portfolios Investments in controversial sectors Reputational risks	Loss of competitiveness, market shares and customers who are conscious of ESG aspects, leading to reduced profitability Damage to reputation and brand	Subscription to PRIs and Stewardship Principles Range of Ethical/ESG funds Company engagement activities Drafting self-regulation policies for controversial sectors
Employee growth and development	Inadequate employee growth and motivation Incapacity to acquire and maintain talent Insufficient focus on diversity and inclusion issues	Employee dissatisfaction with impacts on productivity Lack of adequately trained and qualified personnel Inadequate customer service levels	Investments in training activities Talent management programmes Recognition of employees' merit Initiatives to ensure diversity and inclusion
Employee well-being	Health and safety of employees	Accidents in the workplace Employee dissatisfaction with impacts on productivity	Certification of the health and safety management system (OHSAS 18001) in all branches in Italy Coordination and rules for health and safety management systems in the International Subsidiary Banks perimeter Assessment of work-related stress Work-life balance initiatives Prevention and welfare for employees
Responsible reorganisations	Conflicts and related labour dispute risks	Disputes Strikes with impacts on service continuity for customers Employee dissatisfaction with impacts on productivity	Responsible management of corporate restructuring processes, with the reallocation of employees to other activities New hires to promote generational change Management of labour dispute risks

REPUTATIONAL RISK ASSESSMENT AND MANAGEMENT

Considering the high awareness of business ethics and the growing interest in the valuation of intangible assets, Intesa Sanpaolo has developed a model to manage its reputation with all its stakeholders with a view to preventing and minimising potential negative effects on its image. The Group attaches great importance to non-financial risks and, as part of the main risk-taking strategies set out in the Risk Appetite Framework (RAF), has defined its commitment dedicated to the protection of its reputation.
Intesa Sanpaolo's reputational risk governance model assigns the Corporate Bodies the function of strategic supervision and the Enterprise Risk Management Head Office Department general responsibility for governing reputational risk processes. Each company function is involved in the process of safeguarding the Group's image by complying with the codes of conduct and identifying the reputational risks associated with the activities under its responsibility. However, on a more specialised level, the reputational risk management system is based, on the one hand, on systematic and independent monitoring by certain corporate structures (e.g. Chief Compliance Officer, Chief Institutional Affairs and External Communications Officer, Corporate Social Responsibility, Internal Communication) and, on the other hand, on Reputational Risk Management processes implemented through the Enterprise Risk Management Head Office Department.
These processes include, in particular:

- Reputational Risk Clearing, with the objective of ex-ante identification and assessment of potential reputational risks (including those arising from social-environmental risks) connected with the most significant business

transactions, the main strategic projects and the selection of Intesa Sanpaolo's suppliers/partners. By providing an advisory opinion, the clearing seeks to identify the potential risks associated with a specific transaction and/or counterparty, enabling informed risk taking. In 2018, approximately 140 initiatives/transactions were assessed.

- Reputational Risk Monitoring to monitor the evolution over time of Intesa Sanpaolo's reputational positioning and identify the main areas of exposure, above all through periodic analysis of its web reputation. The monitoring processes are performed on the basis of the reputational dimensions identified and enable the integration of the internal perspective (for example, through Reputational Risk Assessment) with the external perspective (for example, analyses/surveys conducted by third parties to monitor stakeholder perception and expectations). The 2018 web reputation analysis confirmed the positive trends in terms of brand perception, in particular with reference to Corporate Social Responsibility, despite the existence of a few events that had a negative impact. The mitigation of reputational risk is also entrusted to the structures responsible for managing primary risks (credit risk, market risk, liquidity risk and operational risk), in view of the consequential nature of reputational risk.

MANAGEMENT OF SOCIAL AND ENVIRONMENTAL RISKS IN LOANS

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

The Code of Ethics requires investment decisions and the credit policy to take into account the socio-environmental risks associated with the activities of corporate customers. This commitment is also contained in the Rules for the environmental and energy policy and in the Human Rights Principles.

The Group also adheres to the Equator Principles covering these risks in project financing. The assessment of environmental risks also enables compliance with the regulatory requirements set out in the Organisational, Management and Control model pursuant to Italian Legislative Decree 231/2001 on the administrative liability of entities.

From an organisational perspective, the analysis and assessment of the socio-environmental risk of financing operations subject to the Equator Principles is the responsibility of the Chief Lending Officer Area. As regards other loans, the structure responsible for this kind of assessment is Risk Management, with support from Corporate Social Responsibility.

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

In particular, thanks to its long-term collaboration with Confindustria Piccola Industria, an innovative rating model has been developed, validated by the ECB. In the model, social and environmental aspects can also have a positive impact, leading to an improvement in the rating. In addition to the usual economic and financial assessments, the new model aims to make it easier to access credit, with more favourable financial terms, by highlighting the intangible qualities of the business, such as trademarks, patents, quality and environmental certifications, research and development activities, innovation and digitalisation, development and competitive positioning projects, management of business risk and being part of a supply chain.

With reference to the sectors that may potentially be more exposed to environmental risks, the experimental phase of a Questionnaire on Environmental Risks launched in July 2017 reached completion in June 2018, based on a sample of customers of the Corporate and Investment Banking Division.

Following the positive outcome of the pilot phase, the activity is properly up and running, aimed at the same category of customers, and has been included in the Operating Guidelines on lending activities. The initiative allows environmental risk to be taken into consideration when assessing creditworthiness for the most sensitive sectors.

Lastly, in 2018 there was a continuation of the activity launched in the previous year for the provision of advisory opinions on the social, environmental and reputational risks of business operations and/or customers operating in sensitive sectors that are not included in the scope of application of the Equator Principles. The opinions, provided by the Reputational Risk Office of the Chief Risk Officer Area with the contribution of Corporate Social Responsibility, include the allocation of a risk class (from low to very high) 67: of these opinions were issued in 2018.

ADOPTION OF THE EQUATOR PRINCIPLES

The evaluation and management of the social and environmental risks plays a fundamental role for loans for large industrial and infrastructural projects.
The Equator Principles (EP or Principles) are international Guidelines (that financial institutions adhere to on a voluntary basis) for the management of socio-environmental risks arising from project financing. Applying these Principles in a structured and integrated manner allows emerging risks to be identified and managed in countries that are vulnerable from a social and environmental viewpoint, as well as in sensitive sectors. Intesa Sanpaolo has adhered to the EPs since 2007.
The Principles are based on the criteria of the International Finance Corporation (IFC) of the World Bank (the Performance Standards), which concern, amongst other issues: the assessment of social and environmental impacts; the protection of workers' rights; the exclusion of child labour and forced labour; the prevention of pollution and the promotion of energy efficiency; risks to the health and safety of communities; the consultation of the populations concerned and protection of their rights; safeguarding biodiversity and the sustainable management of natural resources; and the preservation of cultural heritage.
The EP process takes specific account of the impacts of climate change. In fact, the Principles require customers to demonstrate that, if the CO_2 equivalent annual emissions are expected to exceed 100,000 tonnes, they have considered solutions with lower emissions, through an analysis of the alternatives. The Principles also require the publication, on an annual basis, of CO_2 emission levels for these projects.
The Climate Change Working Group of the Equator Principles Association liaises continuously with the IFC on the implementation of its climate change strategy in the Performance Standards and to share best practices in the area of climate change risk management.
The EPs envisage the assignment of a risk category to the projects to be financed (A is high, B medium and C low), based on variables such as the socio-environmental characteristics of the country, the industrial sector and the characteristics of the project in question.
The scope of the Principles includes the technical form of Project Finance, from 10 million US dollars, and Project related Corporate Loans, from 100 million US dollars.

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

The process of implementing the Equator Principles is organised and regulated by the "Rules for the Equator Principles" that are valid for the whole Group.
The implementation process of the EPs is integrated into the Group's credit policies in order to identify all loans, starting from the application stage, that come under the scope of the Principles. The process requires higher-risk projects, and medium-risk projects if necessary, to be assessed by an independent advisor who identifies the main social and environmental impacts. The results of this independent due diligence provide suggestions and recommendations regarding the need to supplement the preliminary assessment with in-depth studies or action plans, for example on safeguarding human rights, to ensure that the project meets the requirements of international standards. The action plans must be integrated into the contractual obligations and monitored at a frequency based on the level of risk identified.
Customers are required to submit regular reports as evidence of the implementation of the actions requested by the Bank, which may also be verified with on-site inspections. In the event of non-compliance with the agreed conditions, the Bank reserves the right to exercise the intervention measures for assessment on a case-by-case basis.
The assessment process also envisages engagement and consultation with local communities, to understand the possible social impacts and identify any mitigation measures needed. The Equator Principles require an ongoing relationship with stakeholders, from the design phase and throughout the entire project, through structured stakeholder engagement activities and a grievance mechanism process.
The Bank checks all the actions implemented by the customer and the correct implementation of the EPs; this also includes giving an internal opinion issued by the structure of the Chief Lending Officer Area in charge of monitoring the EPs. This opinion is included in the preliminary analysis, and is taken into consideration by the Reputational Risk Office for the purposes of Reputational Clearing.
In 2018, there were two training initiatives on the Equator Principles, with a joint aim of spreading awareness of the importance of the issue, and to present case studies to the participants to focus on the scope of application of the Principles and the phases of the implementation process.
The first initiative, designed for the structures based in Italy that are most directly involved, was run via distance learning with about 100 people invited to attend; the second course was made available to over 400 people, using the "Equator Principles e-Learning Tool", developed by the Equator Principles Association.

2018 PROJECTS

In 2018, a total of 20 loans subject to screening according to the Equator Principles reached financial close (a total of 346 since 2007).
In 2018, the amount agreed for projects that adopted the Equator Principles assessment process, was 993.5 million euro, equal to approximately 11% of the total amount agreed for loans in the reference scope (all Intesa Sanpaolo structures active in project financing within the scope of the Principles, in Italy and abroad).
The table below shows the number of projects that reached financial close in 2018, with a breakdown by category.

	Total	Category A	Category B	Category C
Project finance	18	5	10	3
Project related corporate loans	2	2	-	-

CONTROVERSIAL SECTORS

Intesa Sanpaolo is aware of the importance of the correct and responsible allocation of credit, following social and environmental sustainability criteria. To this end, it devotes particular attention to examining the sustainability issues associated with sectors considered more sensitive, such as arms, nuclear energy, and fossil fuel extraction sectors. Sensitive sectors are identified among those that have a significant socio-environmental risk profile and that are the subject of awareness-raising initiatives or pressure campaigns by specialist NGOs, civil society groups and customers.
In keeping with the values and principles expressed in the Code of Ethics and aware of the need to support national and European defence together with the allied countries in NATO, the Intesa Sanpaolo Group does not support operations that relate to the production and/or trade of military goods, even if permitted by applicable law, in countries that do not belong to the European Union and/or NATO. The company rules also prohibit the undertaking of any kind of banking or lending activity related to the production of and/or trade in controversial weapons and/or those banned by international treaties and in particular: nuclear, biological and chemical weapons; cluster and fragmentation bombs; weapons containing depleted uranium; and anti-personnel landmines. In addition to the provisions already adopted by Intesa Sanpaolo in accordance with the provisions of Italian Law 185/1990, in 2017 specific rules were issued for the Group's International Subsidiary Banks. The operations of the Group's Branches and International Subsidiary Banks are also subject to local regulations, when they are stricter than the Group regulations.
In 2018, the total number of transactions reported to the Italian Ministry of the Economy and Finance pursuant to Law 185/1990 in terms of loan disbursements, payments and guarantees given and/or renewed amounted to 2,401.6 million euro.
In other sensitive sectors, where the Equator Principles are not applied, the Reputational Risk function with support from Corporate Social Responsibility, provides the business and lending structures with advisory opinions on the social, environmental and reputational risks.

ENVIRONMENT AND CLIMATE CHANGE: MANAGEMENT OF POTENTIAL RISKS AND IMPACTS

Climate change represents a complex challenge that is set to have a major impact on the future of our planet and society. Climate change is responsible for the increase in extreme weather events (flooding, whirlwinds, forest fires, etc.), and has permanent effects on climate conditions (increase in average temperature, increase in sea level, etc.) which may lead to significant economic, environmental and social costs. These events may generate a loss of wealth and income for companies and families, thus having a potential impact on the financial system. Banks have a key role to play and a responsibility on the issue of climate change, because they have the possibility of directing loans and investments towards companies that are virtuous from an environmental point of view, and operate with a view towards raising awareness and risk containment.
The growing focus given to the possible consequences of climate change has led to a greater awareness among financial institutions of the need to develop specific knowledge about such risks and the opportunities associated with them.
Climate change risks are divided into "physical risks", associated with the physical impact of climate events, and "transition risks" arising from the process of adjustment to an economy based on low carbon emissions, associated with the changes in public policies, technology and consumer choices.
In this regard, the Intesa Sanpaolo Group actively considers the risks and opportunities arising from climate change within its overall strategy.

Through the monitoring of the Code of Ethics, stakeholder engagement activities and sustainability reporting, the Group identifies and analyses the range of risks associated with climate change and sets objectives and guidelines aimed at implementing actions designed to manage and mitigate these risks.
The potential risks, opportunities and possible impacts on stakeholders and on corporate structures have been considered when analysing material issues, both in terms of direct impacts on Group operations and properties and in terms of indirect impacts relating to customer and supplier activities. The materiality matrix is shared with the Chief Risk Officer Area, with the aim of initiating a process of integration with reputational risk assessment.
On an annual basis, a mapping is conducted of the risks and opportunities related to climate change, published in the questionnaire of the Carbon Disclosure Project [i]. Specifically, the impacts, possible financial implications (if quantifiable), risk management methods and associated costs are examined, taking into account, where relevant, the specific climatic characteristics of the different geographical areas where the Group operates.
Intesa Sanpaolo's strategy includes actions to reduce greenhouse gas emissions (mitigation), together with measures of "adaptation" to climate change. In recent years, we have witnessed extreme atmospheric events at a global level that have had a considerable impact on the Bank's structures and on the activities of our customers.
The tables below show the main risks arising from climate change, the related impacts and the mitigating actions undertaken by the Group.

Direct risks for the Intesa Sanpaolo Group

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in environmental regulations	Short/medium term	Possible fines in the event of failure to comply with new regulations	Constant and precautionary monitoring of possible changes to national and European regulations
Transition Introduction of new greenhouse gas emission limits or new related reporting systems Increased cost of greenhouse gas emissions	Short/medium term	Costs for upgrading heating and air conditioning systems and for new monitoring tools Costs related to greenhouse gas emissions Increase in costs of energy supply	Implementation and monitoring of the Climate Change Action Plan Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings
Transition Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)	Medium/long term	Costs of changing the processes of certification in the event of changes to standards and regulations	Continuous and precautionary monitoring of possible changes in standards Participation in specific training courses and workshops
Physical Extreme weather events (floods, heavy snowfall, whirlwinds)	Short/medium/ long term	Possible damage to the Bank's infrastructure and possible disruption of activities	Precautionary assessment of the hydrogeological risks for buildings Adoption of a business continuity plan and measures to prevent/ mitigate/manage physical damage to the Bank's structures

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

With regard to the Environmental and Energy Management System according to the UNI EN ISO 14001:2015 standard, the Background Analysis has been updated to shed light on the needs and expectations of all stakeholders involved in applying the System, and on the specific associated risks. This update was performed based on the results of the stakeholder engagement and confirmed that all the risks – split into six categories (commercial, economic, operational, technological, implementational and reputational) – are managed by the Group through a continuously monitored programme of actions. A "low" level of risk is considered acceptable, whereas for "medium" level risks, actions are foreseen within six months, and for "high" level risks, specific actions are to be defined within a month.
The assessment of risks to workers' health and safety also includes the assessment of the hydrogeological risk due to flooding and landslides. A hydrogeological risk assessment of buildings is conducted as a preventive measure in relation to local risk and building vulnerability, and also subsequent to an external event with a view to maintaining the practical features of the buildings involved.
With regard to flooding, the benchmark is based on the level of danger associated with a floodable area, and depends on the probability that the area can be flooded: generally, the high-danger areas are identified as those that speculatively suffer a flood on average every 20-50 years (P3), whilst the medium and low-danger areas are speculated to suffer floods on average every 100-200 years (P2) and 200-plus years (P1) respectively. With regard to landslides, the benchmark is based on the level of danger (from P1 to P4) associated with an area subject to landslides and depends on the relationship between the probability of occurrence of the event and its magnitude taking into account both the speed of the landslide's movement and the extent of its spread over the area. These assessments are set out in the Risk Assessment Document pursuant to Italian Legislative Decree 81/08. They enable the Intesa Sanpaolo Group to implement actions that take account of the effects of critical events linked to natural phenomena attributable to climate change, allowing for the management of different potential risk scenarios, through the implementation of specific Emergency Plans, in order to mitigate and reduce possible damage, particularly to workers and third parties.
Intesa Sanpaolo has also adopted an Organisational Model for Crisis Management which, through process guidelines, defines the organisational structure responsible for managing critical events and identifies the roles, responsibilities and decision-making powers. This ensures the participation of all the managerial and operational levels necessary for managing emergencies and crises, including those arising from large-scale destructive events, of a metropolitan or wider extent, that affect essential infrastructures of both the Bank and third parties, or situations that do not necessarily have a significant impact on operations, but have a high social or local impact (e.g. floods, etc.). In particular, the Emergency Management Operational Centre deals with the various crisis scenarios involving disruptions to business continuity, by ensuring continuous and precise monitoring of the situation and coordinating the actions to be implemented for the local structures concerned, in constant collaboration with the competent head office structures. If critical events occur without disrupting business continuity, the Critical Events Manager begins his/her work; his/her role is to identify and engage the relevant functions in order to define and implement the counter-measures needed to mitigate the risk.

Indirect risks for the Intesa Sanpaolo Group

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in public policies Technological changes Changes in customer/ consumer preferences	Short/medium/ long term	LOANS Reduction of business or increase in costs for companies with possible consequences on creditworthiness and solvency. ASSET MANAGEMENT Reduction in the value of assets under management due to consequences of climate change on companies in the portfolio	LOANS Assessment of ESG risks in transactions and loans in sensitive sectors Inclusion of environmental risks when assessing creditworthiness Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Support to the Circular Economy ASSET MANAGEMENT Assessment and control of ESG risks in the investment portfolios
Transition Changes in public policies Technological changes Changes in customer/ consumer preferences	Short/medium/ long term	Reputational impact, negative perception from stakeholders and in particular from SRI investors due to nil or inadequate management of such risks Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower rating	Inclusion of environmental risks when assessing creditworthiness Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Stakeholder engagement initiatives Participation in international working groups on climate change issues
Transition Changes in environmental regulations Introduction of new atmospheric emission limits or new related reporting systems	Short/medium term	Financial implications on some industries and customer segments	Offering dedicated financial solutions and specialist advisory services for customers in the field of renewable energies and energy efficiency Participation in work groups and initiatives relating to climate change Active collaboration with policy makers to highlight the need for stable and clear environmental regulations
Transition Changes in the regulations and incentives on renewable energy	Short term	Negative impact on loans to customers interested in investing in renewable energy sources, due to an Italian scenario characterised by the uncertainty of public intervention	Offering advisory services to customers on new regulations and incentives for the renewables and energy efficiency sectors

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in customer/ consumer preferences	Short/medium term	Reduction in revenues for the Group due to a lower demand for certain financial services/ products	Offering green products and services Green bond issues Support to the Circular Economy
Physical Extreme weather events (floods, heavy snowfall, whirlwinds)	Short/medium/ long term	Financial implications for corporate and retail customers damaged by extreme weather events, with possible consequences on their creditworthiness and solvency	New subsidised loans intended to restore damaged structures Suspension or moratorium of repayments of loans issued to damaged customers Implementation of a plafond for the reconstruction of damaged properties in case of disaster events

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

Since October 2018, the Group has decided to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), with the voluntary commitment to disseminate transparent reporting on the risks and opportunities linked to climate change, in order to include the main climate-related communications within the framework of financial disclosures for stakeholders. An inter-functional working group has been set up for this purpose, whose goal is to implement the TCFD's recommendations and outline the monitoring methods for climate change risk within the scope of the risk governance framework, particularly with respect to the impacts on lending activities.

THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) was set up in 2015 by the Financial Stability Board (FSB) – the body that monitors the world financial system – so as to formulate a series of recommendations on the disclosure of climate-related risks. The aim is to guide companies to align the information they disclose with the needs and expectations of investors. In June 2017, the Task Force published 11 recommendations relating to four areas: Governance, Strategy, Risk Management, Metrics and Targets.

Integrity in corporate conduct

RELEVANT ISSUES

Fighting against corruption page 56
Combating money laundering page 58
Compliance with tax regulations page 59
Protection of free competition page 60
Privacy protection page 61
Compliance with labour laws page 62
Audits page 62
Fines and disputes page 64

WHY THESE ISSUES ARE RELEVANT

The Intesa Sanpaolo Group recognises that compliance with internal and external regulations and codes of conduct is of significant importance, also from a strategic viewpoint, and therefore it acts in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust and transparency. Indeed, Intesa Sanpaolo believes that compliance with standards encourages the creation and maintenance of a competitive economic environment and protection of customer rights, which contributes to the development of local areas and communities. Intesa Sanpaolo also seeks to be a reliable and professional partner for the regulators. In this context, the Group actively adheres to the principles of the United Nations Global Compact that envisage the development of policies for combating corruption, protecting human rights, workers' rights and safeguarding the environment.
The Group has defined and implemented a well-structured system of risk assessment throughout the company structures, which is applied according to risk assessment criteria. Adherence to the rules and integrity of corporate conduct are also ensured through compliance activities focused on the monitoring of risk in relation to fighting corruption and money laundering, combating the financing of terrorism, embargo management and protecting competition. The Group adheres to the principle of active cooperation in preventing these phenomena, which represent a serious threat to the legal economy. Intesa Sanpaolo monitors developments in international tax regulations guided by the OECD and aimed at countering base erosion and profit shifting from high-tax to low-tax countries, with the ongoing commitment to adhere to those principles.
Internal auditing involves constant and independent monitoring of the due conduct of the Group's operations and processes.

PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Macro-issue	Projects/Indicators	2018 Actions/Results
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering	▪ 66,320 trained employees (72.5% of the total) ▪ 323,242 hours provided
	Disciplinary sanctions due to staff corruption	▪ 0
	Dismissals due to corruption	▪ 0
	Internal advice and clearing on transactions in the corruption highest risk areas	▪ 191

Macro-issue	Projects/Indicators	2018 Actions/Results
Protection of free competition	Training on free competition	▪ 47,976 employees trained (52.4% of the total) ▪ 72,938 hours provided
	Internal requests for antitrust advice and clearing on Group projects	▪ Advice and clearing requests were made for 49 initiatives, of which 21 advice and 14 clearing requests have been completed (opinions not subject to changes or updates), with the rest still ongoing
Privacy protection	Training on Privacy protection	▪ 51,896 employees trained (56.7% of the total) ▪ 43,501 hours provided
	Cases of customer data being lost or stolen	▪ 13, in relation to which no risk to the rights and freedoms of data subjects was identified, and therefore notifying the Italian Antitrust Authority was not required
Consumer protection	Training on consumer protection	▪ 40,041 employees trained (43.7% of the total) ▪ 1,223,201 hours provided
Whistleblowing	Whistleblowing reports	▪ 21 reports, of which 4 were found to be not pertinent and 17 were subject to specific investigations*

* More specifically: there were 18 reports for Intesa Sanpaolo S.p.A., three of which were not pertinent and 15 were subject to investigations; for ISGS there was one report which was subject to investigation; for the CR Firenze Group, there were two reports, one of which was not pertinent and one which was subject to appropriate investigations.

FIGHTING AGAINST CORRUPTION

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

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

Legislative Decree 231/01 establishes a system of administrative liability for Italian Companies for certain specifically identified crimes or offences, committed in their interest or for their benefit by their senior officers and/or employees. Intesa Sanpaolo has long had a specific Organisational, Management and Control Model in place that defines the principles of control and conduct that must be adopted to reduce the risk of committing crimes and offences envisaged by the Decree, including, in particular, corruption, environmental crimes and the violation of human rights.
In preparing the Model, the Bank first of all took into account all the existing regulations, procedures and control systems already being implemented, insofar as they were also suitable as measures for preventing crimes and illegal conduct in general, including those envisaged by Italian Legislative Decree 231/01.
The Bank identified the following as specific instruments already existing and aimed at planning the formation and implementation of company decisions and carrying out controls on business operations, including in relation to crimes and offences to be prevented:

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

The Board of Directors delegates the structures the task of implementing the content of the Model and ensuring the constant updating and implementation of internal regulations and company processes, which are an integral part of the Model, in compliance with the principles of control and conduct defined for each sensitive activity.
The effective and concrete implementation of the Model is also guaranteed by:

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

Without prejudice to the independent responsibility of each Italian-registered company of the Group regarding the adoption and effective implementation of its own Model, Intesa Sanpaolo in performing its duty as the Parent Company issues general criteria and instructions, and verifies the compliance of company Models with those criteria and instructions.
In August 2018, the Board of Directors approved the update of Intesa Sanpaolo's Model, which takes account of the evolution of legislation in the following areas:

- Italian Law 179/2017, which modified Italian Legislative Decree no. 231/01 with regard to whistleblowing. For this purpose, the systems for reporting to the Surveillance Body were integrated on the basis of the requirements set out in the new Article 6 (2-bis) of the Decree, and were articulated with the Group Rules on internal whistleblowing systems for financial intermediaries;
- Law no. 161/2017 and Law no. 167/2017 which respectively introduced new elements into Italian Legislative Decree 231/01, namely the offences of "conducting illegal immigration" and "facilitation of illegal immigration" (Article 25-duodecies) and "racism and xenophobia" (Article 25-terdecies).

In addition, there were further adjustments to the Model, involving the inclusion of the obligation for the Intesa Sanpaolo Group to prepare the Consolidated Non-financial Statement and the inclusion of an additional cause for the suspension or revocation of members of the Surveillance Body i.e. the non-final conviction for bankruptcy offences and tax offences, in line with the Regulations that establish the requirements of integrity and professionalism of the Banks' senior representatives and causes of suspension.
Following the approval of the new Model by the Parent Company, the other Italian companies of the Group began the adoption of these updates.
To provide the Surveillance Body with an overall picture of the planning of the various control structure activities (compliance, anti-money laundering, administrative/financial governance, internal audit), the Compliance function collects the respective plans from the relevant structures on an annual basis regarding the scheduled supervision of sensitive areas and incorporates them into the 231 Audit Plan. On the basis of this document, the Surveillance Body assesses the adequacy of the programme of audits on individual sensitive company activities and identifies any further actions needed to strengthen the audit plans proposed by the structures concerned.
The heads of the organisational units involved in sensitive processes pursuant to Italian Legislative Decree 231/01 certify the level of implementation of the Model, by means of an overarching self-diagnosis process on the work carried out, with a particular focus on compliance with the principles of control and conduct and the operating rules.
Lastly, an unremitting focus is placed on training initiatives and spreading compliance culture. In this regard, the overall percentage of participation at Group level for the distance training course, initiated in 2015, was 84% at the end of 2018.

The Group's Anti-Corruption Guidelines, approved in 2017 by the Board of Directors, identify the principles and the sensitive areas and define the roles, responsibilities and macro-processes for the management of this risk, further strengthening an internal regulatory framework which already consists of the Code of Ethics, the Group Internal Code of Conduct and – for the Italian Group companies – the Organisational, Management and Control Model adopted pursuant to Italian Legislative Decree 231/2001.
The Guidelines define the commitment to comply with the regulatory provisions aimed at combating corruption in all its forms, where corruption means the direct or indirect offering or acceptance of money or other benefits capable of influencing the recipient, in order to induce or reward the performance of a function/activity, or alternatively its omission. In line with international best practices, the Group does not tolerate:

- any type of corruption, in any form, manner or jurisdiction, not even if activities of this kind are permitted, tolerated or not prosecuted under the laws in force in the countries in which the Group operates;

- any conduct involving the offer or acceptance of money or other benefits – directly or indirectly – with the aim of inducing or rewarding the performance of a function/activity, or alternatively its omission. Such conduct is not tolerated even with regard to small payments aimed at speeding up, facilitating or ensuring the performance of a routine activity, or any activity that forms part of the recipient's duties (known as facilitation payments). Benefits that cannot be granted include, for example, gifts and services offered free of charge (except for those envisaged by specific regulations on gifts, and entertainment and charitable expenses), the undue hiring of a person, the granting of credit on terms that do not conform to the principles of sound and prudent management and, more generally, all transactions that entail the generation of a loss for the Group and the creation of a profit for the recipient.

Monitoring in this area is assigned to the Anti-Money Laundering Head Office Department, and its Manager is allocated the role of Group Anti-Corruption Officer.
The Anti-Corruption Guidelines have been approved by the main Group companies, including the Banks of the Banca dei Territori Division, Fideuram Intesa Sanpaolo Private Banking, Intesa Sanpaolo Vita and Eurizon Capital. In the perimeter of the International Subsidiary Banks Division, all the banks presented the document for formal examination by their competent bodies.
In 2018, there were continued checks on the consistency of the detailed internal regulations with the general principles set out in the Anti-Corruption Guidelines, in order to implement the necessary alignment, in addition to a detailed analysis of the anti-corruption controls currently in place in the individual “highest risk areas”, in order to identify any strengthening measures. In particular, updates were made to the regulations concerning the Suppliers List and Sponsorships, and the regulations for Charities were also reviewed.
During the year, the Anti-Money Laundering Head Office Department processed 191 “advice” and “clearing” files for specific operations in the highest risk areas, particularly concerning the purchase, management and sale of equity investments and other assets, donations, sponsorships and relationships with suppliers, the hiring of personnel, and gifts.
In terms of the dissemination of information and the culture in this area, the Anti-Corruption Guidelines were sent to all members of the Boards of Directors of the main companies in the Group.
Lastly, in October 2018, a specific training initiative was held for employees in the Group’s Italian companies on the Anti-Corruption Guidelines.
In Italy, there were no cases of disciplinary measures related to corruption incidents.
There were no significant penalties for non-compliance with laws or regulations relating to corruption or discrimination in the workplace.

COMBATING MONEY LAUNDERING

Intesa Sanpaolo pays particular attention to compliance with national and international regulations aimed at combating money laundering and terrorist financing, which it recognises as a serious threat to the legal economy with destabilising effects for the banking system, and it adheres to the principle of active cooperation in preventing these phenomena.
In compliance with the legislative provisions of the legislator and the sectoral supervisory authorities, and based on the international standards contained in the FATF (International Financial Action Task Force) Recommendations, the Group has adopted procedures, instruments and controls designed to mitigate the risk of being involved, even unknowingly, in acts of money laundering and terrorist financing.
The Group's governance system to combat money laundering and the financing of terrorism is based on Guidelines that constitute a systematic and functional reference framework, with active collaboration by the Group in preventing these illegal activities. Specific processes and procedures are in place in the areas of obligations of customer due diligence, reporting of suspicious transactions, recording of relations and transactions, storage of documents, risk assessment and management, internal control and guarantee of compliance with all of the relevant provisions to prevent and impede the completion of transactions connected to money laundering or the financing of terrorism. The guidelines and standards established by the Parent Company are developed and implemented within the individual operating structures in accordance with the characteristics and complexity of the activity carried out, as well as in accordance with their size and organisational structure, in compliance with the requirements of local regulations and ensuring the sharing of information at a consolidated level.
Procedures that provide automatic checks on the Group's register and transactions have been active for some time now, in order to mitigate the risk of having customers included in the list of entities subject to

restrictions or freezing of assets (black list). The Group has also adopted a stricter approach, going beyond the regulatory requirements, by envisaging more detailed assessments of credit and reputational aspects to prevent its involvement, in any capacity, in transactions with counterparties or countries under embargo, even if the transaction is among those permitted by the restrictive provisions issued by the international authorities. In 2018, the activities planned for the strengthening of anti-terrorist controls were substantially completed through the enhancement of filtering systems for detecting suspicious elements. In addition, the project initiative continued, which aims to bring the AML controls into line with the new regulatory requirements of the AML IV Directive (transposed by Italian Legislative Decree 90/2017), aligning, among other things, the Guidelines in the month of April; there was a continuation of the multi-year programme for the overall review and strengthening of anti-money laundering, embargo, anti-terrorism and anti-corruption measures at a Group level (ENIF - Enabling Integrated Financial Crime Project).

RELATIONS WITH POLITICAL PARTIES AND MOVEMENTS

The internal policies establish that political parties and movements cannot be recipients of donations and sponsorships. With regard to the financing of political parties, connected associations and individual candidates, specific rules state that the only form of new credit concession for them, that can solely be decided upon by the Board of Directors, consists of the advance on an annual basis of the "2x1,000 contribution" against the transfer, to be notified in accordance with the law, of the sums due to the parties for this form of contribution. In 2018 no financing was granted in this area.

COMPLIANCE WITH TAX REGULATIONS

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

Intesa Sanpaolo places a particular focus on the evolution of tax regulations, both on a domestic and international level, aimed at countering base erosion and profit shifting, with the ongoing commitment to adhere to those principles. The Group has strengthened the internal control system for tax risk, known as the Tax Control Framework, to make it capable of covering the strategically important area of tax risk and meeting the requirements for access to the collaborative compliance scheme introduced in Italy, in accordance with Italian Legislative Decree 128/2015. On 10 December 2018, Intesa Sanpaolo was granted access by the Italian Revenue Agency to the Cooperative Compliance scheme, starting from 2017 when the application was submitted. Under this scheme, Intesa Sanpaolo and the Italian Revenue Agency can perform joint assessments on certain situations that could lead to tax risks thanks to ongoing, preventive contact, with a view to resolving any potential disputes before they occur.

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

The Principles are:

- Corporate Responsibility - The Group, in compliance with the Corporate Responsibility principle, acts according to the values of honesty and integrity in the management of tax matters, in the knowledge that revenue from taxes is one of the main sources of resources contributing to the economic and social development of the countries in which it operates.
- Legality - The Group adopts conduct based on compliance with the tax regulations applicable in the countries in which it operates and on interpretations that allow it to manage tax risk responsibly, so that it can satisfy the interests of all its stakeholders and ensure its positive reputation.
- Tone at the top - The Board of Directors defines the principles of conduct in relation to Group tax matters and ensures its application, therefore assuming the responsibility of driving the spread of a corporate culture based on the values of honesty and integrity and principle of lawfulness.

- Relationship - The Group maintains a collaborative and transparent relationship with the tax authorities, guaranteeing, among other things, to provide them the information needed to fully understand the circumstances underlying the application of tax rules. To this end, Intesa Sanpaolo encourages the Group companies to adhere to cooperative compliance schemes, which supplement the national regulations, in order to create stronger relationships with the tax authorities.

The Guidelines were also approved for the management of tax risk within the collaborative compliance scheme with the Italian Revenue Agency, which govern the criteria and processes that Intesa Sanpaolo must adopt to ensure the adequacy and effectiveness of its Tax Control Framework, as well as the related Rules.
The types of tax risk that may arise in the context of business processes have been identified by Intesa Sanpaolo as:

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

The supervision of compliance with tax legislation is assigned to the Tax structure, which performs the role of Specialist Function.
Based on the periodic reports and other information flows provided by the Tax structure and the other corporate control functions, and checks conducted directly, the Compliance, Governance and Controls Head Office Department produces an independent assessment of the regulatory non-compliance risk in relation to tax matters and the adequacy of controls put in place for its mitigation, and, when it deems necessary, it requests the Tax structure to implement appropriate strengthening measures.
During 2018[1] the Group, in addition to indirect taxes of 915 million euro, recorded accrued income taxes for the year of 1,659 million euro, for the most part in Italy, where the majority of operating income was earned, as per the table below.

2018 Figures [millions of euro]	Italy	Europe	Rest of the world
Taxes on income	1,240	343	76
Operating income	14,266	2,905	704

The International Branches are presented in the geographical breakdown in relation to the country where these branches are located. As far as taxes on income are concerned, since Intesa Sanpaolo did not apply the option for the scheme of income exemption for international branches (known as Branch exemption), these branches' income is also taxed in Italy. In compliance with the applicable regulations, Intesa Sanpaolo also publishes a country-by-country disclosure in which the following information is provided for each country (according to the rules established by the Bank of Italy): gross income; number of employees; profit or loss before tax; and tax on profit or loss. The report is available at the following link [i].

PROTECTION OF FREE COMPETITION

The Group constantly monitors and promotes free competition, and spreads a culture of compliance with anti-trust regulations, working to ensure that the international, European and national rules and procedures are effectively applied and observed.
In the Group's Code of Ethics, Intesa Sanpaolo declares its commitment to compete fairly in the market and cooperate with other economic, private and public entities, whenever necessary, to strengthen the overall

1 The comments refer to the reclassified data published in the 2018 Consolidated Financial Statements of the Intesa Sanpaolo Group, which can be referred to for additional details or information.

capacity of the countries where the Group operates. The Bank has an ongoing commitment to manage relations with institutions and organisations, in monitoring existing regulations and in conducting attentive advocacy on any bills that could impact the activities of the Group and of its stakeholders at the national, European and international level, with a view to limiting legal, economic and reputational risks and exploiting new opportunities.
Due to the growing importance of antitrust issues, the Group has long since adopted a risk control system for antitrust non-compliance, under the responsibility of the Institutional Affairs Department. In this regard, it has adopted an extensive antitrust compliance program whose key features include the creation of a specific internal team aimed at overseeing antitrust regulation compliance and the adoption of an antitrust legislation Compliance Policy and a training and information programme. The control of this area has been extended beyond the more traditional forms of antitrust (mergers, abuses of dominant positions and agreements) to also include EU regulations on state aid and the recent Italian regulations in support of Italy's competitiveness.
Training events on compliance with competition law were also held in 2018. In particular, 10 Web TV clips were recorded and nine articles were published for “Mosaico”, as well as six for “Mosaico International”, available on the Company Intranet. The issues discussed focused on specific protection topics, such as price fixing, gun jumping, the use of algorithms and the dangers to competition, as well as the Guidelines on compliance of the Italian Antitrust Authority. Within the scope of digital training, an Antitrust Collection has been created (10 Learning Objects), accessible to about 70,000 employees within Italy through the APPRENDO platform, hitting over 6,000 views as of the end of 2018. A distance learning event was also held on the issue of “Merger Antitrust Assessment - Theoretical and operational aspects in M&A operations”, for approximately 30 selected employees from the structures most closely involved in this kind of operation.

PRIVACY PROTECTION

Intesa Sanpaolo is continually committed to implementing regulatory, organisational and technological measures aimed at adequately meeting the needs of privacy protection. These actions reflect the principles of the Group’s Code of Ethics which commit the Bank to adopting criteria of absolute transparency in informing customers and employees about their data privacy rights and how their personal information is processed. This commitment is set out in Company rules for the processing of personal data and in Guidelines on the protection of personal data of private individuals, approved by the Board of Directors, which provide an overall framework for conduct for all Bank staff, as well as for those who work in cooperation with it. The EU Regulation no. 2016/679 of the European Parliament and Council of 27 April 2016 [General Data Protection Regulation (GDPR)], which came into force on 25 May 2018, makes each data controller responsible, based on the principle of accountability, for implementing regulatory, organisational and technological measures to adequately complies, following a risk-based approach, with the regulatory principles of the GDPR: Data Protection by design and by default, appointment of the Data Protection Officer, Privacy Impact Assessment, Register of Processing Activities, subjective role of Third Parties, and Data Breach. The GDPR alignment project under the responsibility of the Privacy structure, defined all the organisational measures by 25 May 2018, whereas the work is still underway regarding the development of the technological and IT security measures needed to comply with the requirements of the European Regulation in Italy and for the Group's companies located within the EU.
The Data Protection Officer, who is supported by the Privacy structure in the Safety and Protection Head Office Department, provides supervision, for the Parent Company and the Group Companies that have signed specific service agreements, of the privacy regulations, ensuring the adoption of the related updates and regulatory alignment, in addition to compliance with the provisions of the Italian Data Protection Authority. This structure conducts prior assessments on the compliance of new products, initiatives and services involving the processing of personal data, and represents the Company before the Italian Data Protection Authority during inspection procedures. The Data Protection Officer assesses the role performed by the Group's suppliers/ Third Parties based on the provisions for the processing of personal data contained in the contracts, and supports the business and support structure in preparing any letters of appointment as Data Processor, and in updating the Register of Processing Activities. It also updates and publishes the List of Third Parties that process the personal data of customers and employees. The Data Protection Officer manages the responses to the Italian Data Protection Authority and the interested parties, following reports or complaints submitted to the Authority. It also processes customer requests associated with Data Subjects’ rights in compliance with the legal provisions and the measures issued by the Authority, and oversees training on privacy, in collaboration with the designated structures.

For the other Group Companies, the Data Protection Officer performs a role of guidance, coordination and control, overseeing the correct application of the Group guidelines and regulations on privacy, and provides support and advice for the performance of the current activities in this area. For the Group, it ensures control of the non-compliance risk in relation to privacy regulations, performing the role of Specialist Function set out in the Group Compliance Guidelines. The Function updates the Register of Processing Activities for personal data performed by the Parent Company, with the cooperation of the business and support functions, and provides assistance with regard to other Group companies.
This commitment allows for the mitigation of reputational and non-compliance risks in the processing of personal data, also with respect to the lawfulness and fairness of the processing, the purposes of the processing and its relevance, and the completeness and non-excessive nature of the data collected.
With regard to requests received from customers regarding personal data protection, in Italy 115 reports were received in 2018 for an alleged violation of the Privacy Code, and one request from the Italian Data Protection Authority regarding companies belonging to the Group, for which the necessary responses were given. In 2018, 13 cases of lost or stolen data relating to customers of the Group (data breach) were assessed. No risk to the rights and freedoms of the parties involved was identified in any of these cases, and so there was no need to notify the Italian Data Protection Authority.

COMPLIANCE WITH LABOUR LAWS

In line with the commitment set out in the Code of Ethics for the development of a working environment of mutual trust and loyalty, enhanced by the contribution of each person, the management model in this area is based on the national and second-level bargaining agreements (Group). Compliance with these rules, in addition to the legal provisions, is instrumental to improving the working environment, with a view to continued growth in the quality of relations between the Company and its personnel and customers. They also have the goal of asserting the need for a transparent and sustainable work organisation, with clear operational responsibilities at the various levels to continuously ensure compliance with the rules and the prevention of non-compliant behaviour, identifying measures that ensure the effective encapsulation of company objectives and worker expectations in terms of the working environment and internal relations. Responsibility for management, and consequently also for monitoring the effective application of the trade union agreements, is assigned to the Trade Union Affairs and Labour Policies Head Office Department. The protocol for Labour Relations enables joint research and sharing between the Company and Trade Union Organisations on solutions to improve the well-being of employees and make a positive contribution to productivity with advanced and innovative responses in the area of pensions, assistance and services for families, education and an improved work-life balance.
The aims of the actions include improving the work-life balance for the employees.
In general, the number of labour lawsuits is small: 20 cases for violations of labour law were notified in 2018 and around 35 cases were closed. In addition to appeals against dismissals for just cause following disciplinary procedures, the main types of litigation initiated include the establishment of subordinate employment relationships in cases of contracts for the supply of services, higher job positions and compensation for damages for deskilling (in 2018, no lawsuits were reported by current employees that related to cases of mobbing).
There is no evidence of cases of discrimination that have led to investigations for measures to be issued under formal procedures or processes, except for two reports of harassment: in one case, a disciplinary measure was issued (suspension from work and pay for 10 days, together with a management measure) whereas the other case, due to a lack of evidence, has been shelved from a disciplinary point of view, although a management measure has prudently been implemented.
Ongoing monitoring has also been conducted on compliance with the rules laid down by the Internal Code of Conduct, through carrying out investigations of potentially abnormal situations.

AUDIT

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

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

As required by international standards, the Internal Audit function is subject to an external Quality Assurance Review at least every five years; the last assessment was carried out in 2016 and it assigned the function the maximum rating ("Generally Compliant"). At the end of 2018, at the request of the Management Control Committee, a new audit was initiated that will be completed in the first quarter of 2019. In addition, on an annual basis, the Internal quality assurance and improvement plan is prepared, which also includes the Annual Plan submitted for approval to the Corporate Bodies. At the international level, the audits are structured in such a way as to ensure the direct monitoring of Intesa Sanpaolo's international branches, in addition to guaranteeing supervision of the Head Office Departments and the International Subsidiary Banks. For these banks, the dedicated offices of the Parent Company provide direct auditing, together with governance of the activities carried out by local audit units.
With reference to the audit activities conducted in 2018 in the Head Office Departments, Banks and Companies of the Group, activities regarding 237 Risk Areas identified during the planning stage were completed, making a total of 396 interventions overall, some (114) of which were flagged as of significant importance in relation to Italian Legislative Decree 231/2001. Included in the total are 53 "non-routine" interventions (which have generally been performed as a result of specific requests from Corporate Bodies, Supervisory Authorities or events/circumstances that occur after the annual planning has been completed). In 2018, there were 20 audits regarding actions that directly or indirectly also related to aspects linked to social and environmental policies. The impact of audits that have an effect on the implementation of social and environmental policies should nevertheless be assessed differently depending on the various areas in question: as an example, interventions concerning the disbursement and management of loans may also involve certain aspects related to rules for operations in sectors such as arms and energy policies.
Following on from the Internal Audit Transformation (IAT) project completed at the end of 2017, the new development programme called FAST, or Future Audit Solutions & Transformation, was launched, which is an integral part of the broader Multiannual Audit Plan.
The FAST programme is based on four different lines of action:

- Lean Audit geared to improving reporting, reinforcing coordination and integration with the other Control Functions, therefore streamlining the interaction between interlocutors;
- Audit Integration aimed at extending the Group framework to the audit functions in the Group companies, and at reinforcing internal coordination and alignment with international best practices;
- Tools kit developed to ensure an advanced audit operating model as regards methods, tools and support technologies;
- Our People & Culture aimed at enhancing the resources and expertise within the audit team, and contributing to the development of a corporate Risk Culture.

WHISTLEBLOWING

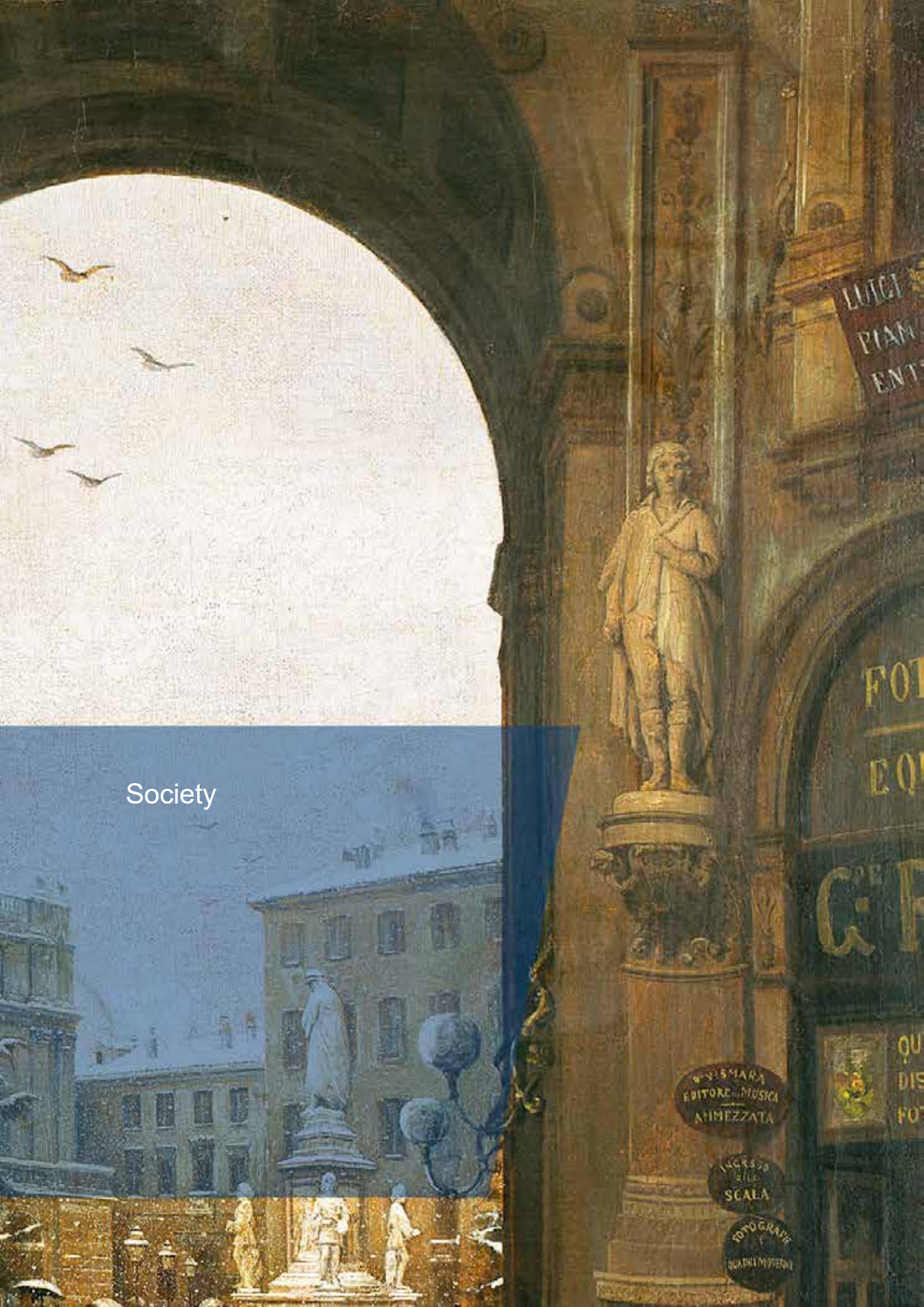
Since 2016, a whistleblowing system has been in place, which allows employees to report actions or occurrences that could constitute breaches of the regulations governing banking activities – from which no significant reports have emerged. Whistleblowing, which ensures the confidentiality of the individual making the report (without the risk of retaliatory, unfair or discriminatory behaviour) encourages employees (including suppliers and consultants) to report acts or conduct they become aware of that may constitute a breach of the regulations governing banking activities or related activities that may also be instrumental to a breach. The Chief Audit Officer is responsible for ensuring the correct performance of the process; in 2018 a total of 21 reports were received, of which 4 were not pertinent whereas 17 resulted in the launch of specific investigations.

DISPUTES AND FINES

As at 31 December 2018, a total of about 18,000 disputes were pending for a total amount of 5,571 million euro. In further detail, the most important of these are:

- bankruptcy revocatory disputes (392 million euro);
- disputes concerning settlements in insolvency proceedings (524 million euro);
- disputes concerning investment services (374 million euro);
- disputes concerning anatocism and other conditions (1,018 million euro);
- disputes concerning banking products (347 million euro);
- disputes concerning credit positions (1,322 million euro);
- disputes concerning lease contracts (180 million euro);
- disputes concerning loan recovery (192 million euro);
- other civil and administrative disputes (917 million euro).

In terms of tax litigation, there were disputes pending amounting to a total of 365 million euro for the Group.
With regard to compliance with environmental regulations, for damage caused to the environment as a result of the Bank's operations and in relation to health and safety, over the last three years, no significant reports emerged and no fines were imposed (see page **166**).
With regard to labour litigation, at the end of December 2018 there were no significant disputes from either a qualitative or quantitative standpoint.
For information on the disputes in 2018 and a detailed description of the most significant civil and fiscal lawsuits, please refer to the Consolidated Financial Statements (see page 501 ff.) [i].


Society

RELEVANT ISSUES

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WHY THESE ISSUES ARE RELEVANT

Intesa Sanpaolo attributes a key role to projects focused on the economic, social, cultural and civil growth of the communities in which it operates: financing the real economy, supporting those in need and the Third Sector, sustainable investments and investments in innovation, and promoting Italy's artistic heritage are long-standing commitments and an indelible part of the Group's history and business approach.
As such, in line with the corporate mission, the Group is focused on providing top-quality banking, financial and insurance products and services to its customers, fostering the development of the areas in which it operates.
As outlined in the 2018-2021 Business Plan, Intesa Sanpaolo intends to maintain the sustainable growth of the business through the active involvement of its employees and its cutting-edge digital infrastructure. Thanks to these two enabling factors, Intesa Sanpaolo is able to provide its customers with innovative, high-quality products, expanding its range of services and available channels, as well as their accessibility. Another equally important aspect is the ability to satisfy its customers through an operational structure that offers simple solutions, tailored to their needs and closely focused on IT security and the physical safety of customers, also thanks to the continuous reinforcement of the controls implemented by the Group, while maintaining a responsible and transparent approach when it comes to relations.
Its support for the real economy enables it to guarantee financial support to deserving businesses also in times of difficulty, helping them to develop innovative restructuring, revitalisation and growth solutions.
The Group's activities benefiting society also include initiatives to support the Third Sector and the financial inclusion of groups that find it difficult to access credit despite their potential, in particular young people with their educational and training needs.
The range of sustainable investments and the availability of insurance solutions for the protection of customers are other key examples of the Group's responsible approach.
With the 2018-2021 Business Plan, Intesa Sanpaolo wants to be the point of reference for communities and their growth, embracing social challenges and developing partnerships, including in the cultural sphere, to meet emerging needs in an efficient and innovative way.

PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-theme	Projects/Indicators	2018 Actions/Results	2021 objectives
Real-economy Bank	Medium/long-term credit granted to the real economy	▪ ~ 60 billion	▪ ~ 250 billion (cumulative value 2018-2021)
Quality and innovation in customer relations	Net Promoter Score	▪ NPS Retail: 15.9 (13.2 in 2017 and 8.3 in 2016); NPS Personal 3.2 (2.7 in 2017 and 0.4 in 2016); NPS SME: 20.3 (20.2 in 2017 and 17.6 in 2016). In 2018, the survey consisted of over 771,592 opinions expressed by Retail and Personal customers and 48,263 opinions expressed by SME customers	▪ Enhancing the quality of service levels
	Average response times to customer complaints and appeals (Parent Company) in line with reference regulations (RR)	▪ Investment products and services: 49 days (vs RR 60 days); Insurance products and services: 27 days (vs RR 45 days)	▪ Maintaining high performance levels in listening to customers
	Expansion of the multichannel platform and digital transformation	▪ ~ 8.3 million multichannel customers (7.3 million in 2017), equalling 70% of customers ▪ 15.7 million digitised transactions and 18% of activities digitised (10% in 2017); ▪ 3.2 million customers connected at least once to the new App ▪ 17 Group companies already introduced into the Cybersecurity Model (40%)	▪ 70% of activities digitised ▪ 100% of Group companies introduced into the Cybersecurity Model
	Blocking of fraudulent transactions	▪ 27 million fraudulent transactions blocked for retail customers and 47 million for corporate customers	▪ Strengthening of cybersecurity
	IT Security training for employees	▪ 8,280 participants; 14,207 hours provided	
	Number of robberies	▪ 13 (23 in 2017)	▪ Continuous focus on the safety of customers and employees
Access to credit and financial inclusion	Loans disbursed for initiatives with high social impact	▪ ~ 4.5 billion	▪ Reinforcement of initiatives to foster financial inclusion and to support vulnerable groups
	Microcredit and anti-usury loans disbursed	▪ ~ 72 million euro	
	Supporting people affected by natural disasters	▪ Over 15 million of mortgages relating to inaccessible property cancelled; some 200 million euro of subsidised loans disbursed (over 3,500) ▪ Support for families and businesses affected by the collapse of the bridge in Genoa with a 4.5 million credit line for the write-off of loans and 50 million for reconstruction	
	Fund for Impact	▪ Launch of the Fund and of the first initiative - “per Merito” - for university students	▪ Creation of a fund of some 250 million to disburse loans of around 1.2 billion to sections of society that find it difficult to access credit

PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-theme	Projects/Indicators	2018 Actions/Results	2021 objectives
	Loans disbursed to support the Third Sector and social enterprises	▪ ~ 250 million euro	▪ New medium and long-term loans of 700 million to support social enterprises (cumulative value 2018-2021)
Sustainable investments and customer protection	Ethical/ESG Funds	▪ 31.0% of the Group's market share for SRI fund assets in Italy (December 2018). For Eurizon, over 5.6 billion of Ethical/ESG funds (30.4% of the market); 24 dedicated products; 11 new funds launched. For Fideuram, 115 million of Ethical/ESG funds	▪ Consolidation of its leading role in sustainable investments
	Engagement activities with issuers	▪ 600 Eurizon engagements with issuers, almost 22% of which exclusively about ESG issues	▪ Enhancement of engagement activities in line with the Stewardship Principles
	Gross premiums non-motor insurance	▪ 405 million (341 million in 2017)	▪ Development of insurance offer
Contribution to the community	Monetary contribution to the community*	▪ 61.7 mln (49.6 nel 2017)	▪ Become an exemplary model for society in terms of social and cultural responsibility
	Food and Shelter for the Needy project	▪ Around 9,000 meals a day distributed (3.3 million a year, over 90% of the 2018-2021 Business Plan commitment); around 7,900 beds a month (around 95,000 a year, approx. 130% of the Plan commitment); 48,000 medicines a year (130% of the Plan commitment) and roughly 36,000 clothing items a month (100% of the Plan commitment)	▪ Combating poverty by distributing 10,000 meals a day (3.6 million a year) and providing 6,000 beds a month (72,000 a year), 3,000 medicines and 3,000 clothing items a month (36,000 medicines and 36,000 items of clothing a year)
	Culture project	▪ Monetary contribution of 30.9 million to art and culture ▪ 14 exhibitions organised with over 500,000 visitors; free educational activities for around 73,000 children and teenagers from local schools; 140 masterpieces lent to Italian and international museums, and over 100 art historians working at the Gallerie d'Italia	▪ Promotion and sharing of the Group's artistic and cultural heritage and promotion of the culture and awareness of the country's heritage

* Overall monetary contribution to the community is calculated based on the LBG methodology.

Quality and innovation in customer relations

COMPANY POLICIES

In keeping with the values and principles of conduct defined in the Code of Ethics, which are based on listening and dialogue, transparency and fairness, and the protection of safety in business relations, the Group places its focus on the customer and strives to maintain excellent relationships.
These values and principles are incorporated in the essential standards of behaviour set out in the Group's Internal Code of Conduct that commits Board members, employees and other staff to comply with them. In addition, for specific areas of activity governing the quality of customer relations, there are governance Guidelines and rules based on the initiation of processes which, adopting models involving high levels of protection, shape conduct according to criteria of considerable good faith and fairness in relations. Customer health and safety aspects are also monitored with policies that establish principles and rules of conduct and define responsibilities in operational relations, both in branches and on the digital channel.

SERVICE QUALITY

Intesa Sanpaolo has adopted a service model focused on business areas with an organisational structure that guarantees monitoring in both Italy and the other countries in which it operates. The Divisions are responsible for developing the best quality service levels through the various channels, in order to improve the efficiency of the commercial products they offer to the various types of customers. Customer satisfaction and service quality are monitored and overseen by the structures that deal with customer satisfaction and customer experience in the various business Divisions.

LISTENING TO RETAIL AND CORPORATE CUSTOMERS IN ITALY

For the Banca dei Territori Division, the management model in this area is based on actively listening to the experiences of customers when using the services via the various channels and during the multiple interaction opportunities with customers, as well as on the possibility of turning this feedback into ongoing improvements.

The guidance tool is an integrated system of monitoring and analysis right throughout the life cycle of relations with the Bank as part of a process consisting of feedback, analysis and the subsequent implementation of corrective measures.
This focus on the customer is characterised by:

- the monitoring of satisfaction and the collection of opinions and suggestions to identify opportunities for improvement in products and services, and also in the interactions with the Bank;
- an approach geared towards customer protection and satisfaction, gauged by the survey of the Net Promoter Score (NPS), which indicates people's likelihood to recommend the Bank;
- the establishment and monitoring of quality KPI, measured using four indices (NPS and indices of excellence in terms of services, operations and credit), the results of which, published on the SEIok portal, are used to calculate the Variable Results Bonus of the branches and areas of the Banca dei Territori Division, accounting for 25% of the Synthetic Performance Indicator;
- the precise and prompt handling of complaints, establishing the reasons for the customer's dissatisfaction so corrective actions can be identified in order to reduce operational and reputational risks.

The results of the customer behaviour assessments and market benchmark surveys make it possible to identify latent requirements, thus helping to define and design new products and services from the planning stage onwards. Of particular importance for the highly innovative services is the following stage in which the level of interest in new projects is assessed which, thanks to the involvement of target users in focus groups and user tests, enables the company to receive suggestions on how to improve its products while they are still being designed.
Customer experience surveys continuously monitor customer feedback on the use of products and services: in this phase, the measurement process takes place downstream from interaction with the Bank, and establishes the reasons for customer satisfaction or dissatisfaction so that action areas can be identified. As well as ongoing surveys, in order to meet specific information requirements in-depth investigations are also performed on a case-by-case basis.
The feedback provided by customers is supplemented and enhanced with the opinions of employees, who are asked for their views on customer relations, products, processes and the services provided to the network of

branches by the internal departments. This procedure makes it possible to gather suggestions on strategic, conduct and organisational issues.
In 2018, the customer experience was measured at 100 points of contact with the Bank, many of which adopting a multichannel approach. All in all, in 2018 around 370,000 pieces of feedback were collected following interactions in Branches, 395,000 questionnaires were completed regarding interactions with the Bank via the Internet Banking channel, and 60,000 questionnaires were submitted via the App.
11 surveys were carried out in response to specific requirements or to examine particular issues that emerged in the ongoing surveys and, thanks to the involvement of over 680,000 customers, around 34,000 full interviews were submitted.
In addition, in 2018 over 42,000 employees were involved in internal customer surveys: the analysis of the almost 14,000 answers received allowed the Bank to gain an insight into its employees' perception of customer relations and to get important feedback regarding possible improvements to processes and work tools.
The Bank also continued to assess using the Net Promoter Score (NPS), an index which, measuring people's likelihood to recommend the Bank, reveals the overall quality perceived by the customer. In 2018, the data relating to over 770,000 retail customers and around 50,000 corporate customers was analysed.

NPS trends by customer type	2018	2017	2016
Retail	15.9	13.2	8.3
Personal	3.2	2.7	0.4
Corporate	20.3	20.2	17.6

Findings collected from the Banca dei Territori Division customers. Customers from the Aggregate Set of the former Banca Popolare di Vicenza and former Veneto Banca are not included in this evaluation.

NET PROMOTER SCORE - NPS®

NPS is an indicator that measures the likelihood of customers to recommend a product, service or company. The NPS is based on a simple question asked to the customer to assess to what extent he/she would recommend the Bank to a friend, relative or business partner (depending on the customer).
On the basis of the opinion expressed, the respondents are divided into:

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

The Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters. The result, however, is not expressed in percentage terms but as an absolute number between -100 and +100.

The NPS is an important customer feedback assessment tool: as well as expressing the extent to which they would recommend the Bank, customers are also asked to explain the reasons for their opinion. In 2018 over 220,000 comments were collected, unstructured yet highly valuable sources of information which, thanks to the use of advanced semantic analysis technologies, were transformed into improvement ideas for the company.
Once again, the NPS made a major contribution to the Excellence Indicator measured for all branches, and enhanced the information provided by quality KPIs for Service Excellence, Credit Excellence and Operational Excellence.
To guarantee the consistent achievement of quality excellence goals and complete organisational engagement, the Tavoli della Qualità (Tables of Quality) project was launched in late 2018 to form the lynchpin around which the Banca dei Territori Division's improvement activities are organised.
The Tables are structured work groups with defined competencies and powers of intervention, which make full use of customer feedback by transforming it into concrete actions for the continuous improvement of products, processes and relations through the drafting of action plans.

LISTENING TO LARGE CORPORATE CUSTOMERS IN ITALY

Also, as part of maintaining relations with this specific type of customer, customer satisfaction surveys are designed and conducted regularly on the basis of requests from the structures responsible for products and services, in order to identify the measures to be taken to improve the range of products and services offered. Based on the findings that have emerged, the structures themselves establish their plans of action and act in order to meet the highlighted needs.

The results of the surveys are shared on an ongoing basis with the relations functions which, in their approach with the customers, benefit from the information received and can act with greater awareness of and focus on the customer's needs. In 2018, the Corporate and Investment Banking Division designed and developed new customer surveys within its area, involving:

- 162 company representatives, with an online quantitative survey on the processes of managing payment flows, both manual and paper-based. The response rate was 31%. The Net Promoter Score was 49.
- 437 representatives of online companies involved in a quantitative study with the aim of evaluating customer satisfaction with regard to the management of operations in the international specialist and transactional areas. The response rate was 30%. The Net Promoter Score (NPS) was 45 and the Customer Satisfaction Index[1] (CSI) was 87.3 out of 100.
- 308 Top Managers and Entrepreneurs, with a qualitative and quantitative survey carried out using three contact methods (direct, telephone and online interviews) with the aim of accurately gauging their specific opinion on the quality of the Division's services, as well as receiving input in order to interpret the current scenario and examine the new requirements and expectations of customers as part of a process of continuous improvement and adaptation to changing needs. The response rate was 47%. The Net Promoter Score was 46.5.
- 80 representatives of businesses, through a qualitative survey conducted via interviews (direct and telephone interviews) aimed at identifying the best ways of supporting customers during the various phases of Banca IMI's merger by incorporation into Intesa Sanpaolo, as outlined in the Group Business Plan. The response rate in the first stage of the survey was 23%.
- 70 Investor Relation Managers from companies in the STAR segment through an online interview forming part of a qualitative survey aimed at understanding which strategic drivers, also in relation to the use and effectiveness of tax incentives, were most decisive in determining the success of the companies. The objective was to identify and bring up the best strategies to corporate customers once again. The response rate was 67%.
- 649 company representatives, with an online quantitative survey aimed at improving the quality of e-money services (payment acceptance services via POS, MonetaWeb) and monitoring the continuous maintenance of service levels following the sale of Setefi to the Mercury consortium. The response rate was 26%. The Net Promoter Score was 18.

LISTENING TO CUSTOMERS IN THE INTERNATIONAL SUBSIDIARY BANKS

Customer satisfaction measurement activities regarding Retail customers in the Group's International Subsidiary Banks involved five banks (Banca Intesa Beograd in Serbia, Intesa Sanpaolo Bank in Slovenia, CIB Bank in Hungary, Privredna Banka Zagreb-PBZ in Croatia, VÚB Banka in Slovakia) with a specific focus on the multichannel offering and the service model, in order to further investigate the role of consultancy in sales processes. Specific analyses were carried out in order to understand the importance of the human factor in relations between the bank and the customer, with the aim of correctly implementing the multichannel offering and helping customers to use the new digital channels and ATM machines.

Concerning the benchmarking survey carried out between June and November 2018, approximately 8,000 interviews were conducted in the main countries in which the Group operates. The survey results showed stable levels of satisfaction in relation to the country's banking systems and also the individual banks.

As for Small and Medium-Sized Business customers, in 2018 both internal and benchmarking customer satisfaction surveys were conducted at CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Intesa Sanpaolo Bank (Slovenia), VÚB Banka (Slovakia) and PBZ (Croatia) involving around 3,000 customer and non-customer companies. In all the projects, the support from the network relationship managers in promoting the customer listening topics was extremely important.

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

INSTANT FEEDBACK

The International Subsidiary Banks Division has a particular focus on listening to its customers with the aim of gathering the opinions of retail customers during their interactions with the Bank and, at the same time, resolving any problems that arise. The Instant Feedback programme has already been launched at three of the international banks, PBZ (Croatia), Intesa Sanpaolo Bank Albania and CIB Bank (Hungary), recording high levels of participation with around 150,000 users involved since August 2018 and approximately 13,000 pieces of feedback received. Every customer consulted receives a response from the Bank, and if they are dissatisfied with something they are contacted personally so that their problem can be solved. This management model has a positive impact in terms of reducing complaints and fostering loyalty to the Bank.

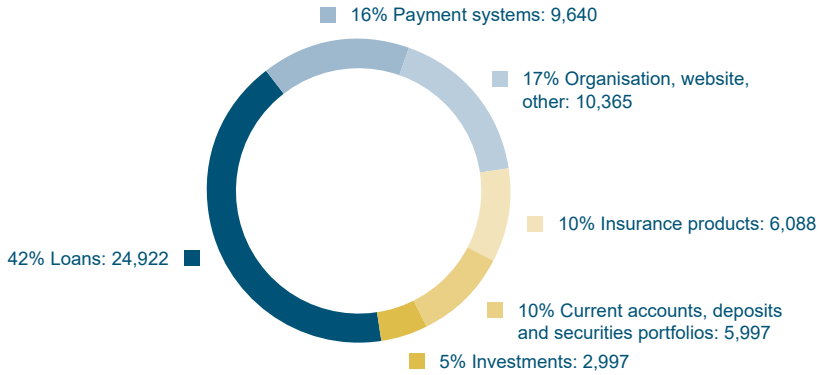
MANAGEMENT OF COMPLAINTS

The Intesa Sanpaolo Group maintains an ongoing dialogue with its customers to ensure that their relationship remains excellent. To consolidate this trusting relationship, fundamental importance is attached to the careful and prompt management of complaints and other applications made which express customer dissatisfaction.
As well as helping to resolve the issues raised and safeguard business relations, promptly identifying the reasons behind the customer's dissatisfaction can help to assess service levels and improve products and services with measures to correct processes, in turn reducing operating, reputational and legal risks as well as consolidating the relationship between the bank and the customer.
The reference model and the principles for assessing and managing complaints, appeals, disclaimers and protests to the Supervisory Authorities are regulated by the Guidelines for managing complaints, disclaimers and protests to the Supervisory Authority and appeals to alternative dispute resolution Bodies, issued in July 2016 and subsequently recognised by the Group's Italian and international companies.
Complaints from customers of the Intesa Sanpaolo Banca dei Territori Division and the Group Banks and Companies are managed by the Complaints and Disclaimers structure of the Controls, Complaints, Cost Monitoring and Investments Department, which is required to respect the maximum response times established by the regulations and diversified depending on the type of complaint.
The increase in the number of complaints and of the dedicated structures (from two to six: Milan, Bologna, Montebelluna, Vicenza, Trieste and Sarmeola di Rubano) following the merger by incorporation of consumer credit company Accedo S.p.A. and the Aggregate Set of the former Venetian banks into the parent company, together with the Supervisory Authority's requests to use complaints as a key product governance element, made it necessary to review the organisation, processes and instruments adopted.
In follow up to the IT processes and tools project launched in 2014 by the Complaints and Disclaimers Structure, which produced effective results in terms of reducing the number of days required to process complaints and limiting the number of expired complaints, in June 2018 an additional improvement process was launched with the Creare Valore dai Reclami ("Creating Value from Complaints") project. This new project is designed to optimise complaint management methods in order to focus more closely on the information contained in the complaints, whether by implementing a new classification method and the increased automation of processes, or by the semi-automatic management of low-complexity recurring issues. The project also places a great focus on internal change management, also through the formalisation of roles, structured training and skills mapping in order to trace out specific professional growth paths.
The new structure of the Complaints and Disclaimers structure, organised into two areas dedicated, respectively, to bank services and investment services, and loans and disclaimers (related to transactions made with cards and transactions involving payment systems), guarantees the necessary level of specialisation and the best tools for dealing with issues in these areas.
When ensuring that the response time deadlines set out by the regulations in force are met, the Complaints and Disclaimers structure must provide a written response to each complaint, that differs depending on the type of claim:

- payment system complaints: these concern the payment systems covered in the PSD2 regulation (e.g. bank transfers, credit/debit cards, POS), which have a processing time of 15 days;
- banking and financial complaints (ordinary): these concern banking and financial services and have a processing time of 30 days;
- insurance product complaints: these regard the Bank's operations during the sale of non-life insurance policies and the duration of Life Insurance policies (Class I), and have a processing time of 45 days;

- investment service complaints: complaints regarding investment and/or related services (pursuant to Italian Legislative Decree 58/1998). This also includes complaints regarding the sale of Class III, Class V and Multi-Line life insurance policies. The processing time is 60 days.

The Complaints and Disclaimers structure is responsible for registering the complaints received, overseeing the preliminary investigation of the cases and drafting the subsequent responses to customers, also exercising its right to act independently if it is necessary to reimburse the customer. In particular, it has an ongoing dialogue with the Chief Compliance Officer Governance Area and the Legal Affairs Department - which directly manages appeals made to the Banking and Finance Ombudsman and the Securities and Financial Ombudsman at Consob - verifying the gradual consolidation of general guidelines on specific issues. With regard to Italy[1], 60,009 complaints, appeals and protests were recorded in 2018, broken down as follows:

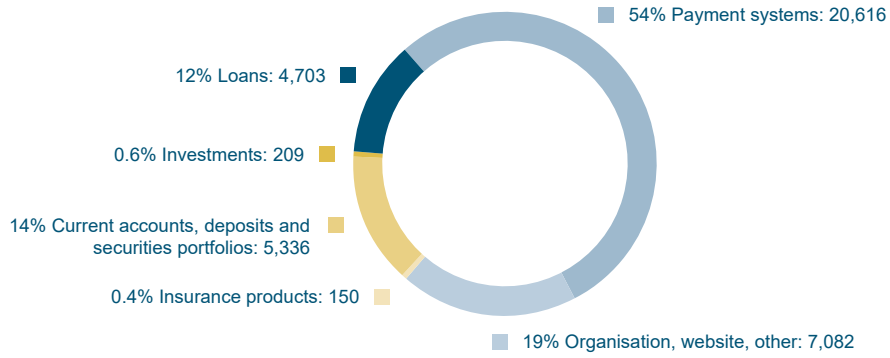


- Loans: account for 42% of the total, down 10%. This is mainly due to the reduction in complaints brought by former customers of Accedo[2] which, in relation to the early redemption of loans with assignment of one-fifth of salary, claim the pro-rata refund of fees and/or charges paid at the time of disbursement. In 2018, in the Banca dei Territori Division, there was a fall in complaints submitted regarding the alleged usurious nature of the conditions and the illegitimacy of the compound effects of interest capitalisation, and an increase in complaints submitted regarding errors and delays in the execution of transactions, creditworthiness assessments and reports made to information bodies about financial risks.
- Organisational issues and the management/functionality of websites: these represented 17% of the total, an increase of 16%, and mainly concerned malfunctions, the layout and usability of the new website, waiting times, queues in branches and, more generally, alleged unacceptable staff conduct.
- Payment systems: account for 16% of the total, an increase of 27%. Nearly half of the complaints relate to errors or delays in the execution of transactions, while a quarter relate to incidences of fraud – IT and cheque fraud in particular – leading to customer disputes concerning charges against them.
- Insurance products: account for 10% of the total, an increase of 7%. The majority of complaints regard the Group companies and are mainly connected with the settlement area (claims management, rejections of contracts) and administrative aspects (reimbursement of premiums paid but not received and problems related to the payment/adjustment/debiting of premiums).
- Current accounts, deposits and securities portfolios: represent 10% of the total, up by 62%, and are mainly linked to claims regarding errors and processing delays, also with regard to requests to terminate relationships and the unilateral measures carried out in 2017 on the current accounts and transactions deriving from the Venetian banks;
- Investments: account for 5% of the total, an increase of 3%. The most frequent reasons for complaint are errors and/or delays in performing transactions, the negative performance of the financial markets - which produced results not in line with the expectations of the investment, management and financial policy funds - and to delays in the transfer of securities to other intermediaries.

1 This area includes the following companies: Intesa Sanpaolo, the Network of Banks that operate in Italy, Mediocredito Italiano, Banca 5 (Banca dei Territori Division); Banca IMI (Corporate and Investment Banking Division); Fideuram Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Sanpaolo Invest (Private Banking Division); Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita (Insurance Division); Eurizon Capital SGR, Epsilon SGR, Eurizon Capital SA (Asset Management Division); Intesa Sanpaolo Provis, IMI Fondi Chiusi SGR.

2 In February 2017 Accedo was absorbed by Intesa Sanpaolo; following this corporate action, Intesa Sanpaolo seamlessly replaced Accedo in all contractual income and expense relationships, and, in particular, in all loan agreements entered into by the latter.

The data described above includes 1,760 requests for clarification made by the Supervisory Authority after receiving the complaints lodged by customers and 3,591 appeals to alternative dispute resolution bodies.
In 2018, a total of 59,503 complaints were processed in full - also in the context of out-of-court procedures for disputes - of which 17,933 have been accepted. The average times taken to process and respond to complaints are on average lower than those established by applicable regulations.
As regards the general situation outside Italy[1], 38,096 complaints, appeals and protests were filed in 2018, broken down as follows.



Compared with 2017, overall there was a 6% fall in the number of complaints submitted, although trends differed from bank to bank; as regards the larger banks, there was an increase in the number of complaints submitted at Banca Intesa Beograd (+16%), VÚB Banka (+13%) and CIB Bank (+10%), while those made to Privredna Banka Zagreb-PBZ fell (-28%).
The complaints, appeals and protests pertaining to the payment systems category represent, as in the previous year, account for the most out of any group, being 54% of the total, slightly up compared to 2017 (+1%). Over half of these complaints, relating to VÚB Banka (Slovakia), were submitted principally due to ATM/POS equipment malfunctions and internet banking fraud.
Complaints relating to organisational and management issues and the functionality of websites were particularly significant, accounting for 19% of the total and down by 14% compared to 2017; they almost all concerned the Croatian subsidiary Privredna Banka Zagreb-PBZ and related mainly to remote banking service disruptions.
There were fewer complaints regarding Current Accounts, Deposits and Securities Portfolios (14% of the total, down by 3%), and Loans (12% of the total, down 15%), whereas the proportion regarding Insurance products and Investments (1% of the total, down 56%) remained fairly insignificant, in line with the business volumes at the individual subsidiaries.
In 2018, a total of 38,486 complaints were processed - also in the context of out-of-court procedures - of which 22,520 have been accepted. The average processing times of cases vary depending on the subsidiaries, and are largely in line with local regulations, where obligatory resolution deadlines are in place.

DIGITALISATION, INNOVATION AND ACCESSIBILITY

THE DIGITALISATION PROCESSES PAVING THE WAY TOWARDS AN INTEGRATED MULTICHANNEL BANK

Intesa Sanpaolo is transforming the Group into a digital company, anticipating and supporting the needs and actions of customers in order to increasingly develop their “remote” relations with the Bank.
Indeed, the main goals of the 2018-2021 Business Plan entail progressive digitalisation with gradual steps involving ongoing interaction with customers and employees, high-impact innovation with the building of the Group’s innovation brand, and support for the development of businesses and the implementation of IT systems and processes to ensure they are digital ready. At the same time, plans are in place to strengthen the

1 This area includes the following companies: Privredna Banka Zagreb–PBZ (Croatia), VÚB Banka (Slovakia), CIB Bank (Hungary), Banca Intesa Beograd – BIB (Serbia), ISP Bank Slovenia, Banca Intesa Russia, Bank of Alexandria (Egypt), Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank Bosna i Hercegovina – BiH, Pravex Bank (Ukraine), Eximbank (Moldova); Intesa Sanpaolo Bank Luxembourg, the international branches of Intesa Sanpaolo (managed by the Corporate and Investment Banking Division).

operating structure with new skills both to maintain its high levels of efficiency and to support the evolution of the production process in an approach which genuinely combines the business and IT worlds. This is done by managing and exploiting the innate potential of data and related innovative analysis techniques, and by focusing even more closely on the effectiveness of investments.
In this regard, the Bank's operating requirements and need to transform the current operating model are leading to in-depth reviews of the IT platform, with an eye both on cybersecurity and further expanding the multichannel nature of customer services.
Thanks to the progress Intesa Sanpaolo has made in the area of multichannel and digital banking activities, it has already achieved notable results in terms of customer engagement and the volume of services offered. With regard to Italy (excluding Fideuram Intesa Sanpaolo Private banking and Banca 5) there were:

- 8.3 million multichannel customers in 2018 (7.3 million in 2017), representing 70% of the total customer base of around 12 million customers;
- 3.2 million customers using the new App at least once in 2018, with almost two million of whom having already activated the new access system OkeySmart which, with its OTP (One-Time Password) software, compliant with the European Directive on payment services in the internal market – the PSD2 (Payments Service Directive 2), is simpler and safer than a physical flash drive key;
- 56 million monthly accesses via the App, with a total of 39.8 million transactions during the year and over 31 million after-sales operations on payment cards (e.g.: change of credit limit, Geocontrol, PIN update etc.);
- 85% of the retail customer product range available via multichannel platforms (including the current account, payment cards, personal loans and also non-banking products such as smartphones, tablets and PCs);
- 15.7 million paperless transactions in 2018, and around 40 million since the initiative's full launch (early 2016);
- 47,800 products sold via the Online Branches in 2018, accounting for almost 5% of total sales (2% in 2017);
- 31 "remote managers and coordinators" working in the Online Branch (remote consultancy service and dedicated assistance with extended availability hours), with around 2,000 customers served.

At a strategic level and as part of the actions performed by the Group, the digital transformation process continues to place the core focus on people - customers and employees - as part of a consolidated and lasting relations model increasingly based on quality and trust.

EMPLOYEE ENGAGEMENT

In 2018, change management measures focusing on ways to engage employees continued, in order to effectively improve their well-being, customer relations, and encourage the spread of digital culture, as well as to support and complete the process of integrating the former Venetian banks.
Using Insieme per la Crescita 2.0 (Together for Growth 2.0) as a basis, the new change management system from the Banca dei Territori Division, Ottomila!, was developed. It is a set of tools and initiatives that help the Division employees (around 47,000 in total) to meet the goals of the 2018-2021 Business Plan.
The creation process began in late 2017, beginning with the involvement of the Top Management of the Banca dei Territori Division. It then continued into 2018, involving, at numerous stages across the country, numerous colleagues from the Network, the Banca dei Territori Division departments and the Product Companies (around 9,000 people in all).
Ottomila! is based on three cornerstones:

- listening and collaboration in the creation of new forms of engagement, which made it possible to define the key principles of the programme together with the Bank's management;
- a call to action, through the development of initiatives and KPIs designed to enhance the contribution of every employee;
- entertainment activities with a dedicated website, a calendar of events for each phase of the programme and the development of additional specially designed tools, channels and aids.

The driving force of the Ottomila! programme is the digital platform, dedicated to spreading the culture of change management and a place of interaction for employees. This platform systematically collects ideas and suggestions on topics proposed by the editorial office and gives all employees the chance to contribute and share their professional experiences.
The new change management system is more innovative than the previous programme, as it offers a greater degree of content customisation.

VIVIDIGITALE

The activities of the Vividigitale project and investments in the spread of digital culture, through formats dedicated to employees and customers, continued in 2018. To this end, a “promoter of digital culture” was selected for each branch in order to support the spread of this culture across the operating network. This has been done by the promoter mentoring employees and providing updates during meetings organised to explain, to customers as well, less familiar features and services that have been constantly evolving from a technological viewpoint. The project involves around 100 employees per information session via Skype. In total, over 100 online meetings were held on different topics (including digital payment systems and remote products and services) for around 4,400 promoters. The professional updating programme in digitalisation for Banca Apulia’s and the former Venetian banks’ employees was also completed, entailing 12 sessions dealing with the new website structure and the Intesa Sanpaolo App. Meanwhile, the format designed for customers involved 16 events organised in the new branches on digital issues.

NEW WAYS OF ACCESSING THE BANK

The Bank’s innovation in service quality can also be seen in the way it allows its customers to carry out transactions and information/consultation activities via multiple channels. The combination of a “successful delivery machine” based on people and a “cutting-edge digital platform” makes it possible to offer a fully-integrated multichannel bank and form a close relationship with the customer, even where there is less direct contact in branches.

As such, in 2018 it further improved its standing as Italy's leading digital bank, particularly thanks to the further development of the Intesa Sanpaolo Mobile App.

Intesa Sanpaolo Mobile makes it simple and easy to access services (authentication methods are compliant with maximum security standards, also using digital fingerprints or face recognition for the latest generation of phones, or App notifications if the customer is using the website), is user-friendly and flexible (for example, you can easily pay bills and top up your phone credit, manage all of the main credit card functions including credit limits and activation for overseas use, or request to cancel or replace your card in the event of theft or loss), and ensures users can quickly get in touch with the Online Branch with just a simple movement of their mobile phone. It also allows cardless withdrawals at ATMs and, in emergency situations (so-called “SOS withdrawals”), friends or relatives to make cardless withdrawals by simply using the code generated by the owner’s App at the cashpoint.

The range of mobile services was further extended and improved in October with the release of the Intesa Sanpaolo Investo App, which makes it possible to trade on the financial markets quickly, easily and in an informed manner, and also to monitor your assets with a digital experience that identical to the in-branch service provided by your manager. At the end of 2018, the Intesa Sanpaolo Mobile App introduced new sales functions in the form of remote Motor policy solutions (ViaggiaConMe, MotoConMe).

In late June, the evolution of digital payments saw the introduction of XME Pay on Intesa Sanpaolo Mobile, a new digital portfolio that offers different ways of managing automated purchases in stores (payment in shops by card or by direct debit, management and storing of loyalty cards and ID documents). XME Pay also allows users to make online purchases in complete safety, with the ability to create virtual cards to be used just once (one shot) or ones with a fixed duration. It also features Masterpass, the Mastercard solution that allows payments to be made without having to enter the card number. In addition, the systems for tokenising Intesa Sanpaolo credit, prepaid and debit cards on Samsung and Apple mobile devices have also been included. These solutions have been included with Paygo, the system that allows for the tokenisation of the card on all Android NFC devices. Over 260,000 cards were tokenised on Android and iOS phones.

The possibility of tokenising cards was also extended to the national debit card circuit with the launch of an initial pilot phase at the end of 2018.

XME Pay also includes “account to account” payment methods thanks to Bancomat Pay (JiffyPay) payments. This solution also makes it possible to exchange money during an instant messaging conversation, and to create groups to split a dinner bill or collect money for a friend’s gift. Since the service’s launch in July 2015, 700,000 exchanges have been carried out, making a value of around 27 million euro.

Retailers were also directly involved in the evolution of the digital payments ecosystem, a field in which the Bank is working, by accepting Alipay as well as Bancomat Pay payments physically and online.

The support given to the business system's digitalisation process, forming part of the process of compliance with the electronic invoicing legal obligation for all transactions between parties resident in Italy, led Intesa Sanpaolo to provide the Digifattura Service for corporate customers, which has been available since October. This service completes the Bank's range of solutions for managing the life cycle of invoices, guaranteeing economic benefits due to the improved efficiency of company processes and the optimisation of dossier filing, with a resulting reduction in administrative costs (paper, envelopes, stamps, delivery costs, printing, invoice filing and searching).

THE PHYSICAL NETWORK CHANNEL AND INTEGRATION WITH ONLINE STRUCTURES

Among the customer relationship channels, branches continue to represent the physical space of the distribution network, a place where customers can receive personal support and assistance, particularly with regard to more complex operations. Local branches are increasingly geared towards offering a focused, personalised and high value-added service. There are 4,217 branches in Italy (forming part of the Banca dei Territori Division) and 1,065 abroad. Intesa Sanpaolo's presence in the various regions of Italy is significant, with market shares of at least 12% in most Italian regions.

The New Branch Layout project has led to significant changes in the physical place where the Bank comes into contact with its customers: the modular physical spaces have been made as welcoming as possible with functional areas for specific activities (booths, co-working), and are suitable for hosting artistic and cultural events. The new branch model, conceived in 2014 also thanks to consultation with customers, was implemented in the following years and by the end of 2018 had been adopted in 184 branches. The experience enjoyed by our customers in the new branches was the subject of a survey involving 233 branches and more than 5,200 customers who considered the new layout sophisticated and modern. Suggested areas for improvement are the reception and waiting areas, with slight tweaks already made to the model to partially alter the layout and organisation of staff in these spaces.

The newly-conceived branches were the venues of the Sharing Ideas events for customers to share their stories, ideas and projects, so that the Bank branches could take part in the projects of local families and businesses. Around 450 events were held, involving approximately 15,000 customers. Various other commercial initiatives are also currently underway in some branches in order to enrich the customer experience, one example being a patisserie next to the Piazza Diaz branch in Milan.

At the end of 2018, Intesa Sanpaolo had a network of around 7,800 automatic teller machines (ATM, MTA and Self-service staff-assisted banking terminals) in Italy, and just under 3,100 ATMs abroad. Customers are offered a wide range of services, from withdrawals with all card types to account and card queries, mobile phone top-ups, payment of utility bills and taxes, the setup of SEPA credit transfers and the top-up of season tickets issued by the main local transport companies.

The Online Branch plays a key role in the growth and extension of the new multimedia bank and local distribution network support model, effectively integrating various channels of interaction, telephone, email, chats, videocalls and social networks to meet the needs of increasingly digital customers. The transformation and strengthening process in investments, size and deployment across the territory, place the Online Branch at the heart of the transition to digitalisation and the simplification of activities and services, in line with the 2018-2021 Business Plan: around 900 Managers in 15 Rooms offer customers operational and commercial support, striving for the best possible levels of service. In addition to customer services, the Online Branch is also a genuine sales channel thanks to its remote range of products and services that make it possible to "close remote contracts", bringing this range to the branches. It also makes use of two outsourced operating points, employing a total of about 1,350 Managers and coordinators.

Customer relations is also the focal point of the Remote Manager project: the first 14 Managers at the Turin headquarters were joined by the new Padua and Milan units to provide a personalised consultancy service on specific segments in collaboration with the Network.

In order to improve the accessibility and geographical coverage of services, Banca 5, the first online bank in Italy to operate in the payment system sector and dedicated exclusively to a network of tobacco points of sale, was launched in 2017. Banca 5 has around 20,000 customers, owners of the tobacco points of sale distributed throughout the country. During the year, it launched services for Retail customers through the network of tobacco points of sale, setting up operating points which, in addition to conventional cash collection and payment products, also offer withdrawal and bank transfer services. The services provided are classified into three main macro-areas: services for individuals (postal and bank bill payment slips, F24 tax forms, car tax, phone top-ups and prepaid cards), services for businesses (e.g. collections by direct debit), and services for owners of non-captive points of sales (e.g. current accounts and credit products).

For Intesa Sanpaolo customers with Maestro, MasterCard, Visa or Visa Electron debit cards, a cash withdrawal service with a daily limit of 150 euro is available at 15,000 non-captive points of sale partnered with Banca 5.

ADOPTING GROUP DISTRIBUTION MODEL (AGDM) PROJECT

In line with the experience acquired in the Italian Banks, in 2018 the International Subsidiary Banks Division launched a multi-year programme for the introduction of a new service model that focuses on the specific needs of the different categories of retail customers. Introduced at Banca Intesa Beograd (Serbia), CIB Bank (Hungary), Privredna Banka Zagreb-PBZ (Croatia), VÚB Banka (Slovakia) and Intesa Sanpaolo Bank (Slovenia), the project seeks to strengthen customer relations through consultancy services. The programme entails the introduction of the latest generation ATMs and advanced MTAs in branches to simplify transactions and improve the customer experience. In this context, the physical network is also undergoing redevelopment work in accordance with the new layout launched in recent years in the Italian network.

DIGICAL

On the international stage, the DigiCal (digital channels + physical branches) programme continued with the aim of strengthening the integration between the physical and the digital channels in order to provide Retail and Small Business customers with a new way of accessing products and services and getting in contact with the Bank.
The main results stem from the development of internet and mobile banking at CIB Bank (Hungary), PBZ in Croatia and Bank of Alexandria in Egypt. In 2018, CIB Bank had 260,000 online customers (more than doubling its number of online customers in a year), Privredna Banka Zagreb-PBZ had 256,000 online customers, and Bank of Alexandria reached a milestone, with 190,000 online customers. PBZ was also named "Best Digital Bank 2018 in Croatia" by Global Finance, while Mastercard ranked CIB Bank in third place in the "Mobile Banking App" and "Banking Innovation" categories.
Internet and mobile banking were also introduced at Intesa Sanpaolo Bank Albania at the end of 2018, and there are plans to extend them to Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Bank Romania.
In the DigiCal programme, innovative methods of analysing behavioural biometrics were introduced on the Mobile and internet banking applications, in order to increase customer security, preventing any potential cases of fraud.

ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

To allow visually impaired or blind people to withdraw cash, find out their current account balance or top up their mobile phone at an ATM, all the ATMs of branches in Italy are equipped with an interface featuring easy-to-read graphics making operations easier for the visually impaired, while blind people can listen to a voice guide on over 6,400 machines with the use of ordinary headphones.
As regards the International Subsidiary Banks, the DigiCal model includes an ongoing commitment to making applications compliant with WCAG 2.0 (Web Content Accessibility Guidelines), which has made them accessible to a larger number of customers with disabilities, also offering a complete bilingual service (local language and English).
According to a series of checks that took account of national and local regulations, physical accessibility for people with disabilities was ensured in the majority of branches. Notably, Intesa Sanpaolo Bank Romania recorded an accessibility coverage of 82%, Intesa Sanpaolo Bank Albania 80%, Intesa Sanpaolo Banka Bosna i Hercegovina (Bosnia-Herzegovina) 76%, and CIB Bank (Hungary) 67%.
In Italy the monitoring of the accessibility and usability of buildings and services led to the conclusion of the census of 5,200 operating points (consisting mainly of Retail, Personal, Business, Private and Corporate branches, satellite agencies of the various branch types, and detached and company branches) out of a total of 6,018, i.e. over 84% of coverage (the former Venetian banks excluded), inspecting the user-friendliness of automated equipment and the accessibility of various areas with the use of tactile flooring for visually impaired and blind people. You can find specific information on the accessibility of branches on the Intesa Sanpaolo website [i].
In particular, there is information on the accessibility of branches and self-service areas for individuals with reduced mobility; visitors can also find out if there are accessible cashier desks, accessible toilets, adequate space for manoeuvring in corridors, tactile flooring for the visually impaired and blind, lifts or lifting platforms, or stair lifts to connect the various floors.
Intesa Sanpaolo has also been cooperating with the Fondazione LIA (Libri Italiani Accessibili - Accessible Italian Books Foundation), which has been working for years with Associazione Italiana Editori (the Italian

Publishers Association) and Unione Italiana Ciechi e Ipovedenti (Italian Association for the Blind and Visually Impaired) to improve the accessibility of its documents published on the Internet and on the Intranet. Accessibility aspects are also assessed as part of the Disability Management programme that constitutes an opportunity for dialogue and reference concerning all disability-related problems. Its aim is to promote inclusion (see page 129) in all its forms, accessibility included.

CREDIT INNOVATION

The granting of credit to retail customers, in both product and process terms, was reviewed in depth. As regards personal loans, a new granting process which integrates all of the channels made available by the Bank was extended to the entire network of branches in 2018: the offer received from the traditional branch can easily be completed and concluded by the customer from their self-service device, either independently or with the assistance of the online branch, with all relevant parties fully involved in all phases of the process. Over 70% of approved credit applications are evaluated automatically and granted within 24 hours. Around 90% of applications are granted within 48 hours.
In particular, thanks to the PerTe Prestito Diretto product, in the consumer credit area the Bank has given customers the opportunity to purchase some of the best products on the market interest-free from the comfort of their own homes, with a large catalogue of consumer durables. The catalogue is continuously updated thanks to new partnerships with leading operators in the logistics sector, establishing the Bank as an innovative tool and solution for meeting non-financial needs. The product range is supplemented with the constant presence of the Online Branch, which assists customers from the purchasing stages through to the home delivery of their goods.
The more traditional sector of home mortgages also has seen innovation in terms of the range and offer structure. The commercial process was enhanced with the new Mutuo in Tasca product, specifically targeted at those who decide for the first time to make a major purchase. This new mortgage loan allows borrowers to obtain loans based on their maximum repayment capabilities, and to freely search for their ideal property, safe in the knowledge that the Bank will support them throughout the process. Over 4,100 people used this service in 2018.

CUSTOMER PROTECTION AND RESPONSIBLE SALES

TRANSPARENCY TO CUSTOMERS

Intesa Sanpaolo intends to make the information it provides to its customers clearer and more comprehensible in all stages of their relationship with the Bank through the simplicity of its language, the transparency of its information, and the consistency of the various documents on the same products/services. The main offer documents, drawn up in line with the clarity and intelligibility requirements, can be found in branches and also on the Bank's website, under the Banking Transparency section [i].
These include Product and Service information sheets, Specific Guides and Information documents on the conditions offered to all type of customers.

INVESTMENTS: ADVISORY SERVICE

In terms of investments, and in line with the MiFID Directive, Intesa Sanpaolo has offered its customers the highest possible form of protection, i.e. its consultancy service, since 2007. This service consists of the formulation of personalised recommendations - regarding financial product/investment service operations - consistent with the customer's financial profile. With this in mind, a series of specific rules that Bank personnel must observe when providing customers with investment services was introduced and implemented in full. Following the entry into force of the MiFID II Directive and European regulations in the area of investor protection[1], these Rules were further strengthened in order to provide investors with higher levels of protection and increased transparency in negotiations on the financial instruments markets. In particular, Intesa Sanpaolo introduced new obligations in terms of the governance of financial instruments, knowledge and expertise requirements for personnel responsible for providing investment services and ex ante and ex post information on the costs, charges and incentives of the products and services available.

1 Directive 2014/65/EU (MiFID II) Regulation 2014/600/EU (MiFIR) and Regulation 2014/1286/EU (PRIIPs).

Among the projects consolidated in 2017 and further developed in 2018 in the area of advisory services, "Valore Insieme" is a global consultancy solution provided by branch managers through an innovative relations platform that provides advanced and personalised consultancy in all phases of the construction, protection and transfer of investment portfolios. It is a paid service aimed at those who are looking for an exclusive relationship that combines innovative technology with ongoing professional support from a dedicated manager. The service covers various areas of needs (Securities and Pension Assets, Real Estate Assets, Protection, Security and Generational Transition) connected by a cross-cutting diagnostics section to ensure communication and interaction between the various consultancy levels. The platform enables the ongoing monitoring of the assets and the relations, and offers personalised recommendations with new reports and an alert system that ensures constant advisory protection over time.

THE COMPLIANCE CLEARING OF NEW PRODUCTS AND SERVICES

With regard to product governance processes, the clearing process for new products and services marketed by Intesa Sanpaolo, just like the changes to existing products and services, is particularly important. These cases are subject to prior verification of their compliance with the relevant legislation. Similarly, innovative projects that launch new businesses or enter new markets are assessed in advance to ensure their substantial and formal compliance with internal and external regulations. Conformity assessments are carried out in accordance with the principles of fairness and protection of the interests of customers, and also relate to the quality of the information provided and the consistency of these services, products or transactions with the expectations of the target customers.

BUSINESS CONDUCT ADVISORY

In 2018, a function dedicated to business conduct activities (Business Conduct Advisory) was set up within the International Subsidiary Banks Division with the aim of acting as a competent and informed consultancy centre for the Division and the International Subsidiary Banks, with regard to the business implications of the conduct risk. As regards the dissemination of information concerning these issues, between July and October two training sessions were organised for the top management of the Division and the retail business functions of the International Subsidiary Banks, involving a total of 33 participants.

DIALOGUE WITH CONSUMER ASSOCIATIONS

Intesa Sanpaolo has long been involved in an open and constructive dialogue with all nationally-recognised Consumer Associations, that is based on listening to their requests and collaborating with them on a project, technical and operational level. In 2018, a meeting was held between the Bank's top management and the heads of all the Associations to establish methods of building relations, ongoing and future projects, and technical discussions on specific categories of products/services. More specifically, the 2018-2021 Business Plan was shared with them both collectively and through one-to-one meetings, focusing particular attention on all issues to relating to retail customers, with all of the observations of participants relayed to the internal departments. Intesa Sanpaolo is also a member of the Consumers' Forum, an independent association encompassing the most important consumer associations, numerous industrial and service companies and their trade associations, and research centres. The Consumers' Forum promotes dialogue and joint reflection in order to share knowledge in an easier way and overcome the difficulties of dialogue between consumer associations and businesses. The ultimate goal of the association is to promote the evolution of consumer policies in order to improve the quality of life of citizens.
Work also continued throughout the year on permanent conciliation (see the Conciliation Agreement [i]) and its role as an out-of-court solution adopted and managed together with the Consumer Associations.
The conciliation procedure, which concerns products offered to retail customers (current accounts and linked payment cards, mortgage and personal loans), is simple, free and quick, with a maximum case resolution time of 60 days. Customers may decide to participate, at no cost and without impacting on any other paths they may wish to take, even subsequently, in order to protect their interests. In 2018, 51 applications for permanent conciliation were received.

MANAGEMENT OF CUSTOMER REQUESTS FOR THE RESALE OF DIAMONDS THROUGH PURCHASES AT ORIGINAL PRICES (ASSESSMENT BY THE ITALIAN COMPETITION AUTHORITY - AGCM)

The cooperation agreement with Diamond Private Investment (DPI) for the supply of diamonds to customers was terminated in November 2017 and the Bank ceased this activity. Intesa Sanpaolo launched a process that entails the payment to the customers of the original cost incurred for the purchase of the diamonds, as well as the withdrawal of the stones. This has been done in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen on the market, were not met by DPI within the contractually agreed period of 30 days. In January 2018, the Bank sent a notice to customers owning diamonds to stress the nature of the stones as durable goods, confirming, among other things, its willingness to intervene directly as regards any realisation needs expressed by the customers that were not satisfied by DPI.
As of 31 December 2018, the Bank had received and met a total of 4,430 repurchase requests from customers worth an overall 77.4 million euro.
In this context, in February 2019, an order for precautionary penal seizure of 11.1 million euro was served to the Bank, corresponding to the fee and commission income paid by DPI to Intesa Sanpaolo. The preliminary investigations initiated by the Public Prosecutor's Office of Milan primarily concern four other banks and two companies that sell diamonds. Intesa Sanpaolo is accused of an administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to the alleged offence of self-laundering. In this regard, the Bank is confident that the correctness of its actions will come to light, and that the aforementioned initiatives introduced to safeguard its customers from damage will be appreciated.

CUSTOMER HEALTH AND SAFETY

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

PHYSICAL SAFETY

Physical safety is guaranteed by the responsible function of the Parent Company, which works directly for the Italian Banks and carries out a practical coordination role for the International Subsidiary Banks, each of which has its own safety function.
The robbery risk analysis is updated constantly and, with the improvement of the safety systems, a follow-up is carried out to check the security level of high-risk sites. 12 robberies were recorded in Italy in 2018 (15 in 2017) and the situation in this respect remains largely under control. Physical safety risks are becoming threats which, unlike robberies, do not impact on the health and safety of customers and employees. For example, these include attacks on ATMs (76 incidents in 2018, of which 33 were carried out and 43 attempted), mainly carried out at night when branches are closed by highly professional criminals that avoid all contact with third parties. Cyber physical security attacks are also on the rise and combine physical forms of violation with cyber-attacks without any threat whatsoever to human safety. Structured processes for the mitigation of non-predatory aggression risks towards staff were also launched in 2018. This is an emerging phenomenon particularly in other sectors (e.g. in healthcare and schools) that may spread more generally to business activities based on contact with the public. To prevent this potential risk, mitigation processes and alert and warning measures were introduced in branches.
The health and safety of people is also the primary concern of the protection activities in branches of the International Subsidiary Banks, even if the majority are located in countries generally less exposed to the risk of robbery. To this end, the Parent Company functions provide guidance and support activities, particularly in projects on the development of distribution models (e.g. extension of the new layout model to the International Subsidiary Banks) and physical security models (e.g. protection of some main buildings).

IT SECURITY

The Group considers the protection of information and the management of related processes a matter of strategic importance. In line with current regulations, IT security is governed by guidelines and integrated processes for the protection of the interests and rights of customers and employees. These rules are outlined in the Bank's Integrated Internal Control System, which defines responsibilities at all levels of the company. In particular, in accordance with the requests of the regulators, the Information Security Officer guarantees the functional coordination of the structures responsible for the IT security and business continuity of the Group's

Banks and companies. IT security tasks are carried out according to shared guidelines with both a centralised management model, for Banks and companies that have a high degree of integration with the Parent Company, and a coordination and control model for the other Group companies and the International Subsidiary Banks.
Given the growing importance of cybersecurity issues, including in relation to the 2018-2021 Business Plan, the Intesa Sanpaolo Board of Directors approved the IT Security Plan which organises, in a structured and coordinated way, the measures already established by the Group functions that are responsible in various capacities for guaranteeing security. The underlying goal of the Plan is to clearly define responsibilities in the spread of the safety culture at all levels in order to protect all of the company's assets. In particular, the Plan involves the implementation of the Group cybersecurity strategy with a number of priority goals:

(i) to strengthen and bring innovation to security measures to guarantee the digitalisation of the Group's services;
(ii) to extend the measures already implemented at Parent Company level to the other Group companies;
(iii) to manage cyber risks in an integrated way, in line with the Group's Risk Appetite Framework (RAF);
(iv) to systematically employ the most innovative technologies;
(v) to adopt a proactive role as an influencer in relation to cybersecurity issues at an international level.

This strategy is based on four main themes (Single Digital Identity, IT security and stakeholder networking model, extension and evolution of Group controls, and enhancement of internal expertise), which have allowed for the development of the operational projects and the related investments necessary for the implementation of the initiatives set out in the Master Plan, launching the first project activities.
The actual management of cybersecurity is carried out via the Information Security Management System by following an integrated approach designed to improve the ability to prevent cyber-attack threats, so as to ensure there is no significant impact on employees, company assets or the services of the entire Group (cyber readiness). This approach analyses:

- "soft" aspects, including cultural, process and training/exercise issues at all levels of the Organisation;
- "hard" aspects, including technology solutions and predictive techniques (e.g. cyber intelligence, behavioural analysis, etc.).

With regard to the direct protection of customer assets, the Bank constantly updates its anti-fraud system, which is able to analyse all operations carried out via the digital channels in real time, flagging up any suspicious ones so they can immediately be checked centrally by a team of experts.
In 2018, the constant monitoring of fraud resulted in the blocking of around 27 million euro of fraudulent transactions involving retail customers and around 47 million euro involving corporate customers.
The IT security profile is also based on the spread of awareness of the risks, of the prevention methods, of the relevance of the data processed and of the use of the application procedures by all the subjects involved (Bank structures, employees, customers and suppliers).
Particular attention was focused on customer knowledge of cybersecurity issues in the context of IT security. To raise the overall awareness of its customers, the Bank launched a series of communication initiatives on the showcase website (information pages, documents and infographics) and on bank statements (used as "safe channels"), also in collaboration with the relevant Italian and European authorities. In this regard, by way of example Intesa Sanpaolo participated with ABI in the Cyber Scams initiative launched by the European Banking Federation and Europol, helping with the preparation and distribution of materials designed to increase a knowledge of cybersecurity culture among customers through examples and direct messages, so that they can maintain control of their digital lives.
The Bank strengthened its Italian and European partnerships with the leading credit institutions, the supervisory authorities, law enforcement and competent government bodies in the field of cybersecurity in order to enhance its ability to identify and combat this type of threat. In 2018, the Intesa Sanpaolo Group structures responsible for the collection and analysis of information in order to technically identify cyber-threats (threat intelligence) intensified their activities for the Group Banks and companies, as well as for national bodies supporting the credit sector (e.g. CERTFin, CERT Nazionale).
The integrated monitoring of cyber security and business continuity as part of crisis management procedures confirmed the Bank's effective management of events related to natural disasters and crisis situations, ensuring the continuity of services and the safeguarding and protection of employees and customers.
Finally, as in previous years, the Bank remains committed to obtaining and maintaining third-party certification for its security and operational continuity activities that guarantee quality, and also for its appropriate monitoring of the services it provides (see [i]).

Access to credit and financial inclusion

COMPANY POLICIES

Intesa Sanpaolo provides a range of products and services that promote financial inclusion and access to credit, in accordance with the Group's Code of Ethics. This code highlights, among the principles of customer relations, this policy's value as a key lever for social inclusion, enabling people to improve their lives and exercise their citizenship rights to the full. The Code of Ethics also outlines Intesa Sanpaolo's commitment to promoting economic and social development in the countries where it operates. In particular, this responsibility results in assisting companies to develop and improve their competitiveness, and to introduce innovations and internationalise their business.
Among other initiatives, the 2018-2021 Business Plan launched the Fund for Impact, which is intended to disburse social impact loans of around 1.25 billion euro to sections of society that find it difficult to access credit, despite their potential.

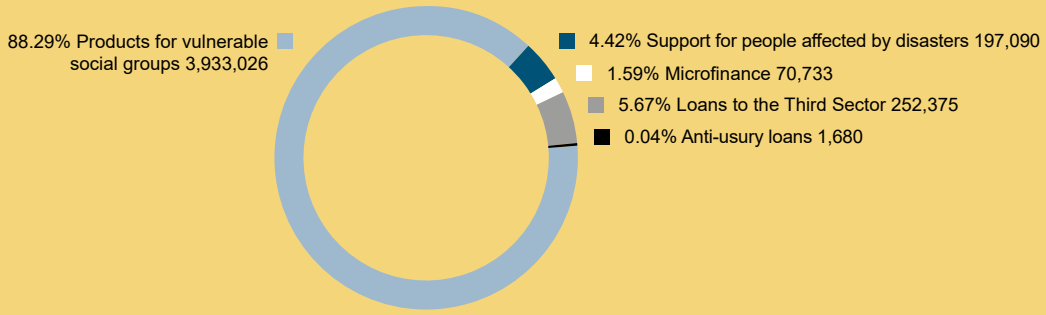
FINANCIAL INCLUSION OF VULNERABLE PEOPLE

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

INITIATIVES WITH HIGH SOCIAL IMPACT

In 2018, the Intesa Sanpaolo Group issued new loans for high social impact activities amounting to just under 4.5 billion euro (7.4% of the total new loans granted by the Group in 2018), helping to create business and employment opportunities and also to assist people in difficulty with various initiatives: microfinance; anti-usury loans; products and services for associations and entities in the Third Sector; products for the most vulnerable social groups to support their financial inclusion; and loans to support people affected by disasters.

LOANS WITH SOCIAL IMPACT [% and thousands of euro]



MICROFINANCE AND THE FIGHT AGAINST USURY

Intesa Sanpaolo has established various partnerships with mainly philanthropic or religious entities to provide credit to individuals or small companies in difficulty. Altogether, in 2018 the Group disbursed over 72 million euro in microfinance or anti-usury projects, in Italy and abroad. Given the wide range of initiatives supported by the Group, only some of the most significant projects are described below.

Since 2010, the Group has been involved in the "Prestito della Speranza" loan project promoted by the Episcopal Conference of Italy (CEI) and the Italian Banking Association (ABI) to assist families in temporary difficulty by supporting the start-up of small businesses.

The loan seeks to foster the social and professional inclusion of people, leveraging on their personal responsibility and initiative to help create employment opportunities.

The loans are guaranteed by a 25 million-euro CEI fund managed by Banca Prossima, and the Group pledges to provide an overall sum of up to four times the amount of the guarantee fund.

The diocesan Caritas network, with the assistance of VoBIS-Volontari Bancari per le Iniziative nel Sociale (an association of volunteer former bank employees that operates throughout Italy and is purely focused on social solidarity), carries out evaluation, support, mentoring and monitoring activities for individuals that wish to access the loans, working in collaboration with the Group's local structures. The Prestito della Speranza loan has two specific areas of focus: life and enterprise projects for young people and start-ups. The initiative is structured either as a Social Loan (Credito Sociale) for families of a maximum of 7,500 euro, disbursed in six two-monthly instalments of 1,250 euro as an income top-up, or as a Business-builder loan (Credito fare impresa) for micro-enterprises which are either new or have a low capital base, consisting of a single payment of up to 25,000 euro. As of the end of 2018, the most recent version of the Prestito della Speranza launched in March 2015 has issued 43.6 million euro of credit, just under 7 million euro of which having been disbursed during the year, making for almost 900 loans.

The mechanism for the provision of a guarantee fund with Banca Prossima by a philanthropic or religious institution, linked to an agreement with Intesa Sanpaolo for providing credit to individuals or small companies in difficulty, has been replicated with a series of counterparties. Noteworthy initiatives include Intesa Sanpaolo's partnership with Fondazione Lombarda Antiusura and Fondazione Welfare Ambrosiano. The partnership with Fondazione Welfare Ambrosiano - an entity financed by the Municipality of Milan, involving Fondazione Lombarda Antiusura as well - has made it possible to disburse, since the beginning of operations in 2011, a total of over 3.6 million euro, of which over 54% was provided by Intesa Sanpaolo, especially relating to social credit. The initiative entails supporting microfinance initiatives of a social nature, to provide income support for families, and those of a business nature, for the creation of micro and small enterprises. The catchment area is essentially the Milan area, and Intesa Sanpaolo is one of the four financial partners involved.

Thanks to an agreement in October 2016, Società Nazionale di Mutuo Soccorso Cesare Pozzo secured a guarantee of 3 million euro, using part of its assets under administration with Banca Prossima, enabling it to grant 66 loans to its members for household expenses (school or health) on very favourable terms, for a total of over 300,000 euro.

Lastly, there are a few other ongoing agreements for the credit inclusion of disadvantaged persons or small businesses. These include agreements once again with Fondazione Lombarda Antiusura (in collaboration with Caritas Ambrosiana and Fondazione Cariplo), with Finetica Onlus, and with NEETwork to offer free training placements provided by non-profit organisations, as well as with Adiconsum, Exodus 94, Fondazione San Nicola Medici, Fondazione Antiusura Cavalla, Fondazione Moscati and Fondazione San Matteo for anti-usury initiatives.

BANK THE UNBANKED

Over the years with its Bank the Unbanked project, Bank of Alexandria has developed several products for individuals with no access to banking to improve living and working conditions, including in the poorest areas of Egypt. These products are structured within a single programme which includes:

- microfinance/ micro-loans to meet the needs of customers and create small businesses,
- micro-deposits, to encourage a savings culture in disadvantaged areas,
- the mobile wallet MA7FAZTY, an application which makes it possible to carry out a wide array of banking operations using a smartphone.

Concerning the microfinance activities offered by Bank the Unbanked, a total 26 million euro of loans was granted in 2018 (23.5 million euro in individual loans and 2.85 million euro in business loans).

In late 2018, Bank of Alexandria launched the Tamkeen microfinance product to provide financial support to disadvantaged women and young people that agree to enrol in a training programme to enhance their skills and to learn how to manage micro-businesses. Developed in partnership with the Sawiris Foundation for Social Development, the International Labour Organization (ILO) and the Professional Development Foundation, Tamkeen seeks to meet the financial requirements of groups of young people and women by offering favourable interest rates on loans and specific grace periods for repayments connected with the sustainability of livestock purchases or other assets. In 2018, Tamkeen loans totalling almost 60,000 euro were granted.
Also in 2018, Bank of Alexandria participated in Arab Financial Inclusion Week in October, promoted by the Central Bank of Egypt to raise awareness among groups with lower levels of income. For the occasion, Bank of Alexandria organised a series of activities designed to increase the financial inclusion of women and young people: 910 women took part in various financial education workshops, and over 5,000 dedicated current accounts were opened across the country. Young people (aged 16-25) were involved in a series of activities at 22 sites to promote the current account tailored to their needs; in 2018, almost 18,000 current accounts for young people were opened.

FUNDS FOR IMPACT – NEW CREDIT ACCESS OPPORTUNITIES

Following the guidelines contained in the 2018-2021 Business Plan, the Fund for Impact was launched, a new strategic initiative with funds of 250 million euro to support the disbursement of around 1.2 billion euro of loans to groups that would otherwise find it difficult to access credit, despite their potential.
Based on the experience of Banca Prossima, which introduced this new form of support for the non-profit sector, enabling many businesses to access credit as well as introducing an ex-post low rate of non-performing loans, Fund for Impact aims to extend the number of possible beneficiaries to include natural persons, businesses and other organisations involved in social projects.
More specifically, in 2018 this commitment involved the definition of “per Merito”, a loan designed to make it structurally easier for students residing in Italy to attend Italian and international universities. Indeed, access to higher education is one of the biggest and most pressing issues in Italy.
The loan is for students from all universities and faculties (currently around 1.7 million students), including those that wish to enrol at international universities or on Master's courses. Students from any economic and social background are eligible, as the loan does not require any personal or family guarantee, therefore creating new credit access opportunities.
From February 2019, all university students can request the loan online, with a credit facility that gradually increases as long as they complete at least 20 credits (or 80% of their exams) each semester. An annual maximum figure of 3,000 euro is provided for students that stay in their town or city of residence, and 5,000 euro is provided for those that live away from home, due to the higher living costs. This loan can be extended to cover the length of the 3-year course, and for an additional two years for those also doing a Master’s degree. Once they have graduated, a two-year grace periods begins, after which they must begin repaying the loan taken out, in instalments over a period of a maximum of 15 years. Repayments can also be suspended three times, and there are no additional charges for early repayment. The interest rate is set when the loan agreement is signed, it’s fixed and is very competitive.
The possibilities created by this loan supplement and enhance the solutions that the universities already offer (grants and scholarships) without affecting the primary role played by the public authorities in guaranteeing the right to study. It is worth noting that although the number of study grants has increased in the last three years, not all eligible students have been able to receive the necessary support. In addition, in a context in which the financial capacities of families have reduced, the availability of loans can help to drive up the number of university students registering, paving the way for the development of human capital among young people to foster the country’s growth.

NATURAL CATASTROPHES AND DISASTERS

The Intesa Sanpaolo Group confirmed its concrete commitment to support families and businesses affected by environmental disasters or other catastrophes in Italy, such as the collapse of the Ponte Morandi bridge in Genoa, the earthquake in central Italy, the extraordinary weather events in the Triveneto area and the landslide in Stigliano. The Group does this by providing new subsidised loans intended for the restoration of damaged properties (houses, shops, offices, artisan workshops, companies), suspensions on existing loans, actions in the area of protection and preferential, simplified and expedited procedures.
In 2018, the Group supported affected families to the tune of over 15 million euro through unilateral cancellations of over 220 "first home" mortgage loans on property deemed inaccessible (as a result of the central Italy earthquake). There were over 300 suspensions of repayments on existing loans. In addition, over 3,500 subsidised loans amounting to around 200 million euro were granted in 2018, with over 140 million euro issued in the 2015-2017 period. Intesa Sanpaolo also supported families and businesses affected by the Genoa bridge collapse by making a plafond of 4.5 million euro available for the cancellation of mortgages, and 50 million euro for reconstruction work. Intesa Sanpaolo also decided to give individuals the opportunity to suspend the payment of instalments for mortgages on property destroyed or rendered inaccessible for a 12-month period, free of charge.
A plafond of 1 billion euro was allocated following the extraordinary weather events in late October, 270 million euro of which was assigned to the north-eastern regions for subsidised loans. Finally, families and businesses in affected areas were given the opportunity to suspend repayments on existing loans for 12 months.
At the same time, for both the earthquake in central Italy and the collapse of the Ponte Morandi bridge in Genoa, Intesa Sanpaolo subscribed to the Vicino a Te policy issued by Intesa Sanpaolo Vita for minors that lost one or both of their parents. This policy, which matures when the child reaches adult age, has a capital guarantee of 100,000 euro for the loss of one parent, and 200,000 euro if both parents passed away. If the child goes to university, this figure is increased by 50%. All nine children that lost their fathers following the collapse of the bridge were identified, and the necessary documentation was collected for the issuing of the relative policies, for a total investment of around 1.2 million euro. For the same initiative implemented following the earthquake in central Italy, 20 orphans were identified, ten of whom had lost both parents, with 20 policies taken out on their behalf.

SUPPORT FOR HOUSEHOLDS

Intesa Sanpaolo participates in the Guarantee Fund for Main Home Purchases, established by the 2014 Stability Law to facilitate access to credit by households for the purchase of their main residence and related energy efficiency improvements. Thanks to the Memorandum of Understanding between ABI and the Italian Ministry of the Economy and Finance, the beneficiaries - mostly young couples, single-parent families with minor children, young people under the age of 35 with an temporary employment contract and tenants of public housing owned by the Istituto Autonomo Case Popolari (Social Housing Authority) - can get a guarantee on the principal amount of their loan (up to 50%). In 2018, 6,748 mortgages of a value of 713 million euro were issued (over 3,200 for a value of almost 350 million euro were issued in 2017).
Support for households was also reflected in the renegotiation of mortgages, more than 33,000 in 2018, and approximately 2,000 suspensions overall (3,400 in 2017), defined as a result of system agreements and to provide support to households affected by natural disasters.

SOLUTIONS FOR YOUNG CUSTOMERS

The renewed and expanded range of mortgage loans includes Mutuo Giovani, with new solutions that enhance the flexibility of the products designed for under-35s, including workers on temporary contracts or those with increasing protection contracts, to facilitate the purchase of their first homes, covering up to 100% of the value of the property and with a duration of up to 40 years. For an initial period of ten years, Mutuo Giovani allows borrowers to pay a smaller instalment covering interest only, with the possibility of suspending the payment of instalments or extending or shortening the loan's duration. Altogether, 2.2 billion euro was disbursed to over 19,000 young people (almost 2.5 billion euro was disbursed in 2017).
Also aimed at young people is the PerTe Prestito con Lode loan, designed to help them access studies. This loan is granted purely on the basis of the student's academic merit and attendance, without any personal guarantees and irrespective of the family income. In 2018, the Bank continued to promote the product at major Italian universities, as well as higher vocational education institutes, in both the public and private sector, in order to maximise its ability to support the development of the next generations

and ensure the financial inclusion of capable and deserving individuals. Just under 9.2 million euro was issued in 2018 (675 policies taken out).
XME Conto is the flexible current account with favourable conditions for the under-30s, with no account or debit card fees and additional benefits such as zero commission on ATM withdrawals at other banks around the world and for online transfers, and government stamp duty paid by the Bank up until the account holder turns 30. At the end of 2018, there were around 440,000 XME Conto account holders.
The range of innovative products dedicated to under-18s was further expanded with the new account for minors XME Conto UP!, which is completely free. The account also includes the benefit Bonus Giovani (Young Bonus), involving the payment of 1% gross of the sum in the current account, up to a maximum of 1,000 euro, when the account holder turns 18. The product is modular and personalised according to the age range of the minor (0-7 and 8-17 years), growing together with the child as their needs change, and always under the watchful eye of their parents. It is also a useful tool for teaching youngsters the value of saving and educating younger children about looking after their pocket money and their little savings. In addition, to help families convey the value of money and savings to young children, the innovative technological piggy bank XME dindi was launched in December. As well as carrying out the classic piggy bank function of collecting coins and banknotes, it also allows users to set periodic retained sums of money, either manually or automatically, thanks to the rounding-off of payment transactions made by card.
The monitoring of savings accrued can be done via the Internet Banking service and the Intesa Sanpaolo Mobile App.
With XME Conto, which comes with XME Salvadanaio and XME dindi, children learn to make their first purchases independently and to understand the value of money, managing their money set aside to achieve pre-set goals. Meanwhile, thanks to the Parental Control function, parents can maintain a watchful eye over their activities at all times. They can set the spending limits for the child also by product category, and can receive notifications when there is an attempt to exceed these limits.
Other initiatives relate to savings for example, with Eurizon Meta Superflash, a fund-based savings plan with special pricing for under-35s which allows young adults to save small amounts with the aim of meeting a goal within a specific timeframe. In the Pensions area, there is also the Il Mio Domani open-ended pension fund and the Il Mio Futuro individual pension plan, which offer a discount on the annual flat fee, from 50 to just 10 euro for up to 25 years.

Keeping within the area of loans provided to retail customers, Intesa Sanpaolo was the first Italian bank to provide financing for APE (cash advances against pension entitlement) requests, a system introduced on a trial basis by the 2017 Budget Act and extended to 2019 for workers who, having turned 63 and with a minimum of 20 years of contributions, wish to retire early. The financing is structured as an income bridge with a maximum term of 43 months, and Intesa Sanpaolo pays the customer on a monthly basis until they begin receiving their state pension. The monthly amount is chosen by the customer on the basis of their future pension, and the loan has a duration of twenty years, with the possibility of full or partial early repayment. The interest rate, permanently set when the loan is issued, is the same for the entire banking industry, regulated by the Framework Agreement with INPS, the Italian social security institute, and updated every two months by the Italian Banking Association (ABI). APE involves a tax deduction of up to 50% of the interest and the mandatory insurance coverage, provided by a third-party company, to protect heirs in the event of the early death of the applicant. 7,709 applications were received in 2018, 5,442 of which were accepted, with a total of 93.2 million euro disbursed.

REMITTANCE MANAGEMENT

Immigrants constitute an important segment of Intesa Sanpaolo's customers: at the end of 2018, they totalled 1.2 million (a similar figure to 2017). The money transfer services offered include three complementary modules which in terms of characteristics and costs make the product range complete and competitive: Getmoney to Family, which makes it possible to send money to the main countries of origin of immigrants (Bangladesh, Brazil, Bulgaria, Ecuador, India, Moldova, Morocco, Peru, Thailand, Tunisia, Ukraine and Vietnam). This is thanks to collaboration agreements with banks in these countries: Express to Family, to transfer money to Intesa Sanpaolo Group Banks located in Albania, Egypt, Serbia and Ukraine; and Money Transfer Western Union which, thanks to its widespread network of agents, makes it possible to receive money all over the world. In 2018, around 101,000 remittances were made, amounting to approximately 51.4 million euro. In 2018, just under 85,000 transfers were made through Western Union, amounting to almost 24 million euro.

PROJECT FOR THE FINANCIAL INCLUSION OF IMMIGRANTS

The financial inclusion project for immigrants was developed on the basis of the results of a study/analysis on the current process and the future impact of immigrant integration dynamics on the sustainable growth of the country. The analysis resulted in internal Intesa Sanpaolo Group projects focused on training and change management, as well as business development. The training aspect revolves around modules for employees in approaching this customer group. On the other hand, the business development side is geared to planning initiatives with Banca 5 for expansion within the network of participating remittance stores and other transactional services for immigrants, and is also focused on the assessment of a pilot credit project with the Impact Department.

SUPPORTING THE THIRD SECTOR

The Third Sector is a significant part of the Italian economy and society, and Intesa Sanpaolo has long recognised its importance by providing services, mainly through Banca Prossima, to third sector organisations and the religious world. At the end of 2018, Banca Prossima had just under 65,000 customers, and direct and indirect deposits of nearly 5.3 billion euro, of which roughly 3.7 billion euro was in direct deposits and just under 2 billion euro in loans. Specific relational models were developed for Third Sector customers that take account of the fact that the intangible assets of these entities play an important and specific role in making their long-term financial exposure sustainable. These models were integrated into a variant of the Group's rating process that better suits the characteristics of customers from the non-profit and religious sectors, particularly with respect to the qualitative section. Lastly, to guarantee support for Third Sector entities, Banca Prossima set up a Fund, on a statutory basis, for the development of social enterprise which every year receives at least 50% of the profits that remain after allocations to legal and statutory reserves and the reconstitution of the share premium reserve initially used to set up the Fund. Thanks to this instrument, since 2011 about 1,000 entities with ratings below the minimum level required by the Group to access credit have been given loans with a default rate of below 10%. This Fund will continue to function also after the incorporation of Banca Prossima into Intesa Sanpaolo, scheduled to take place in 2019, through the creation of a plafond of around 0.1% of the shareholders' equity of Intesa Sanpaolo that can be activated in the event of providing loans to categories of customers of borderline bankability.

CROWDFUNDING PLATFORMS

For Funding is the crowdfunding donation platform of the Intesa Sanpaolo Group aimed at organisations, non-profit associations and foundations which want to launch a fundraising campaign with the participation of a wider donor community.
The fundraising initiatives on the platform are selected by the Intesa Sanpaolo team. This is done to develop only the most deserving projects and not to waste the donations: both the beneficiary organisation and the project type are assessed.
Once a project is published online, donors may contribute to the fundraising process with a donation made through the website using a credit card, by online bank transfer (Pago Online and My Bank), or with a bank transfer made at their own bank or at any Intesa Sanpaolo branch. Transactions are performed without any fees borne by the donor or the beneficiary.
Since the launch of the platform in September 2017, 18 projects have been presented with a total of almost 670,000 euro collected from donors.
This initiative is supported by Terzo Valore, the portal developed by Banca Prossima that enables non-profit organisations to finance themselves by appealing to communities of supporters who grant them resources as debt to be paid back. Terzo Valore is characterised by a guarantee mechanism that was prepared for the lenders: Banca Prossima provides a line of credit that can be activated if the non-profit organisation has difficulty in repaying the funds. Via the website www.terzovalore.com, supporters can underwrite part of the loan at a rate of their own choosing that is below a maximum level stated by the organisation itself. In fact, about 50% of lenders lend at zero interest.
Between its launch in 2011 and the end of 2018, Terzo Valore accepted over 100 projects submitted through the website. 113 have been completed (15 of which in 2018), for a total of 12 million euro disbursed by Banca Prossima and a further 9.2 million euro by third parties (the total value of the projects involved was over 21 million euro). In 2018, these figures were close to 1.3 million euro and 1.2 million euro respectively.

EDUCATION AND SPREAD OF FINANCIAL CULTURE

The spread of basic money management knowledge is very important in enabling large swathes of the population to access the increasingly vast array of traditional and alternative financial services available in an informed manner, as well as to avoid situations of over-indebtedness. These are the reasons that led Intesa Sanpaolo to support a series of pilot financial literacy initiatives, designed and developed by the Museo del Risparmio (Savings Museum), the first multimedia financial education workshop in the world, developed by the Bank in 2012. To go beyond the geographical constraints of the fixed museum, some initiatives have been replicated at a national and international level for a number of years.
The lead project for 2018 was the SAVE Tour (Sustainability, Action, Voyage, Experience), a journey through the Italian regions developed in collaboration with Italscania and the European Investment Bank Institute, with the aim of primarily involving students of all levels and age groups. The initiative consists of multimedia courses and didactic workshops, developed on the basis of the content of the Museum, revolving around economic-financial education and environmental sustainability and held in a Discovery Truck set up with video and games stations. At the end of October, the Discovery Truck began its tour of central and southern Italy, which will see it visit eight regions and 22 cities, focusing particularly on the areas affected by the recent earthquake (for more information [i]).
Keeping within the area of initiatives for children and teenagers, the following projects were held in 2018:

- the third year of the MOney LEarning project, carried out with the support of the European Investment Bank and Fondazione Scuola della Compagnia di Sanpaolo, which between September 2016 and December 2018 gave 4,700 children and 540 teachers from primary schools in the Piedmont region the opportunity to take part in a free educational course on the history of money and the meaning of saving at the Museum. The project underwent an impact assessment conducted by the University of Turin, which confirmed its effectiveness among its target audience;
- third year of the Fuoriclasse della Scuola project, organised in collaboration with the Italian Ministry of Education, Universities and Research, Foundation for Financial Education and Savings (Feduf), Confindustria and ABI, which saw the Savings Museum organise the Financial and Business Education Campus for winners of the student School Olympics from all over Italy. The Campus benefited from the collaboration of the Intesa Sanpaolo Development Policies Head Office Department and Learning Academy;
- development of an online financial education course for upper secondary school teachers accessible from the Savings Museum website.

Particular attention was also focused on vulnerable sections of the population through the development and implementation of pilot activities, such as:

- the Welcom-ED project, set up in 2017 in collaboration with the University of Turin and made available to over 300 immigrants in 2018 via local associations and Centres for Adult Education (CPIA). This project made it possible to develop an interactive modular course on the topics of saving, planning, risks and investments. This project also underwent an impact assessment conducted by the University of Turin, which confirmed its effectiveness among its target audience;
- the Labour - Emancipation - Inclusion project (LEI), in partnership with Compagnia di Sanpaolo, Casa Circondariale di Torino (Turin prison) and its cooperatives, for the development of an innovative model for the reintegration of women inmates into society, with a special focus based on the informed management of money and self-employment;
- the Eureka ideas competition, developed together with Fondazione Specchio dei Tempi and Intesa Sanpaolo Innovation Center to promote the development of technological tools and/or supports for allowing people with mild cognitive disabilities to be more independent;
- The Sky is the Limit project launched in November 2018 in collaboration with Global Thinking Foundation, with the aim of enriching teaching in “outlying” schools, located in underprivileged neighbourhoods, helping students to develop a long-term vision.

There were also numerous initiatives aimed at adults and the acquisition of economic citizenship skills, including:

- the “Time is money” series of workshops, in collaboration with the Turin Coordinamento delle Banche del Tempo (“Coordination of Time Banks”) and the Metropolitan City of Turin, aimed at exploring correct ways of managing time and money;
- the “At the confines of the economy” series of book presentations, to reflect on the most recent and innovative developments in the economics sphere such as cryptocurrencies, the gig economy, ethical finance and the philosophical concept of money;

- the Art of Saving initiative, a week of events promoted and coordinated by the Savings Museum to celebrate World Savings Day (31 October), with the participation of the International Subsidiary Banks Division, Gallerie d'Italia, the Historical Archive and Banca dei Territori Division. All in all, the activities carried out as part of the Art of Saving involved over 10,000 people in Italy and the Group's overseas banks in 2018. The participation of the International Subsidiary Banks was particularly significant, and was bolstered by the contribution of Pravex Bank (Ukraine) and a broader and more diversified range of educational schemes. More specifically, among the activities scheduled for 2018, two banks - Privredna Banka Zagreb–PBZ (Croatia) and Banca Intesa Beograd - held a number of workshops on the topic of Women and Finance, inspired by the "Risk is a women's business" educational approach conceived by the Savings Museum. Compared with 2017, there was an increase in the number of people involved in the initiative in terms of both employees that took part as Financial Education Ambassadors (272 people) and the overall number of individuals benefiting from the initiative: over 9,300 students from 168 schools and 286 women;
- participation, through a specific range of financial education and sustainability workshops, in national events such as the International Book Fair, the Salone del Gusto, the Sustainable Finance Forum, World Investor Week, European Money Week, and the Gaeta Festival of Youth.

Two new financial education apps (L'isola che non c'è and It's my life) were also made available in 2018 via the Savings Museum website.
In support of the products launched to help youngsters learn how to manage their money, starting in December the Savings Museum dedicated a series of financial education workshops to children aged between 7 and 12 at 16 Italian branches with every event graced with the interactive presence of Pepper the humanoid robot. Participants were given the guide "Pocket Money & Tips: Knowing it, understanding it and experimenting with it", written by the Savings Museum to help give guidance to parents on the issue.
Finally, international networking activities were consolidated through the organisation, together with the European Banking Federation (EBF) and the International Federation of Finance Museums (IFFM), of the Financial Education Summit in Brussels on 6-7 November, which brought together the main stakeholders working at a European level on the issues of financial inclusion and literacy.
Another milestone in the process of improving the scientific culture and cultural growth of young people was the partnership with Osservatorio Permanente Giovani-Editori for the Financial Culture at School project. Designed for schools, its goal is to help children become the citizens of tomorrow also through critical reading and the act of referring to quality information. In the 2017/2018 academic year, the project involved 2,176 schools, 22,908 classes and 595,608 students.

FINANCIAL EDUCATION TRAINING INITIATIVES WITH CONSUMERS

The "Mettere in comune competenze" ("Skills pooling") project, launched in 2011, aims to improve shared knowledge and collaboration skills for the benefit of customers and consumers. The project is divided into four activity sectors: training of Consumer Association middle managers; development of a training plan targeted at all Intesa Sanpaolo employees; training and information initiatives across the local structures of the Associations; meetings with Intesa Sanpaolo Group top managers and middle and junior managers of the Associations to share skills and proposals in the main business areas.

SUPPORTING PRODUCTION AND INNOVATION

Intesa Sanpaolo has helped support the Italian economy through every period, even during its most difficult moments, by providing credit.
Intesa Sanpaolo currently puts itself forward as a point of reference, and not just financially, for the business and associative world: the Group helps its customers to identify new shared paths and participates in businesses in all aspects, from the conception of the business idea to all of the key milestones in its development, as part of a consolidated and long-term model founded on quality, reliability and trust.
Particularly with regard to over a million of companies it has assisted overall and its 200,000 SME customers, the bedrock of our country, the Group puts forward solutions that support the future of Made in Italy in the world and contribute to sharing their internationalisation, capitalisation, innovation and development processes.
Its business approach is focused on simple, thorough solutions in line with different business needs to manage daily operations as well as solutions dedicated to raising the value of customer companies in various business areas. The marketing structures develop a range of products and services for different types of customers, in collaboration with the Planning and Management Control function when drawing up commercial plans.

SUPPORT FOR BUSINESSES

Intesa Sanpaolo also continues to support the development of the real economy and of the communities in which the Group operates with the 2018-2021 Business Plan.
In 2018, Intesa Sanpaolo allocated about 60 billion euro of new medium-long term loans to the real economy. Around 50 billion euro was granted in Italy, 42 billion euro of which to households and SMEs; around 20,000 Italian companies returned to performing status from non-performing loan positions, protecting around 100,000 jobs in the process. Since 2014, the bank has now helped around 93,000 businesses in this way, positively impacting on employment to the tune of over 460,000 jobs.
Intesa Sanpaolo confirms its role as the driver of development of Italian business, contributing to increasing the value of 'Made in Italy' across the world. Worthy businesses with projects of value are also supported in times of difficulty, with assistance in the creation of innovative restructuring, revitalisation and growth solutions. The internationalisation process of Italian businesses is supported, directly or through the Group's main subsidiaries abroad, by an active Group network with consolidated presence (subsidiary banks, corporate branches and representative offices) in around 40 countries worldwide and coverage across 85 countries thanks to agreements with other banks. Companies can also count on the Italian Desks at international branches, with consultancy provided by specialists in financial support and Trade and Cash Management needs.
Considering that growth in size is key to the success of Italian SMEs, Intesa Sanpaolo founded a structure for Structured Finance and Advisory services for SMEs which, thanks to the collaboration between the Banca IMI and Mediocredito Italiano subsidiaries, responds to complex strategic and financial requirements emerging in the panorama of businesses, with revenues of up to 350 million euro (area presided over by the Banca dei Territori Division).
Banca IMI, in particular, has dedicated an Investment Banking unit specifically to SMEs for Mergers & Acquisitions, Equity Capital Market and Debt Capital Market operations and, despite the prudence of the 2018 market, stood out in the Mid-Cap segment for its Initial Public Offerings (IPOs) and capital increases in Italy.
According to the Mergermarket league table, Mediocredito Italiano was the leading bank in Italy and sixth in Europe for the number of Acquisition Finance operations supported in 2018 for SMEs.
Intesa Sanpaolo also developed its partnership with the Borsa Italiana Elite programme, supporting SMEs as part of a growth process that not only relates to size, but also culture and relations. In 2018, it welcomed 53 companies representing Italy and the sectoral diversification of the Italian economy to two Elite Lounges (the international platform supporting the most ambitious businesses in their development stages). These companies embody the Italian excellence that Intesa Sanpaolo, together with partners Elite and Confindustria, has helped champion and promote across the world.
Intesa Sanpaolo provides concrete support for the creation of new production companies right across Italy, focusing closely on the regions of southern Italy where it helps to drive social development and economic growth. More particularly, in this area affected by high unemployment and social hardship, the Group, which holds a market share of 20%, has increased its stock of loans for households and businesses by 25% in the last three years, the common denominator being investment in these regions and more specifically in young people and innovative start-ups.

INDUSTRIAL DIALOGUE AND THE PRODUCTION CHAINS DEVELOPMENT PROGRAM

In order to best harness the qualities and intangible aspects of entrepreneurial activities, in 2018 the Dialogo Industriale (”Industrial Dialogue”) project was launched in Corporate branches. This new relational approach is designed to help business managers liaise with entrepreneurs in a more informed way, and to strengthen their relationships, improving their ability to listen to and understand the needs of businesses. A stronger and higher quality relationship allows the dedicated operating structures to support entrepreneurs in their development paths, with a more complete understanding of the characteristics of each company and the sector in which they operate, as well as the ability to provide answers and solutions more closely tailored to their goals.

Meetings with entrepreneurs and managers to listen to their needs and identify a common language made it possible to develop a platform in order to:

- enhance the knowledge base and help Business Managers understand the industrial needs of businesses by discussing requirements, strategies and issues that go beyond financial and transactional support;
- identify and process the most relevant qualitative and quantitative information, providing a simple, clear and quick overview of the businesses;
- combine company requirements and credit quality, identifying the best way of creating sustainable business together.

By examining the current situation and future prospects of customer companies, Dialogo Industriale also provides benefits for credit management structures which, as well as boasting high-quality solutions, also have a large amount of information at hand to make the overall risk assessment and credit process faster and more fluid. The positive consequences of Dialogo Industriale make it possible to successfully combine the efficiency of the credit process and the positive impact on the quality of loans, and to improve the credit access potential of Italian SMEs, often organised into systems of production chains with very strong local relations.
Indeed, the Sviluppo Filiere (“Supply Chain Development”) programme continued concurrently with Dialogo Industriale, with the aim of facilitating access to credit, focusing on the relationship that links lead companies with the suppliers’ network and enabling a more detailed understanding of the financial requirements of individual supply chains. At the end of 2018, there were around 630 participating lead companies with potentially 15,000 suppliers, for a turnover of over 70 billion euro and a workforce of 92,000 employees.

CORPORATE CREDIT AGREEMENTS

A new Credit Agreement was signed by ABI and the main trade associations in November 2018. The "Imprese in Ripresa 2.0" (“Recovering companies”) initiative, launched on 1 January 2019, introduced adjustments to the SME loan suspension and extension measures set out in the previous Credit Agreement of 2015 and extended until the end of 2018 to guarantee their continuity, with the aim of continuing to provide support to businesses and to respond to the developments occurring within the European regulatory context. In 2018, the Group received 417 requests for the suspension or extension of loans, making a total of over 5,100 since the initiative began. As part of the same agreement, the factoring of company receivables due from the Public Administration also made it possible to provide 120 loans of a value of 3.8 million euro between 2015 and the end of December 2018.
Within the framework of the Industria 4.0 national plan, in order to support and foster innovation processes, investment in new technologies and the digitalisation of businesses, new sectoral agreements were entered into with:

- ANFIA, the Italian Association of the Automotive Industry, for actions to support the production chain, the development of human capital, and the provision of non-financial services to businesses;
- Confindustria Piccola Industria, extended to April 2018 with the addendum “Promoting a new business culture for sustainable growth”, to provide financial support for training, generational handover, supply chains and economic, social and environmental sustainability;
- SACE, for the support of the international activities of Italian businesses through measures involving international guarantees and documentary credit, medium to long-term loans from Mediocredito Italiano to Small and Medium-sized enterprises (International+) and foreign loan recovery services;
- The Italian Ministry of Heritage and Cultural Activities - Directorate General for Tourism, with the aim of developing a “Pact for Tourism 4.0” in order to enhance the value of the sector in credit assessments, with a three-year funding plan of 5 billion euro for companies and supply chains, in order to renovate and modernise hospitality facilities, improve the accessibility of holiday destinations, and improve the quality of hospitality. All in all, in 2018 the Banca dei Territori Division provided 1 billion euro of loans to businesses in the tourism industry.

Within the context of Industry 4.0, in 2018 support for SMEs took the form of over 1.3 billion euro of loans issued in response to over 4,800 requests processed.

Thanks to its collaboration with the European Investment Bank (EIB), over time the Group has intensified its support for the financing of Italian businesses through Mediocredito Italiano, sole manager of EIB funds for the Banca dei Territori Division: since 2017, new agreements have been signed for the disbursement of around 1.5 billion euro, primarily to SMEs and Mid-Caps, and for special projects in the agro-industrial, agri-food and energy efficiency sectors.
In 2018, the Group signed an agreement with the European Investment Fund for the creation of a portfolio with the InnovFin guarantee for new loans of up to 300 million euro for research, innovation and development projects.
In July 2018, Intesa Sanpaolo launched a new activity to support the economy through tranched cover operations, i.e. newly-issued portfolios of loans guaranteed by the SME Guarantee Fund (established by the supplementary decree of the Italian Ministry of Economic Development of 18 March 2015) and structured into two tranches. The Group was admitted to the Fund for four portfolios of loans of an overall value of 1.2 billion euro. The Intesa Sanpaolo Group has more commitments in the Italian financial world than any other group, confirming its key role as a driver of Italy's real economy.

SUPPORT FOR NEW BUSINESSES

Intesa Sanpaolo has joined 'Resto al Sud', an initiative aimed at young people for the launch of start-ups in southern Italian regions and promoted by the Italian Ministry of the Economy, with 1.25 billion euro made available in funding by the Development and Cohesion Fund. The project supports young adults aged between 18 and 35 with specific loan solutions to help them make their business projects a reality in the areas of manufacturing, handicraft, the transformation of farming, fishing and aquaculture products, service provision to businesses or individuals and tourism. This support can cover a maximum of 65% of their expenses with the other 35% covered by public funding, equating to up to 50,000 euro per applicant with a maximum of 200,000 euro for projects with multiple applicants.
Intesa Sanpaolo was the first bank to offer financing in response to the initiative, raising awareness about the project among some 5,000 young people at 38 stop-offs in branches in southern Italy.
Overall, 132 loans were disbursed for a total of 6.3 million euro in 2018.
"Finanziamento Microcredito Imprenditoriale" ("Business microcredit financing") is designed for young people and micro-enterprises in order to help them launch a new business or invest in growth projects, enabling them to access credit even without collateral. This opportunity was made possible by a special section of the SME Guarantee Fund. The medium/long-term loan, with a maximum duration of 7 years and a maximum amount of 25,000 euro, is designed for the purchase of goods (including raw materials) or key business services (including lease payments), to pay for salaries to new employees or working partners, or to pay for training courses to improve professional quality and technical and managerial skills. In 2018, over 800 loans were disbursed for a total of 18.2 million euro.

CORPORATE WELFARE SERVICES

The Welfare Hub service, launched in 2017 for the management of welfare programmes in companies, continued in 2018. Through access to a digital, multichannel and multimedia platform (accessible on PCs, tablets and smartphones), companies can grant their employees goods and services for the exercise of their welfare credit (a performance bonus that the employee can request to convert into Flexible Benefits or bonuses paid by the company in that form). Welfare Hub allows company employees to access opportunities offered by tax laws and make a conscious choice about opting in for the Flexible Benefits. As well as the possibility of subscribing to six different areas of financial and insurance product offers, in 2018 the Welfare Hub was expanded, with two new sections with benefits on an external platform that offers discounts on goods and services in various product segments.
At the end of 2018, around 800 companies were using the platform.

WOMEN'S ENTERPRISE SOLUTIONS

The Business Gemma programme provided a multi-year credit line of 600 million euro for businesses run by women and for self-employed women from 2014 to 2017, which was subsequently extended to 2018. In 2018, 408 loans were disbursed for a total of 15.4 million euro. The initiative also offers the chance to freely benefit from the special segment guarantee of the SME Fund dedicated to businesses run by women, and

to request, during the repayment period, a suspension of up to twelve months on the principal amount of the loan's repayment instalments in the event of maternity leave, serious illness (including also of a spouse or child), or the disabling illness of a parent, blood relative or relative by marriage up to the third degree who lives with the applicant. The Business Gemma range also includes an insurance policy that offers insurance cover and welfare services which aim to provide a real solution to the problem of work-life balance. The action areas covered are health, maternity leave, assistance, help and legal protection in times of difficulty in the private life of the businesswoman. 66 new policies were taken out in 2018.
As regards the International Subsidiary Banks, Banca Intesa Beograd and Intesa Sanpaolo Bank Albania continued with their women's enterprise initiatives, launched thanks to the partnership with the European Bank for Reconstruction and Development (EBRD) as part of the Women in Business programme. This programme, which seeks to support micro, small and medium-sized enterprises managed by women in the Western Balkans, has three components: subsidised loans, technical consultancy services offered by the EBRD for partners of the banks, and the extension of the know-how of women that benefit from the initiative. In 2018, around 400 new customers benefited from this subsidised loan. A major contribution was provided by Banca Intesa Beograd which in 2018 disbursed more than 3.3 million euro of subsidised loans to 386 new customers. Intesa Sanpaolo Bank Albania, after having disbursed 2 million euro to customers in the loan's first year (2017), disbursed more than 300,000 euro in 2018. Considering the growing number of applications, Intesa Sanpaolo Bank Albania began negotiations for a second credit line of 5 million euro, which was finalised in January 2019.

WOMAN VALUE COMPANY AWARD

In support of gender equality and the development of the role of women in the business world, Intesa Sanpaolo promoted a number of initiatives and sponsors some major awards. In particular, together with the Marisa Bellisario Foundation, Intesa Sanpaolo founded the "Women Value Company – Intesa Sanpaolo" award in 2016. In its third iteration in 2018, the award is given to small and medium-sized enterprises that have implemented concrete and innovative policies and strategies to guarantee men and women equal opportunities and equal recognition in their careers. The Group intends to keep encouraging the implementation of gender diversity management projects and, at the end of the third iteration, the organisation of an Elite Lounge dedicated exclusively to female businesses is scheduled.

SUPPORT FOR INNOVATION

March 2018 saw the launch of the Intesa Sanpaolo Innovation Center, which liaises with the innovation ecosystem with the goal of supporting the development of the new economy in Italy, exploring innovative business models to develop the necessary expertise to support the long-term competitiveness of the Group and its customers.

DEVELOPMENT AND GROWTH OF START UPS

First and foremost, the Intesa Sanpaolo Innovation Center handles the promotion and mobilisation of know-how in the field of innovation, which includes the assessment of start-ups, the analysis of innovation trends, and the development and coordination of applied research workshops for the creation of new assets and expertise, including through collaborations and partnerships with research institutes and universities.
It focuses specific attention on the development of start-ups through the planning and implementation of innovative business services (coaching, acceleration and scale-up programmes), as well as products designed to finance their growth.
In this area, the Intesa Sanpaolo Start up Initiative [i] continued, an international acceleration program that selects the most promising innovative companies, prepares them to face the market with coaching initiatives, and introduces them to players in the innovation ecosystem. The best start-ups are presented at specific events (Arena Meetings): seven initiatives were held in 2018 (Social Ventures, two in Biotech, Healthcare, Agritech, Cleantech and Fashiontech). In 2018, around 520 start-ups in the various sectors involved took part, with over 110 receiving training. Of these, 60 were presented to around 770 guests who were potential investors, corporate customers and stakeholders in the innovation ecosystem.
In addition, the 'Officine Formative' project provides online acceleration courses for early-stage start-ups aimed at providing the necessary entrepreneurial skills, free of charge, to create and launch a start-up on the market and raise capital from investors. There are 21 courses on the site, with over 100 lessons on various topics. So far, over 1,500 hours of lessons have been provided on the website to over 3,400 registered users.

Programmes for enhancing the potential to internationalise were also held, with assistance and consultancy services for innovative start-ups, and professionalisation courses aimed at bridging the skills gap in order to operate abroad were organised. Business development services were offered, with support given to innovative start-ups in the analysis of the potential target markets and competition's characteristics, as well as in identifying the most suitable business opportunities and technological solutions.
The Intesa Sanpaolo Innovation Center worked collaboratively on the introduction of a qualitative pricing model for innovative early-stage businesses in the Group. The Diligence Assessment Tool Scorecard (DATS), which supports traditional credit assessment based on economic and financial aspects, aims to support managers and lending decision-makers during the loan application assessment phase, supplementing assessments with a long-term vision that harnesses the growth potential of start-ups and enables these businesses to access credit more easily.

OPEN INNOVATION

Open innovation includes the range of consultancy services for new solutions and enabling technologies for the transition of businesses to the Circular Economy, and more generally for supporting the innovation of businesses, as well as the development of platforms and initiatives designed to help match innovative supply and demand by pairing businesses and tech start-ups.
In particular, in collaboration with the Intesa Sanpaolo Innovation Center, Intesa Sanpaolo manages the Tech-Marketplace, a digital platform that promotes interactions between start-ups and small/medium-sized enterprises, with approximately 5,200 businesses representing the demand for innovation and around 11,000 technology supplier profiles.
Specific R&D workshops were also set up by the Intesa Sanpaolo Innovation Center to create new assets and skills, also through collaborations with research institutes and universities. The model used by the workshops is based on know-how transfer and mutual exchanges between the academic world, the Group and corporate customers. In particular, the Artificial Intelligence workshop was launched in partnership with the ISI Fondazione of Turin with the aim of designing, developing and trialling mathematical models and algorithms as part of applied research projects on issues of interest to the Group and/or customers.
For the second consecutive year, Intesa Sanpaolo was main partner of B Heroes, a business talent and acceleration course aimed at highly innovative start-ups and businesses designed to reward and provide the selected companies with various training support, mentoring, empowerment and coaching services, as well as access to financing.
Finally, the Intesa Sanpaolo Innovation Center oversees the development of the network and culture of innovation with events and information initiatives both inside and outside the Group, that are also promoted via a network of specialist representatives that work for the Regional Governance Centres of Banca dei Territori Division. These initiatives contribute to strengthening the Group's position as an innovation leader, developing relations with other institutional stakeholders in the national and international ecosystem in order to maximise all possible collaborations.

LOANS AND SERVICES FOR COMPANIES INVESTING IN INNOVATION

The Group provides many loans for businesses that invest in innovation and research, most notably Nova+, a loan issued on the basis of a technical and industrial assessment of the innovation and research project conducted by a team of engineers specialising in various product sectors, with the cooperation of prestigious Italian universities. 46 projects were financed in 2018 at a cost of around 54 million euro, an increase compared with 2017 (34 projects for around 32 million euro) thanks to the use of the FEI-InnovFin Guarantee.
In May 2018 on behalf of the Group, Mediocredito Italiano signed an agreement with the European Investment Fund (EIF) for the creation of a portfolio with an overall plafond of 300 million euro for new loans linked to research, innovation and development projects.
The InnovFin guarantee is issued by the EIF with the financial support of the EU, and aims to enable SMEs with specific innovation requirements and medium-low ratings to access credit more easily. 47 loans worth over 70 million euro were issued in 2018, while in 2014-2018 a total of 274 projects of a value close to 332 million euro were financed.
Moreover, as a Bank that grants specific public subsidies for research and innovation (in particular the Sustainable Growth Fund, managed by the Italian Ministry of Economic Development), Mediocredito Italiano financed 40 projects in 2018 with around 258 million euro of investments in the "Digital Agenda" and "Sustainable Industry" tenders, as well as in the Framework and Innovation Agreements. Overall, 174 Sustainable Growth Fund projects were financed in the 2014-2018 period, with a total investment of 857 million euro.

Responsible asset management and customer protection

COMPANY POLICIES

Asset management and the insurance coverage of customers are central to the activities of the Intesa Sanpaolo Group, and are ensured through organisational structures in business areas specialising in asset management, private banking and protection requirements with financial and insurance products and services. Based on the response to the customers' portfolio diversification requests on the basis of their needs (expenses, reserves, investments, pensions and protection) and specific goals in terms of the effective allocation of resources, the product and service range offered was gradually expanded from financial management and consultancy to the area of protection, which concerns all customers, from small to large assets, and from SMEs to large companies, with the due adjustment of the guarantees. The activity is therefore aimed at the development of financial and insurance products and advisory services to meet the welfare and protection needs of households and businesses, including in the long term.

Guidelines and Rules for the marketing of financial and insurance products clearly explain the obligation of operators to act in a transparent, fair and diligent way in the provision of investment services, as required by applicable legislation as well.

In the Group's Code of Ethics, as regards the principles of conduct towards customers, asset management's focus is to increasingly highlight social, environmental and good corporate governance criteria in investment assessments in order to promote balanced and sustainable development. With this in mind, the portfolio offered includes funds that apply selection criteria in compliance with the Principles for Responsible Investment, also with the aim of introducing sustainability dynamics in businesses and in customer choices. Eurizon Capital has also signed up to the Italian Stewardship Principles, which define the procedures for exercising administrative and voting rights in listed companies, in order to stimulate discussion and cooperation about social and environmental sustainability issues with listed issuers that the company invests in. In 2018, Eurizon adopted its own Engagement Policy in which it reiterates its commitment to carrying out in-depth research and to instilling a fruitful dialogue with the management and/or control bodies of the relevant issuers.

Describing itself in the 2018-2021 Business Plan as the leading Wealth Management and Protection company in Italy and Europe, and in its role as bank and insurance company, the Intesa Sanpaolo Group seeks to be a partner that is able to manage all of the assets and risks of households and businesses through a structured array of family welfare solutions and targeted insurance policies, also including protection products as pension saving, business continuity and corporate welfare choices.

SUSTAINABLE INVESTMENTS

EURIZON

Eurizon is the leading Italian asset management company in the sustainable and responsible funds category[1] that for years has been committed to formulating and promoting new rules and conduct that focus on sustainable investment issues.

As well as adopting the UN Principles for Responsible Investment (PRI), Eurizon Capital is particularly conscious of the policies implemented by the issuers that it invests in, in the belief that healthy corporate governance policies and practices, which incorporate environmental, social and correct governance issues, are able to create value for shareholders in the long term.

To strengthen its control over the sustainability of its investments, Eurizon is assisted by its internal Sustainable and Responsible Investments (SRI) Committee (chaired by the CEO) and the Sustainability Committee (an autonomous and independent body that helps with the management of Ethical Funds).

The SRI Committee, set up in 2017, supports the Chief Executive Officer in setting out ESG-related (Environment Social and Governance) proposals to present to the Board of Directors by monitoring the exposure of assets in relation to the relative assessment indicators identified, and overseeing the escalation

1 According to market data from Assogestioni's Quarterly Map of Assets under Management of the 4th Quarter of 2018 (table 7) at the end of the year, its market share was 30.4%, with a range comprising 24 dedicated products (21 ESG funds and 3 ethical funds), assets of 5.6 billion euro and inflows of 2 billion euro since the beginning of the year. The Intesa Sanpaolo Group is first in the ranking, with an overall market share of 31%, 26 sustainable and responsible open-ended funds, assets of 5.7 billion euro and deposits of over 2.1 billion euro from the start of the year.

process relating to the securities of “critical issuers”. As well as the Chief Executive Officer, the Heads of the Investments Department, the Heads of the Control Functions, and the Corporate Governance, Corporate Affairs and Sustainability Heads also sit on the Committee.
The Sustainability Committee was set up in compliance with the provisions of the Regulation on managing open-ended mutual investment funds belonging to the Ethics System, and is composed of external persons of recognised probity and morality. It is responsible for periodically monitoring the investment choices of the ethical funds and the management strategy adopted by these funds during the reference period. If it comes to light that fund managers have diverged from the guidelines of the Committee, the Committee can make a request Eurizon to provide a detailed justification for the investment decisions taken. It then establishes guidelines for the methods of donating the proceeds from the Ethical System funds to social projects. In December, the Eurizon Board of Directors approved the donation of 120,000 euro to 13 deserving social associations/bodies/organisations that received a particularly positive assessment.
Eurizon Capital SGR has adopted a method for the selection of financial instruments that takes into account environmental, social and governance factors as an integral part of the investment process, aimed at curbing risks, including those of a reputational nature. The ESG and SRI principles are applied to all actively managed funds, whether they are benchmark or flexible ones (ESG criteria are not applied to passive/indexed products or investment solutions such as, for example, funds of funds and retail portfolio and unit-linked management).
In terms of actively managed funds, specialised ESG products were made which use an appropriate and specific internal rating system, and ethical products with specific benchmarks.
The selection made by the asset management company is structured on the basis of three phases:

- creation, by the Long-Term Sustainable Strategies office of the Investments Department, of a list of issuers with high exposure to ESG risks (critical issuers) and a list of issuers operating in sectors regarded as not socially responsible;
- sharing and verification of these lists with the Investments Department and the SRI Committee;
- monitoring of the observance (ex ante during the order preparation phase and ex post during the portfolio optimisation phase) of specific operating limits on investments in issuers operating in non-socially responsible sectors by the Compliance Department.

Operating limits are set in various ways with the following specifications:

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

With particular reference to the list of critical issuers, the SRI Committee of the asset management company coordinates and implements an engagement process, i.e. an active share ownership procedure formulated and enacted at various levels, from dialogue with the companies subject to scrutiny through to the activation of voting rights at shareholders’ meetings. It is implemented differently for:

- securities already in the portfolio. An 18-month observation period begins upon the activation of the engagement process to assess whether the issuer should be removed from the critical issuer list, after which time - in the event of a negative outcome - the process of the disinvestment of assets under management begins, according to timeframes that fit with the interests of the customer and, in any case, within three months of the decision;
- securities invested in for the first time (new securities). Purchases are conditional on the drafting of an Investment Case subject to the prior analysis of the SRI Committee, the results of which are presented to the Board of Directors for approval.

In 2018, Eurizon carried out 600 engagement initiatives with 450 issuers, with almost 22% (130 initiatives with 120 companies) primarily related to ESG issues.
At the end of the engagement activity (18 months of monitoring from June 2017), the process of disinvesting all securities (50 issuers) which did not provide proof of convincing actions that may have a short-term effect on the sustainability profile began at the start of 2019. The only exceptions were two issuers for whom the engagement process was extended.
With regard to active share ownership activities, the asset management company adheres to the Italian Stewardship Principles for the responsible exercising of the administrative and voting rights of listed companies, with the commitment to promote high standards of corporate governance. These rights are exercised transparently in the interest of the portfolio subscribers and market integrity, while maintaining a strong focus on limiting potential conflicts of interest.
In 2018, Eurizon Capital SGR took part in 102 shareholders’ meetings of select companies with listed shares on Borsa Italiana (62%) and the international markets (38%), voting on around 1,000 resolutions on the agenda.

In terms of actively managed funds, specialised ESG products which use a proprietary internal rating system were developed and offered to the public. The overall number of funds focused on this type of investment came to 21 products related to six families, with issue windows for different deadlines: the ten funds of the four families already active in 2017 (seven products from the Flexible Equity family, one ESG Target 40, one Sustainable Discipline and one Sustainable Global Equity) were joined by 11 new products, consisting of Absolute Green Bonds, Bond Corporate Smart ESG, the Eurizon Sustainable Discipline family with four products, and the Flexible Equity family of five products.
Consolidating its commitment to sustainable investments, in 2018 Eurizon Capital SGR began, on the appointment of Eurizon Capital SA (a wholly-owned subsidiary), to manage the Eurizon Fund Absolute Green Bonds. This Fund is an investment opportunity on the international bond markets that makes it possible to finance products related to the environment, with diversification by issuer and by geographical area. The managers select the bonds, mainly investment grade, using the criteria defined by the Green Bond Principles in order to support the growth of environmental investments.

EURIZON FUND ABSOLUTE GREEN BONDS - GLOBAL IMPACT REPORT

In November 2018, the asset management company drafted the first Global Impact Report regarding Eurizon Fund Absolute Green Bonds, which details the results of the quantitative impact analysis and the contribution to the UN's Sustainable Development Goals (SDGs).

The investments made in the first nine months (10 January - 30 September 2018) helped achieve key environmental and social impact results, such as:

- a generating capacity of 18 megawatts, thanks to the financing of plants that produce renewable energy; these plants produced around 28,000 megawatt/hours of energy;
- energy savings of around 480,000 kilowatt/hours thanks to investments in sustainable infrastructure (real estate and transport);
- a reduction in annual emissions of harmful gases of over 19,000 tonnes of CO_2;
- the saving and purification of over 74,000 litres of water through investments in plants and production processes;
- the recycling of 13 tonnes of waste;
- 20 jobs created by the entire portfolio.

For every million euro invested, the following results are obtained: 241 megawatt/hours produced, 640 litres of water saved or purified, 166 tonnes of CO_2 saved.
The Fund also contributes to meeting various Sustainable Development Goals (SDGs) - every bond in the portfolio can contribute to one or more goals - including: 9. Industry, innovation and infrastructure (76% of the portfolio), 7. Affordable and clean energy (71% of the portfolio), 3. Good health and well-being (65% of the portfolio), 13. Climate action (64% of the portfolio), 11. Sustainable cities and communities (64% of the portfolio), 8. Decent work and economic growth (42% of the portfolio), 12. Responsible production and consumption (28% of the portfolio), 6. Clean water and sanitation (25% of the portfolio).
At the end of 2018, the fund's assets amounted to 152 million euro.

The assets of the funds of the asset management company that meet sustainability criteria (ESG) amounted to almost 4.5 billion euro (just under 1.5% of the total and around 6.6% of the assets of Italian funds).
The range of products and services is completed with the management of three ethical funds, characterised by the a priori exclusion from the investable universe of all companies involved in activities considered unethical, such as nuclear energy, arms and tobacco). All the products belonging to the "Ethics System" envisage the donation of proceeds. The amount of assets under management in the area of Ethical Funds amounted to over 1.1 billion euro in 2018 (1.7% of the total amount managed in Italian funds).
All in all, the assets under management in funds meeting sustainable and ethical criteria (24 products at the end of 2018) amounted to over 5.6 billion euro (over 1.8% of the total and around 8.2% of Italian funds). In general, the performances of both ethical funds and funds managed with ESG criteria were negative due to the market's own performance, with the results largely in line with the market or the reference benchmark.
In addition, Eurizon manages 13 mandates relating to 11 customers characterised by sustainability criteria, making for almost 2.6 billion euro. In particular, the services provided for these mandates concern the choice of ad hoc benchmarks, supporting engagement and corporate governance activities, and the creation of exclusion lists when selecting investments.

Eurizon is involved in spreading awareness of issues, approaches and best practices relating to sustainability through public information events and also at an academic level. In 2018, Eurizon contributed as joint head of the ESG business simulation as part of the Executive Master's in Finance at SDA Bocconi, and held a course day at Politecnico di Milano (RIDEF 2.0 Reinventing Energy Master's).
In 2018, Eurizon regularly participated in working groups on sustainable finance (European Fund and Asset Management Association, European Banking Federation, Italian Banking Association and the Italian Observatory on Sustainable Finance of the Italian Ministry of the Environment).

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

Fideuram Intesa Sanpaolo Private Banking specialises in offering advisory services to meet the financial, pension and insurance needs of Private customers and High Net Worth Individuals.
As well as listening to and entering into a dialogue with customers for the continuous improvement of its service quality, it is also committed to spreading an appropriate financial culture in order to improve people's knowledge and awareness with regard to investment choices, including in relation to issues of social and environmental interest.
In the area of sustainable investments, Fideuram Intesa Sanpaolo Private Banking offers its customers two different products: Fonditalia Ethical Investment and Fonditalia Millennials Equity.
Initially proposed as a flexible bond, Fonditalia Ethical Investment expanded its mandate to include the equity segment and the use of third-party funds. The investment decision-making process combines principles of environmental and social responsibility (ESG) at an overall portfolio level with the goal of producing clear and measurable positive impacts for people and the environment at an individual investment level. The task of ensuring consistency between the actual composition of the portfolio and the ethical principles it is based on is entrusted to an Ethics Committee consisting of managers and experts from different academic and professional areas. In 2018, the fund was particularly active in the subscription of themed bonds. Performance results were negative due to the downturn in both the stock and bond markets.
Since June 2018, Fonditalia Millennials Equity has also been available: it invests in equity instruments, mainly issued by companies with a clearly defined business model, to fully capture the consumer habits of the Millennials (people born between 1980 and 2000, who are particularly conscious of ESG topics). The investment decision-making process combines financial and sustainability analysis in accordance with the following criteria:

- companies that do not respect the principles of the UN Global Compact and whose revenues partially derive from activities deemed harmful to people and the environment (e.g. fossil fuels, arms, pornography) are excluded;
- ESG assessment of securities in the portfolio, in order to assign a sustainability rating based on the quantitative analysis of data from external sources and a qualitative audit by expert analysts. The rating ranges from 0 to 5, with 3 being the minimum threshold for the initial inclusion of the security in the portfolio;
- creation of a system to measure the maximum weighting in the growing portfolio, according to the sustainability rating of the companies in which the investment is made;
- continuous controls of risk situations (disputes or relevant issues in the area of ESG) in order to enable the management team to carry out constant monitoring which, in particularly significant cases, can result in a red flag and a subsequent assessment of the merits of disposing of the investment in the company involved;
- establishment of a minimum sustainability rating goal for the portfolio (for the portion covered by the rating).

Around 12% of the portfolio is currently managed with a sustainability rating which has fallen below 3 over time, and there are no red flags in this area.
Also regarding the lines of portfolio management, Fideuram has developed new individual investment solutions, listening to expert advice on the selection of underlying instruments that fulfil the ethics and sustainability criteria. Indeed, the Fideuram Omnia Portfolio Management range was expanded during the first half of 2018, with the introduction of the Ego Sustainable line that invests in assets relating to a respect for social and environmental issues. Through the investments it makes, the line seeks to achieve the following Sustainable Development Goals: 7. Affordable and clean energy, 13. Climate action, 8. Decent work and economic growth, 12. Responsible production and consumption, 5. Gender equality, 10. Reduced inequalities.
Intesa Sanpaolo Private Banking offers its customers GP Mix Sustainable, a portfolio management line available since 2017 which involves an investment process aimed at identifying financial instruments using not only financial and economic criteria, but also specific sustainability assessments.
The assessment of countries and sectors is subject to criteria that recognises their contribution to the positive development of society and the protection of the planet.
In particular, the assessment of bonds and funds that invest in bonds issued by governments, companies and

supranational bodies is based on a combination of:

- negative criteria, to exclude direct investments that are harmful to people and/or the environment, such as fossil fuels, tobacco, arms, alcohol, gambling;
- positive criteria, to assess the capacity of each issuer and/or single issue to generate a positive impact on society and/or the environment (ESG);
- best in class, to select investments based on their ability to stand out in their segment or geographical area for their sustainability criteria.

The equity investment assessment follows the above criteria and also includes an analysis of the ability of companies to create positive impacts and/or proactively pursue social and environmental goals, as well as financial objectives, with regard to areas such as financial inclusion, climate change, health and quality of life, knowledge and technology, food and sustainable farming, water, sustainable transport and homes, to just name a few.
In the direct and indirect choice of financial instruments, the portfolio management prioritises, non-exclusively, governments, companies and supranational bodies aligned with the UN Sustainable Development Goals.

PHILANTHROPIC FUNDS

In the context of supporting the HNWI (High Net Worth Individual Unit) Department, Intesa Sanpaolo Private Banking has introduced philanthropic funds into its range of products and services, giving them impetus.
Philanthropic funding constitutes a legal instrument that stands midway between establishing one's own foundation and making a simple donation to non-profit organisations: this provides the donor with the option of retaining control and determining allocated funds, without being encumbered by management and administrative issues, because the community foundation identified acts as a philanthropic intermediary.
This funding can be done via community foundations promoted by banking foundations (such as Fondazione Cariplo, Compagnia di Sanpaolo and Fondazione con il Sud), representing a new and additional solution tailored to HNWI customers' requirements.

PENSION FUND WITH DEFINED CONTRIBUTION OF THE INTESA SANPAOLO GROUP

The defined contribution Pension Fund of the Intesa Sanpaolo Group has adopted selection criteria consistent with the Principles for Responsible Investment. It is regulated by a Code of Ethics that defines the principles of conduct to adopt in the area of sustainability and responsibility. During the year, guidelines for socially responsible investments were issued.
In 2018 the Fund decided to participate in two new engagement initiatives on the following issues:

- Governance, to examine the transparency of tax policies in major businesses. The top 20 businesses on the MSCI World index were asked to provide information on their tax risk policies and the consistency of these with their sustainability goals. Being multinationals, they were also asked for information on tax reporting in the various countries in which they operate;
- Environmental, to assess transparency on climate change risks, as established by the Task Force on Climate-related financial Disclosures, TCFD. The top 20 businesses on the MSCI Europe index were asked to state what measures they have taken in relation to transparency obligations concerning the disclosure of information on climate impact, particularly concerning the financial implications of climate change.

DIGITAL ECOSYSTEM FOR INVESTMENTS AND PENSIONS

In 2018, the concept for the new digital ecosystem for investments and pensions was developed, promoting a fully digital customer experience via an app. The basis was set out for the creation of new features that will allow Intesa Sanpaolo to continue its digital innovation process in the world of financial consultancy as well, thanks to the creation of new services conceived and designed to be 'mobile-first'. The priority development area in 2019 will be mutual investment funds, with the implementation of an app function that helps people, including young customers, to make their first investments in a simple and intuitive way. Subsequently the areas of Portfolio Management, Pensions and Life Insurance Policies will be developed. The process of dematerialising complementary pension plan products will also begin in 2019. The new ecosystem, which forms part of the Group's process of digitalising its products and services, allows greater interaction with investor customers with innovative and simple methods, also appealing to occasional savers.

INSURANCE SECTOR WITH SOCIAL IMPACT

Aware of the important role it plays as a driver of the social economy and supporter of people's well-being, the Intesa Sanpaolo Group is able to manage all of the assets and risks of households and businesses through a structured array of family welfare and risk coverage insurance policies. At an operational level, the Group's mission to develop a range of insurance products to meet the growing protection requirements of its customers is enacted through a strong partnership between the Intesa Sanpaolo Insurance Division, highly skilled in the insurance sector and strongly focused on broadening the series of products for households and SMEs, and the distribution network of branches which maintain an ongoing dialogue with the customer.

Indeed, the branch manager is the key figure in this consultancy model: with their skills always up to date, they are able to assess the future financial situation of customers, "take care" of them, and help them to embark on their personal and family projects with peace of mind, also thanks to the help and collaboration of around 220 insurance specialists that support the branches.

The Intesa Sanpaolo Insurance Division, made up of Intesa Sanpaolo Vita S.p.A., Intesa Sanpaolo Assicura S.p.A., Fideuram Vita S.p.A. and Intesa Sanpaolo Life D.A.C. (Designated Activity Company), plays an important role in developing the Intesa Sanpaolo insurance bank service model, seeking to establish it as an Asset & Risk manager for its customers, and in achieving the goals of the 2018-2021 Business Plan, which outlines the Bank's intention to become Europe's leading Wealth Management and Protection Company, focusing close attention on the development of the non-life business.

XME Protezione is the Intesa Sanpaolo Group's new modular and customisable insurance solution and satisfies, in a simple way, the numerous protection needs of customers in the Family, Health and Assets areas during all the stages of their life.

Thanks to XME Protezione, customers are able to combine guarantees belonging to different protection areas in a single contract and also to insure their loved ones, choosing diversified forms of coverage and benefiting from discounts that increase on the basis of the number of guarantees purchased.

XME Protezione enables policy holders to vary their guarantees and/or limits of liability in the life cycle, to meet the changing needs and circumstances of life while maintaining the same policy.

More specifically, with regard to the home, XME Protezione gives customers the opportunity to take out insurance for their property and its contents against fire, theft and other accidents such as the leaking of broken water pipes. In addition, in response to the growing demand for protection against the natural disasters that impact Italy on an increasingly frequent basis, the XME Protezione insurance solution was recently expanded to include coverage of damage caused to homes and their content by earthquakes, floods and cloudbursts.

With regard to health, the insurance offering ranges from the prevention of serious illnesses, providing specific solutions to the wide-ranging needs of customers. It also provides the option of integrating the cover and healthcare services included in the insurance package, with an additional service that will be launched shortly – XME Salute - which will allow access to a network of healthcare facilities (e.g. specialist consultations, physiotherapy services, laboratory tests) at discounted prices.

With regard to XME Protection, since it was made available in July 2018 across the Network, around 150,000 contracts have been entered into, with premiums of almost 33 million euro.

Relations with the community

COMPANY POLICIES

The Group plays an active role in the areas in which it operates. The Code of Ethics draws attention to the requirements and needs of the community: this commitment consists of various activities which tangibly contribute to achieving sustainable development goals at a global level, such as the promotion of solidarity initiatives with projects set up through partnerships, donations, the sponsorship of important cultural and social initiatives, and the protection and promotion of the historical, artistic and cultural heritage of both Italy and the Group so that it can be enjoyed by the public as well.
With the 2018-2021 Business Plan, the Group intends to become an increasingly important exemplary model for society, developing key projects such as:

- Intesa Sanpaolo programme for the needy, which entails the extension of the 'Cibo e Riparo per i bisognosi' ("Food and Shelter for the needy") initiative to guarantee 10,000 meals a day (3.6 million a year), 6,000 beds a month (72,000 a year), 3,000 medicines and 3,000 clothing items a month (36,000 drugs and 36,000 items of clothing a year) to people in need;
- Intesa Sanpaolo for culture, with the creation of a specialist unit for the promotion and proactive management of artistic, cultural and historical heritage to champion art and culture in Italy and abroad.

Projects and activities are promoted by the Group in order to respond effectively to the most important needs of communities, taking into account the objectives of the major international and national, public and private institutions that contribute to the determination of social policies. Actions are increasingly undertaken in collaboration with local entities and institutions in order to have a positive social impact. In line with the Group's core values, actions are carried out in accordance with the transparency and accountability criteria, and by implementing processes and procedures that aim to avoid any possible personal or business conflict of interest.

CONTRIBUTION TO THE COMMUNITY

Total contributions to the community by type [thousands of euro]	2018	2017	2016
Cash contribution to the community	61,685	49,637	46,412
Goods and services donated to the community	17	-	27
Contribution in terms of time	214	218	146
Operating costs	4,811	3,569	3,682
Total	**66,727**	**53,424**	**50,267**

In 2018, cash contributions were classified based on their reason and broken down as follows:

- About 54.9% consisted of investments in the community: contributions characterised by long-term plans and/or strategic partnerships and/or of sizeable amounts. This percentage is slightly up compared to 2017, and represents the most important part of the Group's monetary donations, demonstrating the strategic nature of its activities, geared towards long-term partnerships that can guarantee real benefits and value for the territory;
- 39.3% consisted of commercial initiatives (sponsorships) that contributed to social causes while promoting Intesa Sanpaolo's brand and business; This percentage is up compared to 2017 (37.2%);
- the remaining 5.8% consisted of non-recurring charitable gifts, of an occasional nature and for small amounts, including match giving initiatives (donations from the Bank during fundraising campaigns, combined with the donations from employees or customers).

The main action areas in which monetary contributions were made in 2018 were support for art and culture, amounting to 30.9 million euro (28.3 million euro in 2017), social solidarity for 9.1 million euro (5.5 million euro in 2017), economic development for 5.4 million euro (4.7 million euro in 2017) and education and research for 9 million euro, versus 4.7 million euro in 2017 (see page **177**).

DONATIONS

Parent Company donations are managed through the Fund for charitable, social and cultural donations set out in the Articles of Association of Intesa Sanpaolo and entrusted to the direct responsibility of the Chairman of the Board of Directors, who submits biennial Guidelines for the approval of the Board which set out the objectives, strategic priorities and theme-based policies, including an annual Plan for allocating resources. The Regulations govern the management of the Fund and define the precise mechanisms for the selection of the proposed entities and projects, maintaining the principle of absolute separation of the initiatives regarding donations from the pursuit of commercial interests. With regard to the entities, the Regulations provide for the exclusion from the list of beneficiaries of those organisations involved in legal disputes in matters relating to organised crime and the failure to respect human rights, peaceful coexistence and environmental protection. Only requests for specific projects with a clear social impact are assessed, and the institutions' ability to achieve the stated objectives in the project are preliminarily analysed on the basis of their previous direct experiences or that of similar bodies in terms of size and activity (track record). A rotation system is also used to ensure the widest and most flexible use of the Fund with a maximum limit of three consecutive years of supporting the same project. In addition, initiatives that receive sponsorship cannot be beneficiaries of donations at the same time.
An extract from the Regulations and biennial Guidelines are available on the Group's website.
As regards the risks of this activity, the Group has deemed that the area of donations is one of the potential areas that could lead to corruption. The Fund Regulations and the Group's Anti-corruption Guidelines have laid down precise rules to be followed in order to prevent such risks, which have been incorporated in the Fund's Operating Guidelines and in the digital donation request procedure.

THE CHARITY FUND IN 2018

In 2018, the Fund for charitable, social and cultural donations of Intesa Sanpaolo disbursed approximately 12 million euro to support over 900 projects carried out by non-profit organisations.
The target of allocating a high share of resources (>70%) to donations supporting projects benefiting more vulnerable sections of the population, operating according to an increasingly more stringent selection mechanism in relation to project and counterparty quality, has been exceeded by a considerable amount, being almost 92%.
In the 2017-2018 Guidelines for the Charity Fund approved by the Board of Directors, the priority Areas for action are the Social and Environmental areas, which have been allocated most of the available funds (72% of donations made in 2018), whereas a smaller percentage is allocated for Cultural activities, Religious and charity projects, and finally to Research. In particular, the social and environmental projects are selected on the basis of priority issues deemed relevant and urgent: activities in support of the earthquake victims of central Italy and the social and economic inclusion of migrants and immigrants. The Fund is open to actions that also support other areas, such as: employment; housing deprivation; health poverty, disease prevention, support, care and welfare of patients and their families; social inclusion (first-level priority); the fight against educational poverty and drop-out rates, support for those with physical and intellectual disabilities; preventing and combating violence (second-level); protecting the environment and biodiversity and amateur sport, the latter being only for locally-based donations (third-level). The main projects in the social and environmental area supported in 2018 included activities to combat violence against women, to prevent and combat the child maltreatment, to support psychologically vulnerable young people, to provide rehabilitation to children with learning difficulties, to combat truancy in disadvantaged areas and to promote the inclusion of the disabled. As for Research projects, since 2018 the Fund has decided to rely on the support of third-party assessors with expertise in the various areas (mainly medical research) in order to guarantee a more complete analysis based on a specialist examination.
To distribute donations more evenly across Italy (historically mainly concentrated in central and northern Italy), in 2018 dedicated meetings were organised with non-profit institutions in some cities in southern Italy, during which the rules and methods of accessing the Fund were explained in detail, with organisations given the chance to ask questions.
2018 also saw the formalisation of the group of universities tasked with monitoring and assessing those projects, for which contributions of equal to or over 100,000 euro are requested from the Fund. There are no restrictions in choosing the assessment body, and collaboration methods are set out directly by the body that proposes the project and the chosen assessment body. The Fund guarantees coverage of a maximum of 50% of the costs.

In line with the 2017-2018 Guidelines, the most significant projects supported by the Fund have included support for the earthquake victims of central Italy and the social and economic inclusion of migrants and immigrants, which have been granted a total of around 2.2 million euro.
In 2018, the Chairmanship decided to make part of the Fund's reserves available to contribute towards the goals of the 2018-2021 Business Plan and, in particular, to support food poverty initiatives aimed at guaranteeing the coverage or an increase in the number of meals distributed by charitable institutions across Italy, as established by the "Intesa Sanpaolo for the needy" project. In total, 2.5 million euro was donated to Caritas Italiana, Comunità di Sant'Egidio ACAP, Gruppi di Volontariato Vincenziano AIC Italia, Opera San Francesco per i Poveri and Piccola Casa della Divina Provvidenza – Cottolengo for the distribution of around 3,000 meals a day in 2018, equal to around 30% (over one million meals) of the total meals distributed during the year (approximately 3.3 million meals) with the support of the Group.
The collaboration with the International Subsidiary Banks Division continued in order to identify specific initiatives supporting the communities and areas in which the Group operates, with the aim of covering all of the countries in which its subsidiaries are present on a rotating basis. In 2018, the focus was on Romania and Serbia, and the target area was minors in difficulty. The projects supported in Romania concerned the social and medical rehabilitation of vulnerable minors in the district of Alba Iulia, Transylvania, handled by Medici per la Pace, and the formal and informal education of street children in Bucharest by Associazione Parada. In Serbia, support was given for a family strengthening programme in Obrenovac headed by SOS Children's Villages, and for a parenting support programme in various rural communities organised by the Novak Djokovic Foundation. The collaboration aims to disseminate new procedures for the selection and monitoring of projects among the International Subsidiary Banks, following the example of the initiatives taken by the Parent Company. The projects were given visibility through internal communication activities.

NOTEWORTHY SOCIAL INITIATIVES FOR THE GROUP

INTESA SANPAOLO FOR THE NEEDY: THE NEW PROGRAMME COMBATING POVERTY

The current economic situation in Italy has put a spotlight on the number of people living in poverty in the country, approximately 5 million individuals. What is more, forms of inequality are on the rise. To combat this, within the 2018-2021 Business Plan, the Bank has included the "Intesa Sanpaolo for the needy" programme, with the goal of supporting the most vulnerable people, providing them with 10,000 meals a day, 6,000 beds a month, and 3,000 medicines and items of clothing a month.
The programme is one of the country's key initiatives supporting those who find themselves in difficult circumstances. Thanks to its economic performance and strength, the Bank, with a portion of its resources, gives back to the communities in which it operates, and to civil society in general.
To implement the Programme, four lines of actions have been devised: the National Solidarity Systems for Meals, Shelter Provision, Medicines and Clothes. These, with the support of non-profit organisations, have allowed for 3.3 million meals to be distributed, 95,000 beds to be offered (exceeding the goals of the Plan), and 48,000 medicines (exceeding the goals of the Plan) and 36,000 items of clothing to be provided, fulfilling the commitments made.
These goals have been achieved thanks to social measures and actions conceived and promoted by the Bank, with a view to effectively and innovatively meet a wide range of needs. This new type of action is supplemented by donations supporting third-party projects.
Thanks to the structured dialogue concerning social emergencies with the leading voices of the community and co-planning round tables, high-impact measures implemented on a local and national level have been set out, that can also be replicated.
To develop the initiatives, partnerships were formed, including multi-year ones, with non-profit organisations, institutions and other corporate customers.
The Bank has promoted concrete collaboration ecosystems based on the values of reciprocity, responsibility and subsidiarity, with a circular welfare approach in which the relationships between the various stakeholders make it possible to contribute to the implementation of actions for the collective interest with long-lasting impacts.
The Bank reaffirms its exemplary role for the communities in which it operates, acting as an advocate for inclusive growth and social cohesion, core elements of the charitable foundations founded 500 years ago that paved the way for our banking Group.

National Solidarity System: Meals

Through its 4-year partnership with Fondazione Banco Alimentare Onlus, the Bank has launched a process to strengthen its ability to recover and redistribute leftover food, contributing to the distribution of 2.1 million meals a year to charitable organisations that help the needy.

In terms of primary needs, the "meal" projects for ill people provide support to the beneficiaries throughout mealtimes, where possible taken with their families, sometimes with a focus on food education.

The agreement signed with the Together ToGo Foundation - TOG, through which the Bank not only contributes to covering over 11,000 meals a year for young patients affected with serious neurological illnesses, but also involves them and their families in rehabilitation and educational courses, forms part of this commitment.

The partnership with Associazione Italiana Contro le Leucemie - Linfomi e Mieloma - AIL Milano e Provincia Onlus ("Italian Association against Leukemia-Lymphoma and Myeloma – AIL Milan and the Province Onlus") has the goal of supporting those who are required to travel considerable distances for healthcare treatment, by providing 66,795 meals per year.

On reaching this goal, it also contributed to the Charity Fund, guaranteeing over 1 million meals. Fondazione Intesa Sanpaolo Onlus also contributed to achieving these results as per its statutory vocation, which sees it make donations to support social canteens and dormitories, as well as to employees in difficulty and for study purposes.

All in all, almost 3 million euro was allocated for 3.3 million meals for the needy during the year.

National Solidarity System: Shelter provision

The projects dedicated to "Shelter provision" go beyond providing beds: the beneficiaries of the actions, children and adults with serious illnesses, have the possibility of being accommodated in spaces similar to homes, reducing their feeling of being hospitalised. The projects structured in this way guarantee vulnerable people a truly humane growth process.

To this end, the project launched with AIL plans to offer practical assistance to people forced to travel significant distances for healthcare reasons who - living far from Haematology Centres - require accommodation and services. The aim is to provide over 19,000 beds a year.

Concurrently, the project launched with City Angels pursues social solidarity goals in order to combat the severe marginalisation of homeless people: not only does it offer them practical assistance by providing 64,000 beds a year, it also enables social and job market reintegration processes to help people get back on their feet and regain their social and economic independence.

Fondazione Intesa Sanpaolo Onlus made its contribution to the shelter provision project, supporting, with a commitment of approximately 200,000 euro, 35 bodies that provide beds in dormitories for deprived individuals across a number of regions.

Overall, over 1.3 million euro was allocated for around 95,000 beds during the year, 130% of the set objective

National Solidarity System: Clothes

The aim of the projects dedicated to clothing for the needy is to help them maintain their dignity, supporting them with regard to one of their most sensitive needs, underwear, which can be difficult even for NPOs specialising in the collection of clothes to obtain.

More specifically, the Bank launched Golden Links, a project that seeks to provide for this need and guarantee the distribution of over 36,000 clothing items to around 9,000 individuals that have been marginalised (due to illness, the loss of employment, migration, previous imprisonment, housing problems etc.), providing them with significant help.

The cornerstone of the project is the collaborative action taken by the various parties involved. On one hand, the partners (Caritas Torino and Comitato S-Nodi, as well as the Bank and Goldenpoint) have launched an innovative co-responsibility chain, working together to combat one of the most significant forms of poverty. Meanwhile, on the other hand, Italian women and immigrants worked together to create clothes kits, which are then distributed by NPOs during social occasions and community events, with the involvement of the general public, during which families can also expand their network of "social ties".

National Solidarity System: Medicines

The project dedicated to combating educational poverty aims to give everyone an equal opportunity to access medicine. Thanks to the partnership with Fondazione Banco Farmaceutico Onlus, a project was launched to collect and distribute medicines that have not reached their expiration dates to charitable organisations that help people in need. The aims of the project are shared by all parties involved, and this ensured the initiative was a great success: 48,000 medicines were distributed in 2018 with new networks formed, particularly in areas of the country with severe social and economic difficulties.

A total of 250,000 euro of resources, including measures and actions implemented by Fondazione Intesa Sanpaolo Onlus, was spent on national solidarity in the area of clothes and medicine.

FOOD BANK INITIATIVES FOR THE NEEDY IN HUNGARY AND SLOVAKIA

CIB Bank (Hungary) continued its collaboration with the Hungarian Food Bank Association (HFBA). In 2018, 120 employees volunteered to take part in the well-established Hungarian Food Bank initiative held between 23 and 25 November, which made it possible to collect around 79 tonnes of non-perishable food from 36 stores across the country.
For the first time, VÚB Banka (Slovakia) also ran a food bank. These activities took place as part of the Giving Tuesday initiatives in Slovakia, in the month of November. 45 of the Bank's employees volunteered, collecting over 300 kg of non-perishable food in 13 cities and providing it to the Slovakian Food Bank for its storage and distribution to people in economic difficulty across the country.

BANK OF ALEXANDRIA - EBDA3 MEN MASR ("CREATIVITY FROM EGYPT")

Ebda3 Men Masr is one of the Bank of Alexandria's main Corporate Social Responsibility projects, launched in 2016 in partnership with the Egyptian Ministry of Social Solidarity, with the aim of supporting artisans that produce original handicraft using time-honoured techniques that have been passed down from generation to generation. Around 5,000 artisans and women from different areas of the country have benefited from the project, which has strengthened the most marginalised local communities and helped to preserve Egypt's traditional artisanal culture through the creation of objects such as ceramics, textiles and other traditional products. Bank of Alexandria has promoted this project in order to create shared value, becoming a partner of the communities in order to combine local economic growth and social development.
Ebda3 men Masr received an award from the Governor of the Egyptian Central Bank, Tarek Amer, for being the project with the biggest social impact in the banking sector in 2018.

PROJECTS TO SUPPORT CHILDREN

The Group is also involved in activities specifically dedicated to children through its support for major inclusion projects.

INTESA SANPAOLO'S EDUCATIONAL PROGRAMME FOR CHILDREN WHO ARE LONG-TERM PATIENTS

The Bank offers free crèches for children aged between 0 and 3 admitted to first-rate hospital oncology departments, intending to help them overcome the social and psychological isolation resulting from their illness. Cognitive and affective development is promoted through appropriate programmes, provided by qualified educators in an environment that is as calm as possible. The project also provides families with practical help in organising their lives and living with the illness. The Educational Programme provides mothers with significant support as, in most cases, they directly care for their child during their period of hospitalisation. In 2018, the Programme was launched in partnership with local cooperatives that form part of the PAN Consortium:

- in Padua, at the Paediatric Onco-haematology Clinic of the local Hospital (July);
- in Bologna, in the Paediatric Onco-haematology ward of Policlinico Sant'Orsola (October).

The Programme was also renewed in the hospitals that joined the initiative in 2017:

- in Turin, in the Paediatric Onco-haematology Ward of the Regina Margherita Children's Hospital in Città della Salute;
- in Naples, in the Paediatric Oncology Ward of Santobono Pausilipon Specialisation Hospital;
- in Monza, in the Paediatric Haematology Ward of the "Fondazione Monza e Brianza per il Bambino e la sua Mamma" inside San Gerardo Hospital.

Since the service was launched, 100% of the children of pre-school age in the partner hospitals involved in the project have been included in the long-term patient programme with positive results: healthcare and educational staff have noted considerable psychological and behavioural improvements in the 176 children involved.

SUPPORTING CHILDREN WITH COMPLEX NEUROLOGICAL DISEASES

Intesa Sanpaolo and Intesa Sanpaolo Vita, in line with the Group's commitment to vulnerable children, supports the NPO Fondazione Together ToGo Onlus – TOG, which has created a centre of excellence in Milan that currently provides free rehabilitation treatment to over 100 children with complex neurological illnesses. More specifically, the project supports around 30 children with nutritional deficiencies with specific rehabilitation provided by specialist staff (speech therapists, experts in swallowing disorders and physiotherapists) that work directly with the children and teach parents the necessary assistance techniques.

INTESA SANPAOLO PROGRAMME FOR THE INCLUSIVE EDUCATION OF CHILDREN AND TEENAGERS - THE WEBECOME PLATFORM

In 2017, Intesa Sanpaolo launched an innovative inclusive education programme aimed at primary school children to promote their inclusion and development of positive behaviour, responding to the need to address critical issues emerging in the area of childhood anxiety. The first phase of the project has come to a close, and addressed issues such as digital civic education, bullying and cyberbullying, diversity, addictions, food and nutrition (with a considerable focus on obesity and malnutrition), innovation and the development of individual potential. The issues were structured into eight courses, each with specific letters from the 'Alphabet for Growth' characterising them: M for maps to provide a guide to childhood disorders, U for uniqueness, T for together, C for closeness, F for flavour, A for aptitude, W for well-being, and R for relations. The free online platform at www.webecome.it, available at all times, has educational videos featuring experts, training videos, in-depth content and planning tools in order to organise engaging and positive educational experiences in class. Parents are offered sets of useful information to learn more about and help combat childhood anxiety, that can also help them to develop the potential of their children. The trial phase of the Programme involved 97 schools, over 2,000 children, 120 teachers and headteachers and around 55 parents in the regions of Piedmont, Lombardy, Veneto, Lazio, Campania and Puglia.

QUBÌ – QUANTO BASTA PROGRAMME

To combat a terrible phenomenon such as child poverty, which affects about 20,000 minors and 10,000 families in Milan alone, Intesa Sanpaolo is committed to supporting the QuBì Programme together with Fondazione Cariplo and partners Fondazione Vismara, Fondazione Invernizzi and Fondazione Fiera Milano.
The Bank has pledged to donate 3 million euro over three years, and has made specific tools available to facilitate fundraising, such as its network of branches and ATMs, and the For Funding fundraising platform.
A key initial result of QuBì was the creation of a complete archive of administrative data on poverty in Milan through the collation of data belonging to both the public and private sector. Subsequently, funds were provided for the opening of the first Emporio Caritas in Milan, and two Banco Alimentare hubs in two different areas of the city. As part of the Programme, Fondazione Cariplo also announced the Al Bando le Povertà! competition, which aims to strengthen the ability of Milanese Third Sector networks to support minors and their families with projects that improve their quality of life and help them recover from periods of difficulty.

ASSOCIAZIONE PER MILANO

In October, the Bank joined forces with the NPO Per Milano, which in the next three years aims to support projects for those most in need, particularly disabled and socially vulnerable children. As well as becoming a founding member of the association, the Bank also showed its consciousness of these issues by donating 200,000 euro to the programme dedicated to children.

TRAINING AND WORK PROJECTS FOR THE NEXT GENERATIONS

WORK-BASED LEARNING

Z LAB is the 3-year ongoing work-based learning course that third-year secondary school pupils attend until they are in the fifth year. The project covers all of the hours established by the Buona Scuola law (200 hours for high schools, 400 hours for technical and professional schools). Pupils spend every hour in the Bank with weekly modules (10 or 15 consecutive working days). As host company, Intesa Sanpaolo provides the students with a reference environment with interactive dynamic features, experiential workshops, project work and digital culture, so that they can discover and think about the world of work. Pupils are assisted by around 80 specially trained internal employees who assist as tutors during the workshop activities. Meanwhile, relations with the schools are managed by around 30 staff from the Personnel departments of the eight Regional Governance Centres who act as company tutors. All of the topics covered are contextualised in business activities, also with visits to the head office departments and talks with internal ‘spokespersons’. The first three years of the Z LAB project (the 2016/2017, 2017/2018 and 2018/2019 academic years) have involved around 2,000 students from 90 schools, hosted by Intesa Sanpaolo in 100 workshops, which overall have provided over 75,000 man/days (520,000 hours) of work-based learning activities. Z LAB workshops were organised in 15 different Italian cities.

The Savings Museum also contributed to the “Alternanza Scuola Lavoro” work-study project promoted by Intesa Sanpaolo and LUISS Guido Carli – Libera Università Internazionale degli Studi Sociali, with a series of training courses and workshop activities, based on the content of the Museum on major financial crises, entrepreneurship and the role of international financial institutions for the 600 students involved.

RELATIONS WITH UNIVERSITIES

During the year, the initiatives in progress in the academic sphere were systematically expanded, fostering collaboration between the Group’s structures to increase its presence in Italian and international universities, with the goal of supporting education and studies and developing the necessary skills for the competitive environment of the future.
Intesa Sanpaolo collaborates in various ways with around a third of Italian universities, providing services such as treasury management, special agreements for employees and student loans, as well as supporting teachers, 1st and 2nd level Master’s courses, student and PhD study grants, teaching posts held by Group employees for the benefit of the universities, and ad hoc projects. Its most notable contacts and partnerships with foreign universities include its collaboration with the University of Oxford.

PARTNERSHIP WITH GENERATION - THE PROJECT REDUCING YOUTH UNEMPLOYMENT

With the aim of contributing to reducing youth unemployment, the Group began a partnership with Generation, a global non-profit initiative created by McKinsey & Company in 2015. In 3 years, Generation has helped around 25,000 students from 100 cities in nine countries to graduate from school and enter the working world.
In Italy, the second European country after Spain, Generation launched its activities in 2018 through a non-profit foundation and began its first training programmes in the business sector.
Generation seeks to train around 5,000 youths in the next three years, and to help them enter the working world with an approach that brings together the demand for skills, the expertise required by businesses, and geographical areas with high levels of unemployment.

PROMOTION OF CULTURE FOR SOCIAL COHESION

Intesa Sanpaolo views its commitment in this sector as taking on a social responsibility, contributing to both the economic and the cultural and civil growth of the country. Consistent with this approach, the Bank's Articles of Association entrust the Chairman of the Board of Directors, after consultation with the Managing Director and according to the Guidelines approved by the Board, with the planning and management of the cultural initiatives of the Company and Group, with particular reference to the promotion of historic, archaeological and artistic heritage; in this role, the Chairman has a cooperative relation with the Chairman Emeritus.
The Guidelines approved by the Board of Directors became effective in 2009 with Progetto Cultura, the Bank's strategic container for cultural activities.
On the one hand, Progetto Cultura aims to enable an increasingly larger audience to access the increasingly significant artistic, architectural, publishing and documentary heritage of the banks that have become part of the Group. On the other, it aims to contribute to safeguarding Italy's cultural heritage.
The Bank's artistic heritage is promoted in various ways: through the study and scientific cataloguing of the works; restoration activities; museum projects for permanent displays of part of the collections (Gallerie d'Italia); the planning and organisation of temporary exhibitions; support for training and research scholarships for students in collaboration with universities; and the loaning of works to temporary exhibitions.
As part of the activities to audit the safeguarding and promotion processes of its artistic heritage, since 2017 Intesa Sanpaolo has introduced a process of recalculating the value of its most precious works of art at fair value, using the IAS/IFRS accounting principles. In 2017, the value attributed to 3,500 works (out of a total of 30,000), many of which classed as works of historic-artistic interest by the Italian Ministry of Heritage and Cultural Activities and exhibited in the three Gallerie d'Italia museum complexes, was therefore updated according to current market values in the financial statements at 31 December 2017 to 270 million euro, constituting part of an accumulation of architectural, historic and artistic assets amounting to over 850 million euro. The complex revaluation process involved: the standardisation of the data from different accounting systems representing the history of over 250 banks that have gradually become part of the Group; the benchmarking of some of the world's biggest banks involved in art and culture; and the adoption of standard criteria recognised at a national and international level for the determination of value, entrusted to specialist companies. This innovative process will continue in time and will be made available to parties such as research bodies, universities and the media as a best practice and fundamental component of the social and civil responsibility mission that Intesa Sanpaolo pursues as part of Progetto Cultura.
At the end of 2017, an internal unit was created within Intesa Sanpaolo (Art, Culture and Historical Heritage Head Office Department), which is dedicated to the protection, conservation and promotion of the Group's historic, artistic, architectural and cultural assets, as well as the management of the Group's cultural initiatives.
In particular, the unit is responsible for overseeing activities for the protection and promotion of historic, archaeological and artistic heritage and relative spaces, guaranteeing the management and promotion of its archive heritage. In the realm of culture, the unit is tasked with ensuring the design, organisation and implementation of the Group's cultural projects, as well as managing and enhancing activities to communicate and promote events, activities and partnerships.
Particular attention is focused on activities that allow these assets to be enjoyed by particular sections of the public, through numerous projects dedicated to vulnerable individuals (people with sensory and cognitive disabilities, foreign communities of immigrants, people living in difficult and marginal circumstances), with the goal of ensuring the complete accessibility of cultural heritage and establishing the museum as a space for participation and social integration. In particular, the main focus of the activities of the Gallerie is the ongoing commitment to eliminate the physical and mental barriers that can hinder access to their collections and to art in general, and to combating social exclusion with a view to serving the community.
In 2018, a number of initiatives organised by the Gallerie d'Italia were once again dedicated to disadvantaged and vulnerable groups of society. The most notable of these are detailed below:

Projects	Category	Description	Partner Entities	Events and Users involved
Gallerie d'Italia – Piazza alla Scala - Milan				
Disability Day Centres	People with motor and/or cognitive disabilities attending these centres	Educational activities	23 disability day centres organised by the Municipality of Milan	Series of events (about 19 in total, with the participation of about 230 people)
A few steps inside Milan's Museums	People suffering from Alzheimer's and their caregivers	Art Therapy	Fondazione Manuli Onlus	42 events, with around 30 people
For other eyes	Partially-sighted people	Museum collection visits for particular sections of the public	▪ IRCCS Fondazione S. Maugeri Pavia ▪ Museo Omero in Ancona ▪ Istituto Ciechi of Milan	4 guided tours with 90 guests
Affects – Art Effects	Individuals with mental health conditions	Vocational training course for accessing culture and welfare	Third Sector Familiari, Coord. Associaz. Milanesi della Salute Mentale ("Coordination of the Mental Health Associations of Milan"), Innovative Regional Project promoted by ALA Sacco	18 events for 12 participants
Art: a bridge between cultures Intercultural meetings	Citizens from abroad	Enculturation	FAI and Amici del FAI, Association for social advancement Connecting Culture and Comunità Nuova Onlus	8 guided tours conducted by cultural mediators (for about 200 people)
Welcoming political refugees	Guests of reception centres for refugees	Social integration	Associazione Farsi Prossimo	15 guided tours with 300 participants
Museo per Me	Initiatives for children and adults with autism spectrum disorders and Asperger's syndrome	Museum collection visits for particular sections of the public	▪ Specialisterne: training company for users with high-functioning autism and Asperger's syndrome ▪ Fondazione Istituto Sospiro Onlus	12 events with a total of 94 people involved
Gallerie d'Italia – Palazzo Leoni Montanari - Vicenza				
Summer in the Galleries; expressive workshops involving pupils with disabilities; Warp and wefts	Children, younger generations	Expressive workshops and inclusive sensory activities	Municipality of Vicenza, IPAB per i minori di Vicenza	50 activities with around 950 participants

Projects	Category	Description	Partner Entities	Events and Users involved
A Museum tells its story.	Citizens from foreign countries, people in difficult situations (due to mental or food problems, including traumatised people and those with disabilities)	Special museum visits	Municipality of Vicenza, ULSS 8 Berica (Centro diurno San Felic and Centro disturbi alimentari), Cooperativa Easy, Cooperativa Il Nuovo ponte, ANFFAS, Studio Progetto, ULSS 7 Asiago	28 activities with 290 participants
Art and memory	Residents of homes for the elderly and geriatric patients with psychological conditions	Special museum visits - art therapy	Homes for the elderly IPAB and IPARK Vicenza ULSS 8 Berica - Psychogeriatrics Department	12 activities with 160 participants
Music beyond the barriers	Patients in hospital, residents of homes for the elderly, day centres for the disabled and prisoners	Art and music workshops	Ensemble Musagète and IPAB San Giuliano (VI), Casa Circondariale S.Pio X prison, Cooperativa Il Nuovo Ponte	5 activities with 500 participants
Ideas to make progress	People suffering with mental health conditions	Special museum visits	ULSS 8 Berica (Day centre for psychological conditions); Gli Stati della mente/ Arka Associazione Culturale	6 activities with 160 participants
Accessibility	People with visual or auditory disabilities	Preparation of accessible routes	Unione Italiana Ciechi, Vicenza section	3 preparatory meetings with 15 participants
Gallerie d'Italia – Palazzo Zevallos Stigliano - Naples				
Museum for everyone, Fun with your fingers, Art and integration. Walking around Naples, A tactile book for curious little hands	Partially-sighted individuals	Special museum visits and educational and expressive workshops	Istituto Regionale Paolo Colosimo, Schools and education centres, Unione Italiana dei Ciechi e degli Ipovedenti ("Italian Union of Blind and Partially Sighted People"), Institutes and education centres	37 activities with 750 people
Feeling differently	People with partial hearing	Special museum visits	Ente Nazionale Sordi ("Italian National Agency for the Deaf")	3 events for 50 people
A day at the museum...	People with autism spectrum disorders	Special museum visits and educational and expressive workshops	ARGO enabling centre, FOQUS – Fondazione Quartieri Spagnoli	7 activities for 70 people

Projects	Category	Description	Partner Entities	Events and Users involved
I'm going to the museum, Introducing myself	People with Down's syndrome	Special museum visits and educational and expressive workshops	Associazione Italiana persone Down ("Italian Association for people with Down's syndrome")	20 activities with 200 people
Memory tiles,	People suffering from Alzheimer's	Special museum visits and educational and expressive workshops	Associazione Italiana Malattia di Alzheimer ("Italian Alzheimer's Association")	3 meetings with 45 people
Let's meet at the museum, Art meetings	People with pathological addictions	Special museum visits and educational and expressive workshops	LILLIPUT day centre, Aleph day centre	20 activities with 300 people
Beyond the confines, I identify...with my city	Women and children at risk of exclusion; citizens from foreign countries	Special museum visits and educational and expressive workshops	Social Cooperative Dedalus	20 activities with 150 people

In total, over 500,000 people visited the Galleria d'Italia museum complexes in 2018, including visitors of the exhibition space in the Intesa Sanpaolo skyscraper in Turin and of the XVIII edition of the Restituzioni exhibition at the Reggia di Venaria Reale Palace. Around 73,000 pupils and students from local schools took part in the free educational activities.
In 2018, 14 major exhibitions were organised and 140 works of art from the Intesa Sanpaolo collections were loaned to exhibitions in Italy and abroad.
In November 2018, Intesa Sanpaolo was presented with the Innovation in Corporate Art prize at the Corporate Art Awards at the European Parliament in Brussels. It was awarded the prize for its development of innovative collaborations with private collections, in particular the promotion of the Luigi and Peppino Agrati collection at the Gallerie d'Italia – Piazza Scala in Milan, for its international activities with the integration and the collaborations between collections from different countries, and for its innovation in measuring the financial impact of its art initiatives on the company financial statements when recalculating the value of Intesa Sanpaolo's historic and artistic heritage at fair value in the 2017 Financial Statements.
The Innovation in Corporate Art prize recognises Intesa Sanpaolo's extraordinary commitment to promoting the art collection, including through partnerships with world-leading cultural institutions, making the Gallerie d'Italia an institution of renown within and outside of Italy and contributing to the promotion of Italian culture across the world.
In this regard, the Group's key international collaborations included its involvement in the 20th anniversary celebrations of London's Estorick Collection, the famous Italian modern art museum which between 15 November 2018 and 20 January 2019 hosted two Umberto Boccioni paintings - Tre donne and Officine a Porta Romana ("Three Women" and "Workshops in Porta Romana")- belonging to the Intesa Sanpaolo collection and permanently exhibited in the Gallerie d'Italia in Milan.
There was also the major exhibition dedicated to Piero della Francesca (6 December 2018 - 10 March 2019) at the State Hermitage Museum of Saint Petersburg, one of the first projects in the three-year partnership between Intesa Sanpaolo and the famous Russian museum to promote, raise the profile of and spread the art and artistic mastery of Italy among a large international public.
There have been numerous collaborations between the two institutions: as well as this exhibition on the great Renaissance artist, three of the Russian museum's works (two paintings by Friedrich and a marble statue by Tenerani) were exhibited during the "Romanticism" exhibition at Gallerie d'Italia – Piazza Scala in Milan (26 October 2018 - 17 March 2019), while Juan Bautista Maino's masterpiece, Adoration of the shepherds, was an "Illustrious Guest" at the Intesa Sanpaolo skyscraper in Turin (22 December 2018 - 6 January 2019).
The Group has also formed a partnership with another important Russian cultural institution, the Pushkin Museum in Moscow which, having hosted works from the Intesa Sanpaolo's 18th century Venetian collection, lent the Group some of its masterpieces by the great Venetian masters, which made a temporary return to Italy. The paintings from the Pushkin were on display at Palazzo Chiericati in Vicenza, site of the civic museum, and at Gallerie d'Italia – Palazzo Leoni Montanari, the Intesa Sanpaolo museum, as part of the "The Triumph of Colour. From Tiepolo to Canaletto and Guardi. Vicenza and the Masterpieces of the Pushkin Museum in Moscow" exhibition (23 November 2018 - 10 March 2019).

INTESA SANPAOLO FOR CULTURE

Progetto Cultura is the channel which Intesa Sanpaolo uses to contribute to the cultural progress of Italy. Renewed every three years, the plan identifies and organises a series of activities in the field of art and culture, carried out independently or in partnership with other public and private entities (museums, foundations, universities, public institutions, and theatre and music companies). Intesa Sanpaolo's artistic, architectural and documentary heritage consists of thousands of works from the 5th century BC through to the 20th century, with around 1,000 of these permanently exhibited, including masterpieces by Caravaggio, Canaletto, Boccioni, Fontana and Manzoni. For these pieces of art, the Group is able to make use of over 20 prestigious buildings. Progetto Cultura has three main goals:

- supporting the activities of leading cultural and educational bodies and institutions;
- recovering historic-documentary heritage with the Historical Archive;
- restoring and historically and critically analysing its own art collections through the organisation of exhibitions and the opening of its own museum complexes to allow the public to appreciate them; safeguarding and promoting the country's cultural heritage through the Restituzioni project, the programme for the restoration of public works of art promoted and managed in collaboration with local cultural superintendences.

The Gallerie d'Italia forms the Intesa Sanpaolo museum centre, created with the aim of sharing the artistic heritage inherited from the 250-plus banks that have been incorporated into the Group – comprising over 30,000 works – with visitors. A selection of works is collected and displayed in three prestigious buildings belonging to the Bank - in the centre of Milan, Naples and Vicenza - which have been transformed into museums.

- Le Gallerie di Piazza della Scala in Milan was opened at the end of 2011 with the section "From Canova to Boccioni", dedicated to the 19th century collections of Fondazione Cariplo and Intesa Sanpaolo. Since 2012, some rooms of Palazzo Beltrami, the historic headquarters of Banca Commerciale Italiana, have hosted "Cantiere del '900", a project to promote and explore the 20th century collections. The exhibitions "Omar Galliani. Around Caravaggio", "Art as revelation. The Luigi and Peppino Agrati collection", "Pino Pinelli. Painting beyond the limits", "True perfection. The Capodimonte Cassetta Farnese" and "Romanticism" were held in 2018;
- Le Gallerie di Palazzo Zevallos Stigliano in Naples was opened in 2007 and completely renovated and extended in 2014. They host 123 works that show the development of the figurative arts in Naples and southern Italy between the 17th century and the early 20th century, alongside the biggest masterpiece of the Intesa Sanpaolo collections: The Martyrdom of Saint Ursula by Caravaggio, the final painting by the great Lombard master. The exhibitions "Leonardo. La Scapiliata", an illustrious guest from the Complesso Monumentale della Pilotta of Parma, "London Shadow. The English revolution from Gilbert & George to Damien Hirst", photography exhibition "Neapolitan metabolism. Luciano and Marco Pedicini" and "Rubens, Van Dyck, Ribera. The collection of a prince" were organised in 2018.
- Le Gallerie di Palazzo Leoni Montanari in Vicenza has been open since 1999, and was also renovated in 2014. They host a collection of Russian icons regarded by academics as the most important in the Western world (currently being rearranged) and a major collection of 18th century Venetian works. As part of the "Il Tempo dell'Antico" ("Ancient Times") project, groups of vases selected from the large collection of Attic and Magna Graecia pottery are displayed on a rotating basis. The exhibitions "Seduction. Myth and art in Ancient Greece", "Paparazzi. Photographers and stars from the dolce vita to today", and "The Triumph of Colour", which sees Palazzo Montanari and the Pinacoteca Civica of Vicenza welcome 18th century Venetian masterpieces from the Pushkin Museum of Moscow, were organised in 2018.

The 36th floor of the Intesa Sanpaolo Skyscraper in Turin has also become a Gallerie d'Italia exhibition space, and in 2018 it hosted the exhibition "Juan Bautista Maino. Adoration of the shepherds" from the State Hermitage Museum of Saint Petersburg.

In November 2018, the section of the museum that hosts the "Intesa Sanpaolo, formerly Cassa di Risparmio di Venezia" collection was opened at Fondazione Querini Stampalia in Venice. The collection of Venetian School paintings, sculptures and drawings from between the 16th and 20th centuries, the precious materials of the "Biblioteca veneziana" and the coins produced by the Venice Mint were entrusted to Fondazione Querini as part of a multi-year agreement.

Another of Intesa Sanpaolo's cultural projects is Restituzioni, launched in 1989 for the restoration of Italy's works of art and architecture. Every two years, in collaboration with public protection bodies, local cultural superintendences, the independent museums and the museum centres, the programme

identifies a considerable number of works that require restoration, finances this restoration, and promotes the works by organising temporary exhibitions and publishing the related catalogues. This commitment has made it possible to restore over 1,300 works of art for the public to appreciate. In the 2016-2017 two-year period, 212 works from 17 regions were restored, with a concluding exhibition at the Reggia di Venaria Reale palace in Turin, "The fragility of beauty" (2018).
As well as promoting its own works of art and those belonging to the public, the Bank also strongly supports Italy's leading museums, institutions and cultural initiatives, from exhibitions to festivals, focusing particular attention on promoting books and reading (Turin International Book Fair, Circolo dei Lettori in Milan). Its collaborations with leading European and international museums and cultural institutions – with exchanges of works, academic analyses and mutual promotions – underline its desire to extend its commitment to all those places, in Europe and the world, that share the Group's values and understand the importance of preserving and promoting the artistic and cultural heritage of the countries involved.
The 'Officina delle idee' "Workshop of Ideas" initiative seeks to offer young people, graduates and postgraduates valuable training opportunities in the world of art.
The Intesa Sanpaolo historical archive is one of the most important bank archives in Europe. Founded in 1984 as the historical archive of Banca Commerciale Italiana, it currently manages the documentary heritage of Cassa di Risparmio delle Provincie Lombarde (founded in 1823), Banco Ambrosiano Veneto (1892) and Banca Commerciale Italiana (1894) in Milan, and that of the Istituto Mobiliare Italiano (1931) in Acilia, Rome. All in all, around 12 km of documents, with papers dating from 1472 to 2006, over 7 million photographs (including the vast wealth of images from the archive of photographic agency Publifoto), thousands of videos, a collection of around 1,500 moneyboxes from around the world, as well as an iconography and museum section featuring great artists. As well as representing the history of the company, the historical archive is also a valuable public and cultural asset, as confirmed by its classification by the local cultural superintendences of Lombardy and Lazio as a collection of "particularly important historic interest".
In addition, Progetto Cultura makes an important contribution to the in-depth study of art, music, history, local traditions and public and private assets through the wide variety of issues touched upon by Intesa Sanpaolo's publications. Its publishing and music initiatives include series dedicated to works of art, the Bank's historic buildings, the storytelling activities relating to the art collections for children, and history, economics and documentary, art and music publications. The Vox Imago multimedia project is also of particular interest. Carried out in collaboration with the biggest national opera theatres, it makes use of educational aids for both teachers and students. Now in its thirteenth edition, the series aims to introduce the opera to a wider audience.

COMMERCIAL INITIATIVES IN THE COMMUNITY

Intesa Sanpaolo strives to respect the Group's principles and values (ethical, cultural and social) also in its partnership and sponsorship initiatives, and has always been very careful to select projects capable of conveying messages in line with the image and reputation of the Bank and Group.
Relations between Intesa Sanpaolo and local communities are developed through activities to promote: culture and knowledge; support for research and innovation to foster new economic and social development opportunities, with solidarity programmes and initiatives to promote sport; and sustainability as a value for businesses and a loyalty factor for customers.
The main cultural activities include the promotion of music, theatre, dance, cinema, art, publishing and reading, and photography, with a particular focus on young people.
To ensure that an increasingly wider public is able to enjoy and appreciate Italy's artistic and cultural heritage, the Bank collaborates with leading bodies and institutions.
Some of the most notable partnerships with major Italian theatres include: Teatro alla Scala, Turin's Teatro Regio, Teatro del Maggio Musicale Fiorentino, Teatro Comunale di Vicenza, Piccolo Teatro, Teatro Franco Parenti, and Teatro Piemonte Europa. One of the more notable projects is La Scala UNDER30, in collaboration with Teatro alla Scala, which seeks to get younger generations interested in opera and classical ballet. Key partnerships with major music, dance and performing arts festivals were also supported: MITO SettembreMusica International Music Festival, PianoCity Milano and Palermo, the Festival dei Due Mondi in Spoleto, Rossini Opera Festival, TorinoDanza, Torino Estate Reale, Torino Jazz Festival, Umbria Jazz and JazzMI, with around 80 concerts, and featuring big international stars and Italian and European up-and-comers in the world of jazz.
In 2018, Intesa Sanpaolo also collaborated with artist Roberto Bolle to create On Dance, a cultural week celebrating dance, with a large festival that took place in some of Milan's spectacular locales, featuring shows,

exhibitions, happenings, flash mobs, meetings and workshops. It continued its long-standing partnership with the FAI (the Italian Environment Fund) on the I Luoghi del Cuore project, that collects observation reports from the public concerning places of historic and artistic interest and landscapes requiring restoration work, by initiating the ninth census whose results are to be presented in 2019.Over the eight editions, there have been 5 million reports made in relation to over 35,000 sites, ranging greatly in type, across Italy. This is proof of an increasing need to safeguard the historic heritage and identity of Italy. To date, 92 restoration interventions have been carried out, bringing assets and sites back to the community.
Editorial and film-related initiatives were also promoted, such as Bookcity, Turin International Book Fair, La Milanesiana, Torino Film Festival, Capri and Hollywood – The International Film Festival, Festivaletteratura of Mantua, Premio Campiello.
The partnership with the Trento Festival of Economics was renewed once again in 2018, that revolved around the theme of "Technology and work". The festival's goal was to analyse the relationship between employment and new technologies to understand the impact that these have on the labour market. For the fourth consecutive year, Intesa Sanpaolo also supported the Festival Città Impresa ("Enterprise City") in Vicenza, an event devoted to industrial regions that provides an international discussion platform on issues relating to the economy, politics and culture, bringing together opinion leaders, businessmen and representatives from civil society.
For the first time in 2018, Intesa Sanpaolo supported the Memoria Festival in Mirandola; a biennial event dedicated to collective and individual memory being a social value and shared asset. Intesa Sanpaolo also took part in the Limes Festival, which saw Italian and international experts coming together in Genoa for three days of conferences and round tables on the most current geopolitical issues. As well as this, the activities organised for Matera 2019 - European Capital of Culture have begun, and will continue throughout 2019, with various events, exhibitions and original cultural productions planned, some of which will be set up in collaboration with the Bank.
Intesa Sanpaolo supports research as a means to promote new economic and social development opportunities, with collaborations with leading foundations and institutions, and also learning opportunities for young people and for promoting the inclusion of women in the workplace.
Along the same lines, there has also been the collaboration with the Intercultural Centre of the City of Turin: the Centre provides training to first and second-generation immigrants on issues forming the basis of intercultural relations, which can help bolster a sense of community and belonging to the city. On a similar note, Intesa Sanpaolo has been working in cooperation with Biennale Democrazia ("Democracy Biennale"), a permanent workshop on democratic practices and civilised coexistence.
Worthy of mention is the partnership with the Intercultural Foundation, which promotes and organises international exchanges between young students and also receives support with the provision of annual study bursaries for upper secondary school students, so that they can experience life and study abroad, being hosted by local families and attending a local school.
Support is also provided to research and study institutes, focusing on people and family behaviour, and more specifically, the Rapporto Giovani ("Young people Report") published by the the Toniolo Institute. This study examines young people in relation to politics and public engagement, with projects on the themes of family, careers and the future. In addition, there is the collaboration with the Luigi Einaudi Research and Documentation Centre on savings research and on Italians' financial choices, with a view to compiling a report on the choices and habits of families, focusing on their spending priorities, and new consumer and savings models.
The Bank once again gave its support in 2018 to the Food&Science Festival in Mantua, as its main partner. This major national and international science event hosts three days of conferences, laboratories and workshops to thoroughly examine and tackle issues related to food production and consumption in a creative and accessible manner.
With regard to inclusion, the Bank together with the Bellisario Foundation, promoted the third iteration of Women Value Company, a prize awarded to small and medium-sized enterprises that have stood out for implementing gender equality policies, to ensure men and women have equal opportunities and recognition in their careers.
With the Intesa Sanpaolo Innovation Center, business models of the future were explored to create assets and the necessary skills to support competitiveness over the long-term, and to act as a driver and an impetus in the new economy in Italy, with a specific focus on the more significant trends in our society, such as Industry 4.0 and the Circular Economy. Included among the various initiatives is the Bheroes programme, a platform that allows the Bank to:

- get into contact with new start-ups that are emerging on the economic scene, and promote those that are already customers, by providing acceleration, training and support programmes for them to grow, based on courses for mentoring, training support, empowerment, coaching, promotions and communications support, and access to backers;

- encourage experienced companies and start-ups to meet as means of creating connection points and promote growth and acceleration processes.

Other projects in this field worth mentioning relate to:

- Milan Digital Week, an initiative that sees all of Milan digitally “connected”, with more than 400 events across the city for residents. The initiative takes place over four days of discussions, exhibitions, points of interest, seminars, performances, shows, workshops, training courses and laboratories to discover the most unexpected aspects of digital Milan;
- Master TAG in Digital Transformation for Made in Italy, a training course that seeks to ensure the future growth of the Italian economy by educating professionals able to navigate companies through the digitalisation process, based on the implementation of new strategies, the use of digital technologies, and the creation of a new business culture.

On the social front, there is the notable example of the collaboration with the Umberto Veronesi Foundation, including through supporting the Lierac project RUN4ME, in which the funds collected from subscriptions are used for breast cancer research projects. Bank has also contributed together with Friends for Health Onlus and the A. Gemelli Policlinico Universitario Foundation to set up the Naples and Rome stages of Tennis & Friends – Health and Sport…Sport is Health, with the aim of creating awareness for the prevention of thyroid and metabolic conditions. In addition, the partnership with the Juniors Project of Armani Basket Milan and the Level I University Masters in Strategies for Sports Business was announced, organised by Verde Sport in conjunction with the Ca’ Foscari University in Venice.

Responsibility towards the supply chain

COMPANY POLICIES

Intesa Sanpaolo is aware that the quality of supplier relations and procurement policies can create the necessary conditions for fostering economic development that is conscious of environmental protection and respecting human rights. In accordance with the principles of listening, transparency, equal opportunities and fairness espoused by the Code of Ethics and the social and environmental responsibility criteria promoted by the Group, in December 2018 the new Process Guidelines for procurement management were published, standardising the purchasing process and describing the roles and responsibilities of all company departments involved.

MANAGING THE SUPPLY CHAIN

The mission of the Procurement Head Office Department is to contribute, in accordance with the company's strategies and goals, to defining policies and promoting shared best practices in the area of procurement for the entire Intesa Sanpaolo Group. With this in mind, the Procurement Head Office Department, in charge of procurement in the area defined by the relevant guidelines and rules, oversees the purchasing process, guaranteeing the regularity and consistency of purchases by observing the relevant policies and internal regulations, also via an e-sourcing application called Supplier Gate.
The implementation of the Contract Management module (a single archive of contracts) was completed in 2018 and, together with the modules already activated in 2017 – Vendor Management (registrations with Supplier Gate and qualification of the vendor and third parties) and Sourcing (management of procurement events) – constitutes the complete Supplier Gate suite for the integrated management of the procurement process, in line with an approach increasingly focused on negotiation ethics and the competitive comparison of the technical and economic characteristics of the offers presented by suppliers and subcontractors.
Suppliers view the Intesa Sanpaolo Code of Ethics when registering with the Supplier Gate and, if they sign a supply or service agreement, pledge to respect the main relevant contents of the Code when performing their assigned tasks, including on behalf of their representatives, employees, workers and subcontractors. They must also read the Organisational, Management and Control Model (Italian Legislative Decree 231/2001) and the Group's Internal Code of Conduct.
The supplier selection process takes place during registration on Supplier Gate by means of an assessment that not only takes account of the organisational-technical and economic/financial characteristics of each supplier, but also includes analyses of their business ethics, respect for human rights, workers' rights and the environment. If the outcome of this assessment is positive, suppliers are registered in the Group Suppliers' Register and can be invited to procurement events. 3,161 suppliers had completed the Supplier Gate registration procedure as of the end of 2018.
With the aim of guaranteeing greater objectivity and transparency in the contract award phase and taking account of ethical implications and social-environmental impact assessments, purchases are made via a system that permits the impartial comparison of multiple offers and the tracking of all negotiations carried out. This consequently makes it possible to identify the best trade-off between the technical and administrative assessment (including social and environmental sustainability criteria) and a distinct and separate, purely economic assessment.

QUESTIONNAIRE, REPORTING, CONTROLS

With regard to the checks carried out on suppliers, when registering with Supplier Gate, suppliers fill in a compulsory questionnaire on social and environmental responsibility issues providing supporting documentation. This must be updated at least once a year. This procedure makes it possible to exclude suppliers that do not satisfy the minimum requirements of the system a priori, and to monitor suppliers regarded as suitable, who are given a rating. Furthermore, in order to ensure an assessment of the entire supply chain, the functions involved in the purchasing process have the ability to carry out direct checks and inspections, including through specific reporting procedures, in order to plan appropriate actions in the event of unsatisfactory ratings.
In 2018, the Procurement Head Office Department performed checks on over 15,800 documents uploaded on Supplier Gate. The checks relate to the completion and consequent updating over time of the compulsory documentation requested when registering with Supplier Gate (certificate of registration issued by the Chamber of Commerce, financial statement, tax compliance certificate, self-certification of professional technical qualifications) and the compulsory questionnaires.

According to special clauses included in the contracts used by the Procurement Head Office Department, suppliers that register with Intesa Sanpaolo's Supplier Gate must respect the main content of the Code of Ethics and the Internal Code of Conduct and undertake, when fulfilling their contractual obligations, to take all necessary measures to prevent relevant conduct pursuant to Italian Legislative Decree 231/2001, the anti-money laundering and anti-corruption regulation. On request, they must also present documentation attesting to their ongoing compliance with the social and environmental obligations they have undertaken, as well as the compliance of any subcontractors. By way of example, they guarantee that their treatment of employees in terms of economic conditions, wages, regulations, pensions, insurance and accident prevention aspects is above the minimum standards outlined in applicable laws, regulations or collective bargaining agreements (also in relation to category and geographical area). Standard contractual conditions oblige every supplier and subcontractor (if applicable) to operate in complete compliance with environmental, ecology and waste management laws (including laws on the circulation and disposal of waste electrical and electronic equipment) and, where requested, to document this compliance at any time.

Employees

RELEVANT ISSUES

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WHY THESE ISSUES ARE RELEVANT

Like the previous plan, the 2018-2021 Business Plan identifies the Group's employees as key to the further development of the Bank's business. Thanks to their professionalism, their range of expertise and their growth paths, together with the important technological investments made to ensure they are ready for the digital challenge, the people of Intesa Sanpaolo contribute to ensuring the excellent quality of customer services and the fulfilment of the Plan's goals.
The importance of the Group's people is evident in the company's full protection of workers' rights (in terms of the development of labour relations and employment protection), its personnel development activities (with particular focus on training and merit), its promotion of concrete development policies and measures, and its enhancement of a modern and integrated company welfare system. In addition, for some time Intesa Sanpaolo has also adhered to an Occupational Health and Safety Management System compliant with the most advanced international standards. The programmes adopted, also thanks to the numerous agreements signed with the trade unions, have made it possible to effectively protect employment levels through professional retraining activities, but also with the introduction and consolidation of numerous innovative contractual tools, that are able to foster the development of an effective company welfare system and establish a better work-life balance.

PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-issue	Projects/Indicators	2018 Actions/Results	2021 objectives
Job protection	People reassigned to high value-added activities	▪ 989 reassigned employees working on new priority activities	▪ 5,000 people reassigned to high value-added initiatives
	New hires	▪ 3,974 hires at Group level, of which 441 hires have specialised profiles	▪ At least 1,650 new hires to support core business growth
Labour Relations	Employees belonging to a trade union	▪ 77.84% in Italy (credit agreement) 31% abroad	▪ People acting as an enabling factor, including by means of a meaningful discussion with trade union representatives
	Signed trade union agreements	▪ 43 signed trade union agreements	

PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-issue	Projects/Indicators	2018 Actions/Results	2021 objectives
Employee growth and development	Training: hours provided	▪ 9.1 million hours of training	▪ 46 million hours of training in the 2018-2021 period ▪ 11.9 million hours in 2021
	Insurance sector training	▪ 218 protection specialists introduced to support branches ▪ 1.2 million hours of training and specialisation for insurance sector growth for over 34,000 people, supporting branches	▪ Training and specialisation for insurance sector growth: some 220 protection specialists supporting branches, some 30,000 trained individuals from branches
	Loan recovery training	▪ 4,700 training hours provided to 285 employees to consolidate loan recovery ▪ 191 employees managing customers in arrears	▪ Enhancing skills in loan recovery and creating a dedicated internal unit (1,000 individuals managing customers in arrears, out of 1,300 reassigned to lending priorities)
	International Talent Program	▪ The first iteration of the programme – currently underway – involves the participation of 104 employees (72 men and 32 women) ▪ The second iteration of the International Talent Program came to a close, with 120 new talents selected to take part in development courses	▪ Around 500 talents involved
	Managerial assessments	▪ 968 employees subject to assessment (55% men and 45% women)	▪ Career advancement paths for employees destined for managerial roles
	Employees participating in the LECOIP 2.0 incentive plan	▪ Over 80% of those eligible participating in the LECOIP 2.0 Plan	▪ Strengthening employee involvement through long-term incentive programmes linked to the Business Plan objectives
	Diversity Management initiatives	▪ New Diversity & Inclusion structure set up ▪ Introducing the Diversity & Inclusion objective into the assessment system of roughly 900 managers, constituting 10% of the overall assessment	▪ Promote diversity and inclusion
Welfare and quality of life in the company	Smart Working	▪ 11,582 participants in the flexible work scheme	▪ Flexibility programmes to improve staff productivity and satisfaction: smart working extended to 24,000 people in 2021
	Intesa Sanpaolo Employees' Association	▪ Over 145,000 members ▪ Over 4.5 million euro to support free time initiatives	▪ Promotion of welfare and work-life balance
	Group health fund	▪ 145 million euro of intermediate healthcare services net of excesses ▪ Over 200,000 people assisted	
	Company pension	▪ Over 95,000 subscribers to all Group Funds (Defined Contribution and Benefit) ▪ Over 9 billion euro of assets	
Health and safety	Injuries	▪ Inside the workplace: 260 ▪ Outside the workplace: 613 ▪ Injury rate: 1%	▪ Protecting employee health and safety
	Health and Safety Management System Certification	▪ OHSAS 18001 certification extended to all Italy branches	
	Health and safety training for employees	▪ 9,371 participants in health and safety training; 44,879 hours provided	

Employment protection

COMPANY POLICIES

The company's approach to managing issues relating to the protection of workers' rights is outlined in the Code of Ethics, which recognises the principles established by the fundamental conventions of the ILO (International Labour Organization) and in particular the right to freedom of association and collective bargaining, the abolition of forced and child labour, and non-discrimination in employment.
The applied collective bargaining system works on two separate and complementary levels; the first at national level and the second at company level for the Intesa Sanpaolo Group (second-level contractual structure).
The labour relations model, adopted and developed by the Group together with the Trade Unions, has promoted dialogue between the parties on a continuous basis. The model is a way of identifying the most suitable solutions and tools for addressing and managing the various growth and reorganisation phases that have marked the company's activities over the years, including those involved in the implementation of the 2018-2021 Business Plan. Concrete evidence of the way in which trade union relations are structured and developed at Intesa Sanpaolo can be seen in the creation and work of bilateral Company/Union bodies, formed with the aim of analysing, identifying and proposing positive actions, solutions and tools in the areas of equal opportunities, welfare, safety and sustainable development.

JOB PROTECTION

For Intesa Sanpaolo, job protection is a priority issue for guaranteeing its mid- to long-term financial solidity, and is also one of the key topics underlying the new 2018-2021 Business Plan. The development of labour policies is entrusted to a specific structure in the Chief Operating Officer Governance Area, which has the task of drawing up union agreements and monitoring their implementation.
Strategic measures include the strictly voluntary resignation, by June 2020, of 9,000 employees due to retirement or through access to the sector Solidarity Fund, and the hiring of over 1,600 new employees to support the growth of the business and facilitate generational change.
Employment within the Group was also guaranteed by the completion of the integration of the former Venetian banks' staff and structures, and by the gradual extension of the new mixed contract – a contractual solution whereby individuals possess two separate contracts, one part-time contract and one for self-employment service provision as a financial advisor. Job protection in the Group was also guaranteed whit the involvement of 5,000 people in a dedicated initiative (Proactive HR Inplacement) for professional redeployment to activities of greater value added.
In this context, the Intragroup Mobility structure and HR Proactive Placement oversaw the mobility tools and processes, verifying the availability of internal personnel and their necessary expertise on the basis of the identified requirements, while also guaranteeing the development of employees in new roles.
Since April 2018 the structure has also sought to manage over-capacity via a proactive internal reassignment scheme based on priority needs consistent with the Group strategy.
Furthermore, in line with the principles that form the basis of the new Business Plan, an agreement was signed in 2018 for the creation, and subsequent carving out, of a loan recovery management platform.
This process took place protecting the employment levels and professional skills of those transferred to the new company Intrum, external to the Group, and guaranteeing the ongoing application of the current second-level collective bargaining agreement. The reabsorption of service company Intesa Sanpaolo Group Services S.c.p.A. in Intesa Sanpaolo, implementing the previous agreements of 2009, was regulated in the same way, constituting an additional step forward in the corporate simplification process, another of the priorities of the new Business Plan.
As for employer branding, a communication and narration strategy was adopted for live events which in 2018 generated excellent levels of interaction and a notable increase in views of the LinkedIn careers pages (+56% versus 2017, with 317,000 views). The online job application experience was also improved thanks to the recruitment process support platform and the new area on the website (career site).
With almost 4,000 new hirings, the turnover rate in 2018 was -4.52%, in line with the application of the agreements signed in 2017.

LABOUR RELATIONS

As well as the industry outlook, relations with the Trade Unions are also regulated by the Labour Relations Protocol, which has made it possible to develop a specific trade union relations model in the Intesa Sanpaolo Group. Dialogue with the Trade Unions regarding company projects is ongoing, prompt and aimed at identifying shared solutions to the various requirements that come to the attention of the Parties from time to time.
This also takes place in accordance with trade union representation in Italy (77.84% of current employees), in line with national representation in the sector. 43 agreements were signed in 2018, dedicating plenty of space to define an integrated welfare system characterised by heavy investment and innovative initiatives in the area of work-life balance, inclusion, non-discrimination and sustainable development.
These results were achieved thanks to the activities of the Welfare, Safety and Sustainable Development Committee. This bilateral body, which adequately represents both the company and the Trade Unions, is supplemented each time by technical experts that are able to offer specific expertise on the issues in question.
In 2018, also in accordance with and in support of the new Business Plan, the Committee promoted a series of measures and actions that contributed significantly to the renewal of numerous agreements pertaining to the Group second-level collective bargaining agreement. In particular, the agreements of August 2018 guaranteed both the continuity and innovation of the reference regulatory framework of the entire Group, maintaining a strong focus on people.
The Time Bank, Flexible Work and the various initiatives for the development of policies and tools to address problems relating to the area of disabilities, and to promote the culture of inclusion, are just some examples that define and characterise the overall direction that the second-level collective bargaining agreement has been going in for some time. Within the overall process to renew the second-level collective bargaining agreement, there was also an evident desire to apply a new long-term incentive plan (LECOIP 2.0) – connected with the 2018-2021 Business Plan and following on from the previous Plan – to all Group employees: once again, the introduction of this incentive scheme was based on and guided by the principles of inclusiveness, merit and cohesion.

Employee growth and development

COMPANY POLICIES

The enhancement of human resources and the principle of excellence based on the recognition of merit are defined in the Group Code of Ethics and Remuneration Policies.
Dedicated platforms make it possible to implement structured performance assessment processes and to map skills and professional growth paths. Specific Guidelines define the performance assessment system for employees in Italy and abroad, which is characterised by indicators that gauge the quality of working performance and contribute to the creation of a management dashboard available to heads which is used to accurately and specifically guide managerial actions as regards the growth and development of employees.
The Remuneration Policies regulate the Group's remuneration and incentive systems, being based on the principles of: aligning the conduct of employees at all levels with the strategic objectives of the 2018-2021 Business Plan; merit, ensuring a strong connection with performance and the distinctive contributions made; sustainability, to minimise expenses as per the Group's strategies; and impartiality, which as well as promoting virtuous conduct, also makes it possible, through the adoption of a Global Banding system, to align remuneration based on the level of responsibility and company area.
In terms of diversity, the Code of Ethics promotes the specific qualities of each employee, recognising their key contribution towards innovation and the growth of the Group. At the same time, it guarantees equal opportunities in terms of professional growth and development and access to training courses and refresher and role assignment initiatives. In order to recognise the diversity of everyone's lifestyle choices and gender identity, specific company policies have been introduced to define the framework for the extension of company benefits to same-sex unions.

PEOPLE AND DIGITAL TRANSFORMATION

Intesa Sanpaolo has identified People and Digital Technology as key enablers for the achievement of the goals in its 2018-2021 Business Plan.
To this end, the three-year Digital & Data HR Transformation plan was launched with the aim of digitising human resources services and therefore making them easier and more transparent, harnessing the Group's vast data archive and making it easier to use for managerial and strategic purposes.
This digital transformation involves all Intesa Sanpaolo employees and also seeks to increase the knowledge of employees, thanks to data and information integration, as well as to develop individuals as best as possible, supporting the heads and the central management functions in their strategic decisions and HR management.
This therefore makes it possible to promote and support the change with effective, ongoing, profiled and social communications with a single point of access, and to optimise the work of employees in the HR functions, freeing them of administrative activities for the benefit of relationships.

#PEOPLE: THE PORTAL FOR THE PEOPLE OF INTESA SANPAOLO

The launch of #People, the new services and processes portal for Group employees, is an important step in the digital transformation process. Online since July 2018, it is the space dedicated to all people of the Intesa Sanpaolo Group. #People is a way of getting to know others better, simplifying and digitising processes and services, promoting intragroup mobility and bringing the HR functions increasingly closer to employees. A number of services were launched in 2018, including a personal profile where each employee can talk about themselves, their ambitions and experience, find their personal, contractual and salary information, as well as performance assessments, and access Jobs@ISP, the internal job marketplace with professional opportunities for all Group personnel, LECOIP 2.0 and the POP (Performance-based Option Plan), so they can see the value of their personal investment plan at all times. In addition, multimedia information is also published on #People to always keep employees up to date on events and major news. The portal dedicated to the people of Intesa Sanpaolo will continue to grow to provide increasingly simple, effective and digital services, and to free people of administrative activities so they can concentrate on business, interpersonal and greater value-added activities.

Employee Central – ISBD People Data is the application introduced in 2018, dedicated to the International Subsidiary Banks which consists of a database containing the most important personal and professional information on around 20,500 employees from nine Subsidiaries in ten countries within the area managed by the International Subsidiary Banks Division. It was one of the first modules implemented in the Digital Data HR Transformation process, and its main goal is to provide an up-to-date source of data for the development and creation of advanced reports.

ASSESSMENT AND INCENTIVE SYSTEMS

Performer 2.0 is the performance assessment system adopted by the Intesa Sanpaolo Group across all of Italy.
The structure dedicated to managing this process is Performance Management, part of the People Management & HR Transformation Head Office Department which, using the feedback received from the human resources structures of the Head Office Departments, Divisions and Group Companies, monitors and oversees the completion of all activities involved in each phase of the process.
The activity involves a comparison between the contribution of each employee in their role and the Company's expectations.
At the start of this process employees are asked to carry out a self-assessment, focusing on the effectiveness of their performances throughout the year.
The assessment forms contain qualitative performance indicators which provide a concrete evaluation of working performances, and are therefore easy for employees to understand.
The process concludes with an assessment by the manager and an interview with the employee aimed at sharing this evaluation and professional development goals.
Another tool used by managers when interacting with employees is the People Portfolio Management, which precisely and specifically shapes the actions of managers in the area of personal development issues.
Looking abroad, the new Performance Management system for the International Subsidiary Banks, the New Performance Appraisal Tool – NewPat, was developed during the year and since February 2019 has made it possible to assess the performances of all Head Office employees in the International Subsidiary Banks.
The system was given a rehaul, in order to be in line with the Group's policies in this area, and also in relation to

the IT platform designed to be integrated with the management systems of each country in the area.
The Feedback 180 project has also continued, a process which analyses the managerial performances of the heads of the structures in the Banca dei Territori Division (from Branch Managers – excluded – upwards) involving 452 participants evaluated (106 women and 346 men) by 4,562 total observers.
The roles, professional figures and relative development paths in Banca dei Territori and the Intesa Sanpaolo governance structures continue to be regulated by specific agreements with the Trade Unions which were renewed in 2018 and are fully covered by the second-level contractual structure.
The system Guidelines continue to be developed, taking into account the specific nature of the production context and the changes to the organisational and service model, on the basis of which roles, figures, development paths and relative indemnities are adapted in compliance with the instructions in the Business Plan.

SERVICE QUALITY AND EMPLOYEE INCENTIVES

The incentive system for personnel of the Intesa Sanpaolo network is intended to reward the work of the best teams and reward standout conduct, with a focus on achieving sustainable performances over the medium- to long-term in terms of profitability, expandability, credit quality, sustainable growth, service quality and a multichannel approach (measured by the so-called Composite Performance Indicator). The Bonus is awarded to up to 20% of the best-performing branches in each Business Area, on the condition that they achieve a minimum score on both the Composite Performance Indicator and the specific service quality indicator. Accounting for 25% of the Synthetic Performance Indicator, service quality is very important in determining the final score. This KPI is measured through four indices: the net promoter score and the indices of service, operational and credit excellence.

The quality of know-how is an increasingly crucial factor when it comes to success, the effectiveness of results and also when responding quickly to change. The Intesa Sanpaolo Group has therefore decided to adopt a model that enables it to identify, map, harness and develop professional know-how, to systematically collate the Group's wealth of knowledge using a reference and cataloguing tool, and to continuously fine tune, update and verify its knowledge. The aim is to enable people to share knowledge in #People, the platform on which employees can talk about their own personal and professional development.

SKILL UP FOR YOUR JOB

Through targeted campaigns, the Skill Survey project Skill Up for Your Job gathers together the know-how developed by employees inside and outside their professional spheres in a structured way. The process is organised into two stages: an initial self-assessment phase during which each employee has to indicate their skills with reference to both their organisational area and their previous professional experience, inside and outside the company, and a second step of validation by the reference manager. The aim is to complete the Skill Survey for the entire Group during 2019. The structured collection of skills will make it possible to launch targeted personal training plans based on the specific needs that emerge from the survey. The mapping and organisation of skills come together in the Skills Dictionary: a catalogue of the entire Group's know-how that provides a complete, consistent insight into the Organisation and which will also be used to implement mobility policies and plan training and development programmes.

Among the initiatives outlined in the Business Plan to maximise internal equity, external competitiveness and a culture of meritocracy, Intesa Sanpaolo has introduced a system to map the organisational positions in the company called Global Banding.
This system, based on a consolidated international methodology, objectively evaluates the relative value of different organisational roles, taking into consideration their complexity, type of influence and impact on the Group's performance.
This will make it possible to develop a framework architecture for the consistent management of HR management systems and subsequently to reward employees for their various professional skills, recognising the specific

attributes of the individual businesses and the different areas in which the Group operates.
The aim is to provide a cross-cutting view of the Group that facilitates the development of career paths, including between structures in different areas, and to make the responsibilities of each Manager easier to recognise, both internally and externally, including through a new international Titling system that currently covers around 2,500 managerial positions in Italy and abroad.
As for its Incentive Systems, the Group has both short-term and long-term Plans. With regard to the latter, two new long-term incentive systems were launched in parallel with the 2018-2021 Business Plan, in line with the changing regulatory and business contexts.
The Plans have the same timescale as the 2018-2021 Business Plan, and are tailored to different categories of the company's employees in terms of their purposes and instruments.
More specifically, to bring the Top Management, Risk Takers and Strategic Managers in line with the challenging and ambitious expected goals of the Plan, an incentive system based on performance conditions that uses an option vehicle called Performance-based Option Plan (POP) was introduced.
The POP guarantees a link between variable remuneration and the Bank's performance over time, paying out only in the event that value is created for shareholders.
Following on from the 2014-2017 LECOIP (Leveraged Employee Co-Investment Plan), the LECOIP 2.0. plan was set up for the other Managers and employees, and was warmly received by the Group's people, with over 80% of those eligible subscribing to the plan for an Initially Allocated Capital value of around 184 million euro
With the aim of rewarding all employees for their contributions to achieving the goals of the 2014-2017 Business Plan, as well as the efforts that will be required of them by the new 2018-2021 Plan, second-level agreements were signed for the pay-out of the 2018 Variable Result Bonus (VRB) and the Protection Excellence System.
The aim of the 2018 VRB is to reward the increase in profitability and productivity obtained by achieving the results of 2018, that are identified in the agreements in relation to the different company levels of reference (Group, Division, etc.).
The 2018 VRB consists of three parts linked to specifically identified economic and financial parameters and to specific clusters of the Group employees:

- The basic bonus, for every company level, role or seniority level, is designed to reward individuals for the collective contribution made, supporting those with lower salaries as part of an internal equality policy. As an extraordinary measure, in 2018 this figure was supplemented with a component called the Welcome Bonus, an early reward paid out in 2018 for the efforts that will be required to meet the profitability goals;
- The additional bonus, which recognises the contribution made to achieving the results of the relevant department, and varies according to role or seniority and professional category;
- The excellence bonus, which rewards individual merit and the distinctive contribution made to achieving the team's results.

The agreements also gave every employee the option to convert the basic bonus into shares. In addition, confirming the importance that the issues of assistance and services for families and work-life balance have in the Group's policies, employees once again have the option of requesting that all or part of their 2018 VRB be recognised in the form of welfare services, taking advantage of the opportunities that the tax regulations in the area of workplace productivity remuneration offer employees year by year. The agreements of 4 May 2018 between the Company and the Trade Unions with regard to the 2018 VRB and LECOIP 2.0 also allowed recipients of the 2018 VRB, among other things, to invest the shares originating from the conversion of the VRB share in question called Welcome Bonus in the new Certificate, paid out ahead of the 2018 VRB in June of the same year, for which the employee, on the basis of the agreement could exercise the option of conversion into shares. On subscribing to the LECOIP 2.0. investment plan, employees also received additional free shares called – matching shares – commensurate with their role or seniority.
In July 2018, the funds were invested in the LECOIP 2.0 Certificates which expire in March 2022, when people will not only be able to benefit from the sums invested and the discount on the matching shares initially assigned to them, but also from the yield on their overall investment, calculated exclusively on the basis of the increase in the Intesa Sanpaolo share price.
The Protection Excellence System (PES) is designed for employees in the Sales Network, and aims to reward business results in the Protection area, in accordance with the goals of the new Business Plan as regards the non-life business.
The setting out of the union agreements that underlie the creation of the VRB, PES and LECOIP 2.0 is overseen by the Labour Policy functions in collaboration with Remuneration Policies and Systems functions. However, the process is managed in coordination with the aforementioned functions by the Head Office HR departments across the country, to guarantee the fairness of the assigned objectives and the correct awarding of the identified bonuses.

TRAINING

Through the Development Policies and Learning Academy Head Office Department, the Group provided training and development activities for all Group employees, developing innovative multichannel methodologies that maximise learning accessibility and flexibility.
The training solutions are based on the key skills for each role/position, and prioritise digital channels with quick, simple and interactive engagement methods, supporting all learning and development approaches.
The approaches supported in particular concern the acquisition of new knowledge and skills in the context of the major transformations taking place that change the Group's roles and service models.
On the whole, the training activities provided over 9 million hours of training. In 2018, there was a further reduction in classroom activities due to the continuation of the digitisation of training which prioritises remote channels over traditional ones. During the year, the digital training platform Apprendo gained a foothold, and continued to develop and disseminate a wide range of digital content in different formats (video, audio, graphic, text) and with various learning purposes, and this was combined with short films of just a few minutes produced on the basis of highly structured rationale, methods and techniques. Content is accessible anywhere and anytime on all company devices, but can also be accessed at any time from other devices.
In 2018, access to the platform was extended to 67,900 employees in Italy and 1,600 non-domestic employees. To do this, around 320 priority roles were identified, with digital training developed and provided to them in Italian and English. In 2018, the platform supplied over 2,700 training tools, with around 69,500 users, and was accessed a total of just under 30 million times. Together with topics in regulatory fields, the platform provided specific content on subjects strictly connected with work activities, but also on soft skills like the organisation of working activities or proactive approaches to developing business opportunities.
In 2018, the new Business Plan consolidated the mission of the School of Managers App which provides to over 7,800 Managers and Talents the tools they need to keep developing. During the year, the School of Managers promoted internationalisation with the involvement of the Heads of the International Subsidiary Banks and those that reside abroad, a total of over 1,000 people.
Developed to provide management training content, the App was enhanced from a numerical, linguistic and content perspective in both the management and cutting-edge areas.
For example, the managerial content included the Feedback, Loyalty, Collaboration, Conflict, Aptitude and Storytelling sections, while in terms of cutting-edge issues, the Circular Economy, Robo Advisors, Digital Payments, Cyber Security and Artificial Intelligence were touched upon.
To increase familiarity with the guidelines of the Plan, the original content published on the App was reorganised in the Frontiers of the Plan section, which also contains in-depth video interviews featuring the Bank's Executive Managers. In 2018, the App had over 6,100 users and more than 560,000 views, with an average rating of 4.2 (on a scale from 1 to 5). School of Managers was used by the IT, Digital & Innovation Area to launch the Change Management programme with an integrated range of tools and content released via the app, and with phygital and one-to-one events to support Managers during a complete process of change and managerial growth.
With regard to future leaders, in 2018 School of Managers contributed to the International Talent Program with learning and development initiatives. Participants took part in both physical and digital activities through content in dedicated apps, a combination that resulted in strong levels of engagement.
One example was the Banking Foundations Training, a 4-module course in English that provided participants with an insight into the basics of banking and future trends through the accounts of people that work both inside and outside the Bank. In addition, through experiential workshops the Group's talents were able to hone their managerial skills (such as learning agility, effective communication and entrepreneurship) and developed a medium-term vision of areas relating to cutting-edge technology.
The participation in flexible home training continued in 2018. Smart Learning allowed all Branch Managers, Coordinators and Managers of the Retail and Corporate Areas (over 29,000 people) to exclusively dedicate time to their professional training for a total of over 5,000 days of training provided during working hours, also thanks to the distribution of around 9,500 shared branch tablets.

TALENT DEVELOPMENT

The formats for the hiring and recruitment of young talent continued to be implemented in 2018. Make it Real is the brand with which the Group has chosen to reach out to Millennials, offering them company business game experiences supported by internal tutors and managers, which end with the best talents joining the company. In 2018, eight editions were organised and customised in line with the needs of the company structures that requested them. Meanwhile, December 2018 saw the launch of the first contest for recent graduates, "Find your Talent", consisting of an inter-divisional and international training course forming part of the International Talent Program. The International Talent Program (ITP) has established itself as one of the most important talent development initiatives at a Group level. Launched in 2017 to develop a new generation of managers with an international outlook, the programme is aimed at a target group of employees who are professionals or

middle management. The key element of the programme is its personalised development courses of 3-5 years. Each course consists of inter-functional, inter-divisional and international work experiences, each of which lasting at least a year. The aim is to develop new skills – technical/specialised, behavioral and managerial – and an overall vision of the Intesa Sanpaolo Group.
All participants in the programme supplement their professional activities with involvement in specialist and managerial training initiatives in English in collaboration with leading Business Schools, international workshops focused on innovation, and project work initiatives closely related to the Group's business areas.
For each talent there is a sponsorship programme for the entire duration of the course, with the direct involvement of Group Senior Managers.
The first edition of the ITP is currently taking place, with over 100 people from across the Intesa Sanpaolo Group gradually completing their first rotation experience. In addition, the selection process for the second edition of ITP began in June 2018, and involved over 1400 employees identified on the basis of objective criteria.
The completion of the selection process in December 2018 made it possible to identify around 100 other new participants, for whom personalised development courses will be put together. This is an important step forward with regard to the Business Plan goal of developing talent, with the aim of strengthening the international middle management community through the involvement of around 500 employees by 2021.

INCLUSION AND DIVERSITY MANAGEMENT

The new Diversity & Inclusion structure was set up within the Chief Operating Officer Governance Area in December 2018. The aim is to foster an inclusive approach in the Company, incentivising the respect and appreciation of diversity and enhancing the assets of multiculturalism, experiences and the qualities of the Group's people.
The company population is fairly evenly spread between male and female employees (47% men and 53% women). There are over 14,000 female managers (executives and middle managers) in the Group, representing 28.7% of all female employees, largely in line with the 2017 figure.
Women managers account for 38.9% of all managerial staff.
The 2018-2021 Business Plan focuses on the issue of gender equality, introducing the Diversity & Inclusion objective into the assessment system of around 900 Intesa Sanpaolo Group managers. This objective entails the promotion of female talent to enhance the skills of the female workforce through specific initiatives, and accounts for 10% of the total evaluation. In terms of diversity and inclusion, Intesa Sanpaolo seeks to introduce personal development and management policies based on fairness and free of all kinds of discrimination. Inclusion and non-discrimination are values that underpin all corporate projects and instruments aimed at improving the Group's performance, cultivating talent and contributing to the work-life balance of all employees.
The theme is far-reaching and therefore involves various structures both in terms of the assessment of ongoing projects and the planning of new activities. Promoting diversity is first and foremost a managerial and organisational issue with specially designed initiatives to reward merit, promote a work-life balance, and support the return of employees after maternity/paternity leave and long absences. Paying particular attention to inclusion practices, in 2016 the Welfare, Safety and Sustainable Development Committee (a bilateral company-trade union body) focused on the management of age diversity and the problems that may arise from extending employees' working life in terms of professional development and integrated welfare policies.
As part of the process to renew the Group's second-level collective bargaining agreement, integrating the analyses, detailed studies and proposals formulated by the Welfare, Safety and Sustainable Development Committee, Intesa Sanpaolo and the Trade Unions signed a specific inclusion agreement in 2018. This agreement, reflecting the forecasts of the 2014 Protocol and supplementing the content of previous agreements in this area, plans to introduce a set of tools and solutions aimed at guaranteeing the correct and careful management of staff with disabilities from the moment they join the company through specially designed training courses for example, as well as supporting employees dealing with disabilities, illness or particularly difficult periods in their lives. The inclusion agreement also sets out the launch of two trial projects: one seeks to encourage people diagnosed with autism or autism spectrum disorder to perform data entry activities on behalf of Intesa Sanpaolo, through a specialised association, while the other entails work-study initiatives for pupils with intellectual disabilities, with the goal of potentially including them in the aforementioned work project.
These projects will be partly funded by the "Arrotonda Solidale" ("Round-down Solidarity") initiative, that sees for the contribution, on a voluntary basis among all employees, of the residual amount collected from rounding down the net monthly salary to the closest euro. In turn, the Company will contribute the remaining cents to make the contribution per employee a total of one euro.
In 2018, there were new hires of people with disabilities, respecting their specific requirements and tapping into their skills with the aim of including them in professional development plans.
In 2018, Intesa Sanpaolo once again received the Diversity & Inclusion Award, which is given to companies that

promote job placement policies for disadvantaged individuals, seeking to integrate them in the processes and work groups of various talents.

DISABILITY MANAGEMENT WORK GROUP SET UP

As part of the renewal of the second-level collective bargaining agreement, in August 2018 plans were made for the creation of an inter-functional work group made up of over 50 employees and coordinated by the Welfare Function, a point of reference for all issues linked with disability and illness within the company. Promoting the culture of inclusion, launching awareness and training campaigns, showcasing the skills and merits of people with disabilities and harnessing their talents, and guaranteeing the integration of each individual in the company despite there being limiting factors: these are just a few of the goals of the work group. The work group is also tasked with enhancing the welfare tools supporting individuals with disabilities and/or illnesses, on the basis of the proposals and priorities shared with the Group's Trade Unions. Completed and ongoing projects include Clouds of Solidarity, an initiative involving a group of volunteer employees in Milan, with the aim of supporting a person with reduced mobility every day as they arrive and leave their work premises. Meanwhile, in Turin, trained assistance dog Emma can accompany wheelchair users into the office, assisting them in their daily activities and helping them, for example, to pick things up and open and close doors, making them feel much safer in the process. As well as providing practical help, these examples are representative of a genuine support and social assistance network, made possible thanks to the emphasis that the Group places on these issues and the greater awareness of its people's needs, resulting in a shared sense of well-being among both those who provide and receive help.

DYSLEXIA FRIENDLY COMPANY CERTIFICATION

Launched in 2017 in collaboration with the Italian Dyslexia Foundation, the project achieved an important milestone in 2018: in December, the Intesa Sanpaolo Group was awarded the Dyslexia Friendly certification. The process of obtaining this certification consists of different stages, with the creation of an inclusive work environment requiring understanding and knowledge. Beginning with the collection and subsequent analysis of information on the Bank's characteristic business processes, the next stage involved training meetings for employees in the various structures involved. The best practices, tailored to Intesa Sanpaolo on the basis of the analysis performed, were compiled together in a Guide. Intesa Sanpaolo is one of the few companies in Italy to have taken part in the DSA Progress for Work project, which in Italy represents the first genuine effort to support companies and people affected by dyslexia, for the interests of both parties. The goal is the positive integration of people with dyslexia and other specific learning disabilities in the working world, as well as ensuring to harness their potential.

The Group firmly believes in respecting and enhancing diversity as a fundamental value for innovation and growth. For this reason, it is particularly active in supporting external initiatives on inclusion and gender diversity, and participating in various studies with the aim of measuring and monitoring its position and identifying any gaps that need filling. Intesa Sanpaolo continues to support Valore D, the association of businesses that promotes diversity and female talent and leadership for the growth of companies and the country. In one respect, the partnership is an ongoing opportunity to spread and develop the culture of inclusion through participation in numerous training initiatives, in courses aimed at developing skills, networks and careers, and in cross-company mentoring programmes, as well as in programmes for forming a dialogue with other companies. In addition, from a social commitment perspective, Intesa Sanpaolo continues to sponsor Inspiring Girls Italia, a project dedicated to lower secondary school pupils aimed at building their self-confidence and helping girls in particular to overcome the gender stereotypes that can hinder them in achieving their dreams and ambitions.
With regard to the International Subsidiary Banks, following the signing of the Diversity Charter in Croatia in 2017, PBZ, through various initiatives, strengthened its awareness activities in the area of diversity and inclusion within the day-to-day operations of the bank. One of these was the "How our diversity enriches our work environment" competition, which involved 160 employees with the aim of discovering and promoting the teams which in their daily activities collaborate and achieve positive results while respecting different points of view, ideas and other differences.

Employee well-being

COMPANY POLICIES

In terms of relationships with its employees, the Intesa Sanpaolo Code of Ethics promotes policies that help foster a better work-life balance; the concrete implementation of this principle takes the form of specific rules in the area of reconciliation.
Welfare is a priority area with actions designed to foster motivation and involvement, placing people at the centre with the aim of meeting their needs and those of their families.
Accordingly, the meetings between the company and the Trade Unions have often centred on policies to strengthen and fine-tune the instruments that make up the company's welfare package and significantly contribute to improving the work-life balance of employees and, as such, also their well-being.
Well-being that is also protected through the safeguarding of health and safety in the workplace via increasingly effective measures, as outlined in the Group's Health and Safety Policy and Code of Ethics.
The internal regulations establish a System of Roles and Responsibilities – in the shape of company rules and operating guidelines affecting many different parties – with regard to particular professional skills, i.e. specific company departments.

WELFARE AND QUALITY OF LIFE IN THE COMPANY

Intesa Sanpaolo has chosen a corporate welfare model that operates within an integrated system and includes: the supplementary pension, supplementary health care, the cultural, recreation and sports Association for Intesa Sanpaolo Group employees (ALI) and the Intesa Sanpaolo Foundation NPO, as well as Mobility management activities (see page **143**) and activities focused on the needs of people and work-life balance. The company welfare system seeks to address the key issues in order to establish the best possible work-life balance for employees and their families. It does this by promoting sustainable solutions and projects consistent with their expectations. The activities are managed and monitored by the Trade Union Affairs Department.
During meetings of the Welfare, Safety and Sustainable Development Committee, a bilateral body set up also with the aim of further improving the wellbeing of employees, representatives of the company and the workers dedicate specific sessions to analysing and examining issues relating to assistance, services for families and the more balanced use of time, identifying suitable improvement and awareness initiatives with the aim of reconciling the company's organisational requirements with the personal lives of its employees.
With the trial having finished at the end of 2015, the Flexible Work project continued in 2018, also in light of the new Business Plan objective of extending the initiative to around 24,000 people in 2021, involving an increasing number of structures and people across the Group (over 11,500 employees) and offering the possibility of working from home, from different company sites and from customer premises. Since 2017 it has also been possible to carry out flexible training at home. In 2018, Flexible Work was extended to Banca Intesa Beograd and to Intesa Sanpaolo Bank Albania. The project's goal was to promote an improvement in quality of life, whilst also increasing employee motivation and productivity. Banca Intesa Beograd introduced flexible working in May, along with flexible working hours, for a target group of 400 employees (36% of the Head Office structures). Intesa Sanpaolo Bank Albania launched a trial in December and will introduce the scheme in 2019.
Another innovative instrument is the Time Bank, introduced with the trade union agreement of October 2015 in the area of the work-life balance, that was fully functional in the following 2-year period, 2016-2017, and implemented with the renewal of the second-level contract in 2018. This reserve of time is made available by the company and employees so they can provide greater support for people in difficulty, even for brief periods, and give them more time. It is also an initiative that appeals to our generosity and spirit of solidarity because, in addition to the hours made available by the company, with an initial reserve of 50,000 hours, every employee has the possibility of donating some of their leave or holidays to the bank, which the company will then match, up to a maximum of another 50,000 hours. In 2018, 8,695 hours were donated, which were topped up with the same number of hours by the company, for an overall total of 67,390 hours. As part of the same Time Bank

initiative, a corporate volunteering project was promoted that let 397 people in 2018 carry out volunteer work, on working days for external associations and bodies chosen by the Group. A total of 2,926 hours of leave were granted.
Maternity and paternity support is provided through an excellent company crèche service in Florence, Milan, Moncalieri, Naples and Turin which looks after 255 children, and a network of partner crèches right across Italy. In 2018, the renewal of the second-level Group contract made it possible to consolidate and strengthen the tools designed to provide parental support, already introduced in the previous contract cycle. Indeed, fathers can request specific additional paid leave for the birth of their children, 10% of the sum granted by law for parental leave, 30% of their individual gross annual remuneration if they take an additional 10 days of leave once their statutory parental leave has finished, and additional days of unpaid leave and leave of absence for the illness of a child or for childcare reasons. The series of regulations on parental rights has been expanded, on a trial basis, to include an additional form of paid leave to settle children in at crèches or pre-school, and extra days of unpaid leave to care for underage children for separated or divorced parents, the exclusive guardians of children, as well as in the cases of widowhood and single-parent families. Also, as a result of the renewal of the second-level Group contract, the amount of allowance that the Company pays to employees with disabled family members increased. Furthermore, with regard to the Time Bank, new conditions were introduced relating to developmental disorders affecting minor children, which make it possible to request paid days of leave, enhancing and completing the instrument.
With regard to supplementary pensions, and with the first phase initiated by the October 2015 collective agreements completed, the absorption of the Cariparo Pension Fund and the Pension Funds of the former Venetian Banks into the Intesa Sanpaolo Group Defined Contribution Pension Fund continued. The second phase of the project was launched in 2018 with the aim of streamlining the defined benefit pension funds through the integration of the San Paolo Pension Fund in the Banco di Napoli Pension Fund to create the Intesa Sanpaolo Group Defined Benefit Pension Fund. The process involved a preliminary capitalisation offer made by the San Paolo Pension Fund to its subscribers, an offer which was subsequently accepted on a voluntary basis, and led to the subscribers being transferred to the Intesa Sanpaolo Contribution Fund. Over 90% of subscribers took this opportunity resulting in an overall capital of around 1 billion euro which has been in the process of being transferred to the Intesa Sanpaolo Contribution Fund since 1 January 2019, being added to over 6 billion euro of funds with a total of around 75,000 subscribers at the end of 2018. With the Fund, it is also still possible to take out additional insurance coverage, subscribe dependent family members and continue to subscribe to the Fund having reached retirement age. Among the benefits provided by the Fund within the customer area of the website, the feature for estimating the net amount payable for redemptions (within the context of termination, accessing the Solidarity Fund, Permanent Disability or Retirement), R.I.T.A. (Rendita Integrativa Temporanea Anticipata, *Supplementary Temporary Early Retirement Pension*) and advances (health costs, first time home buying, etc.) was enabled.

THE GROUP HEALTH FUND

As regards healthcare, the Group Health Fund, an NPO whose actions are inspired by cooperative and social solidarity values, offers subscribers and their families supplementary and replacement services for those provided by the national health service. In 2018, it provided its 201,000 subscribers with 145 million euro of services, net of excesses. Following the campaigns for cardiovascular (2016) and osteoporosis prevention (2017), 2018 was devoted to skin cancer prevention. Participation levels in this initiative were high, with 20,900 people taking part in screenings and 6,500 undergoing skin check-ups, with dermoscopy being used to examine their moles. On the back of this initiative, the Fund Scientific Committee has planned a new cancer prevention campaign for 2019 with a widespread programme of information and awareness-raising activities on lifestyle choices to reduce risk, and with a particular focus on colon and cervix cancer.

The International Subsidiary Banks Division renewed the International Healthcare Programme, an initiative that offers to foreign employees (excluding Pravex and Eximbank) with permanent contracts (over 19,000 people) second medical opinion (also extended to spouses and school-age children) and/or medical treatment in centres of excellence (only for the employee) in countries that are not their country of residence and/or workplace in the event of serious illnesses (cancer, transplants, highly complex surgical procedures etc.). As well as covering surgical costs, various other complementary services are provided (visa assistance, hospitalisation, accommodation for an accompanying person, travel etc.) and all expenses required to get to the chosen facility, stay in the foreign country, and meet medical costs

once back home are covered. Since 2018, for a number of the companies abroad, the programme has involved – on a voluntary basis and at the employee's expense – an option to guarantee treatment for family members as well (spouse and school-age children).
Another form of corporate welfare is the Intesa Sanpaolo Employees' Association (ALI), which seeks to bring people together by promoting innovative methods, personal services and initiatives to improve work-life balance. Since 2014, ALI has been the only Group association, and in 2018 its membership was roughly 145,000 members. It offers a wide range of services at both a local and national level, from social, tourism, cultural and sporting activities to personal services designed particularly for families with children and caregivers. For the children of members, as well as proposing a wide range of junior campuses in Italy and abroad, it offered – in cooperation with a specialist company – programmes to help them choose secondary schools, universities and/or their field of work. The Association gives a Christmas present to all children aged 1-6, and a one-off voucher for families of all babies born during the year. Members enjoyed a wider range of special offers made possible through agreements thanks to the launch of the first purchasing groups in collaboration with Destination Gusto, and a long-term rental partnership. In 2018, ALI began a process to better listen to its members and identify their needs and expectations so that it can devise its own operational strategies. Thanks to a series of focus groups, ALI was able to create a "materiality analysis", identifying the "material" issues, namely those that are key to understanding the impacts of the Association's activities and that influence the decisions of the most important stakeholders: the members.
Through Fondazione Intesa Sanpaolo Onlus (Intesa Sanpaolo Foundation NPO), efforts to combat financial and social hardship have continued, supporting employees, former employees and retired employees with difficulties, and the promotion of art and culture through the issuing of university and PhD study grants to disadvantaged students continued as well. Last but not least, financial support was provided for entities operating directly in the field of solidarity and social welfare, with targeted projects for people in need. The sum set aside by the Board of Directors in 2018 came to around 2.6 million euro, and included a significant allocation for canteens and dormitories for the poor and needy.

PEOPLE CARE

As part of the 2018-2021 Business Plan, the People & Process Care structure was set up in 2018 which, focusing on people and with an ongoing dialogue with employees, seeks to foster corporate well-being and contribute to organisational improvements in accordance with Intesa Sanpaolo's values and culture. In the fourth quarter of 2018, a project aimed at creating a Group People Care Model was launched with the goal of improving quality of life in the company, based first and foremost on the needs of employees. The aim was twofold: to promote and raise employee awareness of the numerous services currently available to people, and to contribute to developing new solutions to enrich and enhance the current range of services offered. To fulfil these goals, a suitable communication strategy is currently being implemented which, also thanks to the digitisation process, will allow employees to personalise and access the services more easily. Furthermore, the Group is also working on the introduction of a confidential and qualified listening service to support employees experiencing difficulties or personal problems.

COMPANY CLIMATE

The Intesa Sanpaolo Internal Communications Service is responsible for developing a common culture based on corporate values and fostering the sense of belonging of employees.
An integrated system which, as well as the structured consultation of employees, is made up of instruments like the Intranet, Web TV, Mosaico and Mosaico International that foster the continuous sharing of information, engagement, the sharing of objectives and active participation in changes.
In February 2018, interComm, the new Intesa Sanpaolo internal communications app, was added to this range of instruments.
Wherever they are, whether at work or at home, all the Group's people can keep up to date at all times with Headlines, Intranet news, Web TV videos and Mosaico articles directly on their company or personal smartphones.
Lots of activities were carried out in 2018. Firstly, a considerable focus was placed on the presentation of the 2018-2021 Business Plan, which was supported by information and engagement activities using all communication tools, and the Plan was sent to all employees in Italy and abroad with an email written by the CEO.
Structured listening is a tool that can provide support to the Top management and the company structures with regard to issues and specific requirements or project activities.
This year over 60 listening activities (feedback, surveys, focus groups, web focus groups etc.) were held in Italy and abroad, involving almost 50,000 people from the Group's Governance Areas, Divisions and companies.
In addition to these, three new initiatives involved all the people of Intesa Sanpaolo in Italy and abroad. The first of these is the Net People Impact Index which, created in the period from February to June, gauges people's energy and connection with the Group.
The second is Progetto Mission (Mission Project), a qualitative and quantitative survey held between July and October to gather useful information that the management can use to update the current Intesa Sanpaolo Mission on the basis of the 2018-2021 Business Plan, which in order to contribute to the stakeholder engagement process also examined Corporate Social Responsibility issues in a specific dedicated section.
The third was the Inclusion Project, a listening activity designed to verify the perceptions of all employees and their level of satisfaction with the inclusion measures already introduced, which also helps the company understand the degree to which both the Group and the collective are open and welcoming, at the same time highlighting strengths and potential new areas of development in this field.

MISSION PROJECT: PERCEPTION OF STRATEGIC COMMITMENTS MADE REGARDING CSR ISSUES THAT IMPACT EMPLOYEES

Launched primarily to gauge the general opinion about the Group's mission and values in light of the new Business Plan, the survey was an opportunity for the Group to verify, with the inclusion of specific questions in a dedicated section of the questionnaire, the way employees view the social and environmental goals set out in the Plan. The survey was distributed to almost 69,000 employees in Italy and around 20,000 abroad, and had a response rate of 51.6% and 41.5% respectively. Among the people-centric issues of the Business Plan, those regarded as most important by the Intesa Sanpaolo Group employees were the performance assessment and incentive systems, the training of people, welfare and quality of life in the company, the working environment, talent development and job protection. For example, in terms of the areas pertaining to the development, growth and well-being of people, employees in Italy believe that the Group's commitment to increasing the number of hours of training provided in 2018-2021 by 80% may have a significant effect on their professional and personal growth (75% of respondents), regarding it as an opportunity that effectively meets individual needs (59%). Furthermore, 68% believe that smart working, an instrument highlighted by the Plan as an initiative to expand, will be increasingly adopted in the future as it contributes both to improving the well-being of employees and reducing company costs, while others view it as an opportunity that improves their private lives without compromising their work (48%). Confirming the focus and importance that Group people place on CSR issues related to the business, all employees that took part in the survey agreed that priority should be given to the approaches that the bank should adopt. The most important of these was transparency and customer care, followed by the opportunity to prioritise sustainable investment solutions for customers, access to credit and financial inclusion for the most disadvantaged and vulnerable groups.

HEALTH AND SAFETY

The Safety and Protection Department is responsible within the Group for overseeing health and safety activities. Intesa Sanpaolo has adopted and successfully implemented an Occupational Health and Safety Management System identifying, within its organisational structure, responsibilities, procedures, processes and resources for implementing its policy on the protection of employees.
With the aim of enhancing the health and safety protection of its employees, since 2017 the Occupational Health and Safety Management System has undergone an annual inspection by an independent third party which certifies its compliance with current legislation and industry standards (British Standard BS OHSAS 18001:2007).
The responsibilities and methods associated with the implementation, maintenance, monitoring and improvement of the Occupational Health and Safety Management System (OHSMS) are contained in the Process Guide - Compliance Management - Management of Occupational Safety Regulations, updated in June 2018.
The Guide was produced with the goal of: reducing the possibility of any harmful event occurring that impacts people, the environment and relevant external parties; monitoring risks in the operations of the company and external businesses involved in the company's activities; and gradually improving the Group's performance in occupational health and safety.
The risks to the health and safety of employees are evaluated according to a multidisciplinary approach, considering the combined effect of the working environment, processes and equipment as well as the subjective conditions of workers
The health and safety risk management process comprises the following phases:

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

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

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

The assessment and the associated document are updated on the basis of technical developments as well as significant changes to the production process and organisational structure of the company that may impact on the risk exposure of workers.
This commitment was fulfilled in 2018 as well, with the updated document provided to all employees. In 2018, the risk management process at the Group's sites, implemented in close collaboration with the competent company functions, involved an action plan created to achieve an overall reduction in risk factors of around 27%.
The activities to update the risk assessment of all companies acquired as part of the Venetian banks operation were completed in the second half of 2018. The support programme for post-traumatic events (robberies, acts of verbal or physical violence and natural disasters) brought to the attention of the Prevention and Protection Service continued in 2018, providing medical and psychological support – tailored to the seriousness of the trauma suffered – for employees that have been victims of such incidents. 30 activities were organised involving around 120 employees.

OCCUPATIONAL HEALTH AND SAFETY 4.0 PROJECT

As part of the 2018-2021 Business Plan, a project was launched in 2018 to analyse the development of banking activities in relation to the digitisation of processes and the emergence of new technologies, which also aimed to understand their effects on the health and well-being of the company population. To guarantee total compliance with occupational health and safety regulations, also in terms of prevention, it is necessary to anticipate future scenarios and working methods in order to promptly develop risk mitigation measures (not just for employees but for all people who enter the Group's workspaces). Therefore, the Health and Safety 4.0 project takes its cue from a series of contextual elements such as the development of banking (e.g. flexible times and workplaces, smart working, connectivity, spread of new technologies, and changes to service, distribution and process models) and the gradual aging of the workforce in order to envision – with due medical support – the possible effects on the adaptation abilities and physical and psychological health of employees. It is an innovative project that may provide useful pointers in terms of cognitive ergonomics and technostress when organising the layout of new workstations and the content of programmes and procedures designed to give guidance for new activities. The first phase of the project involved a trial within the Safety and Protection Department with the creation of six virtual worksites focused on the following issues: 1) Census of information sources; 2) Types of workplaces and jobs; 3) Working processes and roles; 4) Equipment and applications; 5) Aggregated health indicators; 6) Work-Related Stress and Technostress risks. The results of the project will lead to changes to the Risk Assessment Document.

WORK-RELATED STRESS RISK ASSESSMENT

In 2018 the work-related stress risk assessment for staff that work standard hours in the Intesa Sanpaolo branches was updated. Employees from the network were involved through samples participating in meetings held by the Prevention and Protection Service at the Turin, Milan, Florence, Padua, Bologna, Rome and Naples sites in order to collect the assessments. The work-related stress risk assessment was also completed for the branches with the new layout: the preliminary assessment, set out in the INAIL methodology, was followed by an in-depth assessment phase with the collaboration of the Department of Clinical and Community Sciences of the University of Milan. Ten focus groups were organised in Milan, Turin, Bologna and Naples, with a number of managers, coordinators and directors from this new type of branch invited to take part. The analysis of the indicators did not reveal organisational conditions that could result in any significant work-related stress but, with an eye on guaranteeing excellence, some areas requiring monitoring and improvements did emerge, with various measures taken accordingly. In fact, the preliminary evaluation of the medical check-ups for branch employees showed a good general level of health among staff and a below-average frequency of stress-related illnesses. All the results of the assessment updates are noted in the Risk Assessment Document which is available to all employees on the Group's intranet.

Other important initiatives were held throughout the year including the updating of the assessment of the amount of time spent at video terminals for personnel that work in standard branches, hub branches and consultancy points. The method used was work sampling which, already employed in the Group for several years, is based on a statistical mathematical model which, following a significant number of samples, makes it possible to determine how much time a homogeneous group of workers spends at the video terminal. The analysis was performed on a total of 152 branches. All the assessments carried out established the list of homogeneous groups of workers exposed to video terminal risks and around 23,000 employees currently undergo medical inspections for this risk.In 2018, the seismic risk assessment methodology underwent a major development with the determination of the Level of Seismic Risk of properties. This index was determined for each property in a high-risk seismic area thanks to technical inspections and the detection of elements to gauge the levels of

danger, vulnerability and exposure in terms of the number of people in the building. With the most recent Risk Assessment Document, approved in July 2018, medical screening and medical surveillance practices were subject to a major reorganisation. The aim of the new protocols is therefore to assess the state of health of workers not just in terms of individual risks, but also with regard to their role responsibilities as a whole. Medical surveillance data plays a specific role in risk assessment and management through the introduction of specific analysis tools: for example, the Work Ability Index questionnaire has been incorporated within the health protocol and is used to assess the suitability of adopting support measures and/or the need to improve working conditions. Taking account of the need to harmonise the approach of the international subsidiaries also around the issue of health and safety, the Safety and Protection Department and the International Subsidiary Banks Division have set out a strengthening plan based on the Group's best practices and focused on continuous improvement, particularly from a health and safety governance perspective. The Safety and Protection Head Office Department and the Human Resources Department of the International Subsidiary Banks Division worked on defining a common approach that makes it possible to harmonise local practices in this area in accordance with national requirements and the Group's standards. The harmonisation process involved two main areas: organisational and regulatory aspects. From an organisational perspective, the function charts of the International Subsidiary Banks were reviewed in 2018, with the aim of integrating the various missions and activities, set out in compliance with local legislation, with those established by the Group's standards, based on the culture of prevention and continuous improvement. As well as organisational harmonisation, at the end of 2018 the Regulations for health and safety management systems were issued which, based on the main international Management System standards (BS OHSAS 18001 and ISO 45001), provide a concise but exhaustive summary of the responsibilities and obligations in this area and represent a key element in the development of the Group's strategy in this field. The adoption and effective application of the Regulations will make it possible to increase the current monitoring levels and to share this approach in compliance with legal requirements in different national contexts.

BRITISH OHSAS 18001:2007 CERTIFICATION FOR OHSMS

In 2018, the certification attesting to the conformity of the Occupational Health and Safety Management System with the British OHSAS 18001:2007 standard was extended to 100% of the Intesa Sanpaolo Group branches in Italy. The verification process, carried out by an independent third-party body, involved the direct assessment of activities by way of audits in the various organisational structures (50 branches and the Turin skyscraper, the headquarters of the System), interviews with staff (at all levels, including maintenance staff, qualified physicians, Worker Safety Representatives, the Training Department, Facility Management), the analysis of documents and records, and the evaluation of the effectiveness of actions implemented in response to the findings of internal audits.

WORKER SAFETY REPRESENTATIVES

Following a 2016 union agreement the Group's Worker Safety Representatives (WSR) were elected. Their areas of responsibility are defined on a geographical basis.
In 2017, the names of the elected Representatives were published on the company intranet; their number increased following the operation to acquire the former Venetian Banks, and currently comprises 114 employees.
Every year dedicated training activities are held to update the WSR.
Thanks to this series of activities it was possible to make the procedures for consultation and participation in the overall health and safety management system fully operative, as established by the regulations.

Environment
and climate change

RELEVANT ISSUES

Direct environmental impacts page 140
Greenhouse gas emissions and energy consumption page 141
Responsible management of resources page 144
Green economy page 146
Loans and services for the green economy page 146
Green culture and initiatives page 149

WHY THESE ISSUES ARE RELEVANT

Climate change is an extremely relevant phenomenon whose consequences are not only limited to the environment but have major repercussions also for the social dynamics of the present and future generations. This view was confirmed in October 2018 in the report of the Intergovernmental Panel on Climate Change (IPCC), which highlights that, at the current rate of CO_2 emissions, the increase in average global temperature by 2030 will be over 1.5°C, considered by experts to be the maximum safety threshold.

In November 2018, the European Commission published a long-term strategy to outline the transition towards achieving net-zero greenhouse gas emissions by 2050, while, in December, the UN Climate Change Conference (COP24), held in Katowice, reiterated the need to implement the Paris Agreement, preparing a series of technical standards aimed at limiting the rise in global temperature to within 1.5°C.

It is important to define the process of transition towards a sustainable economy, including through a financial policy which seeks to mobilise and direct private capital towards green investments.

Awareness of the consequences of climate change on the financial sector has facilitated international cooperation, with contributions from representatives of civil society, industry, the academic world and institutions, both at international and European level. On this point, it is worth mentioning the European Commission Action Plan on sustainable finance, for its contribution in terms of accelerating the transition towards a low-carbon economy, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Intesa Sanpaolo is backing the transition to a low-carbon economy through its actions to mitigate its direct emissions and with its support for green initiatives and projects.

This commitment was reaffirmed in the 2018-2021 Business Plan, with objectives concerning support to the production system with an environmental perspective, with a specific plafond of up to 5 billion euro, aimed at companies which adopt the circular model. As regards direct impacts, the Intesa Sanpaolo Group Environmental Plan – Climate Change Action Plan – identifies mid and long-term objectives for reducing CO_2 emissions and increasing energy consumption and production from renewable sources.

PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-theme	Project/Indicator	2018 Actions/Results	2021 Objectives
Direct environmental impacts	Greenhouse gas emissions*	▪ Scope1 + 2 Market-based**: 100,626 tCO_2eq vs 2008 -40.9% 0.027 tCO_2eq/m^2 1.049 tCO_2eq/staff member	▪ Containment of CO_2 emissions
	Energy consumption	▪ Electricity: 475,481 MWh ▪ Thermal energy: 240,616 MWh	▪ Containment of energy consumption
		▪ Renewable electricity consumption vs total: 80.5% ▪ Electricity produced from renewable sources: 1,010 MWh	▪ Increase in the use of renewable energy sources ▪ Maintenance of electricity production levels from photovoltaic energy
	Responsible management of resources	▪ Paper purchased: 6,805 t ▪ Environmentally-friendly paper purchased vs total: 89.6% ▪ Paper saved (digitisation): 3,424 t ▪ Water: 1.97 million m^3 ▪ Waste: 3,997 t ▪ Business travels: 179 million km	▪ Responsible use of resources
Green economy	Loans and services for the green economy and Circular Economy	▪ Loans for environmental purposes: 1,922 million euro disbursed 3.2% of total loans	▪ Supporting the green economy
		▪ Circular Economy: Creation of a plafond of up to 5 billion euro Launch of the Circular Economy Lab, with Fondazione Cariplo	▪ 5 billion euro in credit for companies that adopt the circular model using innovative methods ▪ Launch of a specific investment fund dedicated to the Circular Economy

* Emission factors for the calculation of CO_2 established by Intesa Sanpaolo, in accordance with the ABI Energia Guidelines "Linee guida sull'applicazione in banca degli Standards GRI in materia ambientale" and on the basis of the main 2018 publications (UNFCCC, IEA, IPCC, AIB, etc.).
** Market-based: for purchased electricity the Scope2 data considers the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions.

Direct environmental impacts

COMPANY POLICIES

Intesa Sanpaolo's commitment to the environment takes the form of self-regulated environmental and energy instruments that define the strategic and operational guidelines which underpin the Group's environmental protection initiatives and its efforts to reduce its environmental footprint. The Group's Code of Ethics and the Rules for environmental and energy policy, approved by the top management, define the principles and guidelines that regulate the environmental responsibility of the Group and the monitoring of the direct and indirect impact of its activities. With reference to the direct impacts on the environment, arising from the Bank's operations, some time ago, Intesa Sanpaolo adopted an Environmental and Energy Management System (EEMS), implemented in accordance with the most important reference international standards (ISO 14001 and ISO 50001), and subject to annual certification by an independent, third-party body.
In addition, in order to translate the environmental protection commitment into concrete actions, the roles of Energy Manager and Mobility Manager were established, responsible for ensuring constant oversight in areas within their remit.
The Group takes heed of the impacts generated by customers and suppliers, contributing to the spread of virtuous processes and conduct as regards the environment. Moreover, it also closely manages the risks connected with climate change by promoting adaptive behaviour or conduct designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention. The monitoring of these risks is based on the processes established for the governance and implementation of the Group's Code of Ethics, the Background Analysis of the Environmental and Energy Management System and the sustainability reporting, which make it possible to identify goals and action plans aimed at guaranteeing their effective monitoring (see page 50).
A dedicated structure – Corporate Social Responsibility (CSR) – has the task of overseeing the areas that fall under the Group's social and environmental responsibility, including the more specific issue of climate change.
The Safety and Protection Head Office Department, which reports directly to the Managing Director and CEO, is responsible for the coordination and maintenance of the Environmental and Energy Management System adopted by the Group, along with activities connected with Energy Management.

CLIMATE CHANGE ACTION PLAN

In accordance with the environmental responsibility commitments undertaken by the Group, since 2009 Intesa Sanpaolo has set mid to long-term goals through the creation of specific action plans. The first Intesa Sanpaolo Environmental Plan covered the 2009-2013 period, and was followed by the plan relating to 2013-2016. Both Plans set measurable goals in the areas of energy savings, economic savings and the reduction of CO_2 emissions. The scope of the plans, limited to Italy in the first Plan, has gradually increased with the inclusion of various International Subsidiary Banks.
In 2017, CSR, in association with the Real Estate and Logistics, Procurement and Safety and Protection Head Office Departments, the International Subsidiary Banks Division and the Chief Operating Officer and Chief IT, Digital and Innovation Officer Governance Areas, drafted a new Environmental Plan – the Climate Change Action Plan – with targets for 2022 and 2037. This Plan was reviewed by the Risks Committee and approved by the CEO.
In the Plan, the Intesa Sanpaolo Group outlines its goals as regards reducing the CO_2 emissions associated with its activities, taking 2012 as its base year, also for the emission factors. CSR will monitor the achievement of the targets on an annual basis and the results will be analysed with the relevant competent structures. In 2018, the initial monitoring of the Environmental Plan highlighted performance broadly consistent with the CO_2 emission reduction forecasts.
The goals for 2022 include a reduction of 37% in absolute emissions connected with energy consumption (direct and indirect) compared with 2012 (a 31% reduction was recorded in the period 2012-2016).
The Plan also includes objectives related to consumption and energy production from renewable sources, and more specifically:

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

Finally, in accordance with the international climate change agreements, long-term targets for 2037 have been set which will be monitored and possibly reviewed at 5-year intervals.
The extension of the perimeter which has occurred in the meantime will lead to a recalculation of the aforementioned objectives.

ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

In Italy, over ten years ago, Intesa Sanpaolo adopted an Environmental Management System, later combined with its Energy Management System, (EEMS), which is subject to an annual certification and auditing process by an independent body. In particular, the certification scope currently covers a sample of around 250 operating units which, also in 2018, were awarded compliance certification pursuant to the ISO 14001 and ISO 50001 international standards. The System monitors all activities and operations carried out in the above operating units which have, or may have, an effect on the surrounding environment, and is subject to periodic controls and internal audits aimed at guaranteeing the compliance of the System with the requirements of the reference standards and the principles of the continuous improvement of environmental and energy performances.
The top management of Intesa Sanpaolo is committed to the development and application of the EEMS through an annual plan that includes the review of all significant environmental and energy aspects and the definition of annual objectives that are consistent with the Rules for the environmental and energy policy. Various company functions are involved in applying the Management System: the Safety and Protection, the Real Estate and Logistics Head Office Departments and the training functions. In addition, there is an EEMS Delegate in every operating unit with whom the various structures interface for aspects in their remit.
In 2018, the certification scope was extended and now contains a sample of operating units found in every region of Italy, which, taken as a whole, in terms of system type, climate zone, size and organisational characteristics, ensure that the sample is representative.
The goals pursued, through the attentive monitoring of environmental aspects and energy uses, have made it possible to improve performances in terms of the supervision of environmental risks, the reduction and optimisation of consumption, the awareness of employees and the involvement of internal departments contributing to the System's operation. For these reasons and with a view to continually improve, as per the reference regulations, the certification scope will be further extended.
CIB Bank (Hungary) has also maintained its certification in compliance with the ISO 50001 standard. At the end of 2018, the Bank renewed the certification of its properties (81) and services thanks also to the installation of data loggers in some branches, improving the management of the data centres and replacing old systems with highly energy-efficient systems.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

The mitigation and containment of CO_2 emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. This is done with a view to continually improve its environmental performance, which has already seen major reductions in electricity and thermal energy consumption, and in the resulting emissions, over the last decade (40.9% reduction in Scope1 + Scope2 Market-based emissions compared to 2008).
In 2018 electricity and thermal energy consumption increased (+10.6% compared to 2017) mainly due to the extension of the reporting perimeter.
Scope1 + Scope2 Market-based greenhouse gas emissions were also up by 27.4%, mainly because of the rise in consumption mentioned above, as well as the introduction of the new calculation method, which involved the use of higher emission factors compared with 2017, as recommended in the ABI Guidelines "Linee guida sull'applicazione in banca degli Standards GRI in materia ambientale" (Guidelines on the application in Banks of the GRI Environmental Standards).
In general, the Intesa Sanpaolo Group's greenhouse gas emissions are reported in CO_2 equivalent in accordance with the international GHG Protocol (Greenhouse Gas Protocol), in the form of:

- Scope1 direct emissions, relating to the use of fuel for heating and the fleet;
- Scope2 indirect emissions for centralized HVAC systems and electricity;
- Scope3 indirect emissions produced as a result of activities connected with the company but not directly controlled by it (paper, waste, office equipment, etc.).

With the goal of continuous improvement, the reporting perimeter of Scope3 indirect emissions was extended in 2018 by including the assessment of emissions connected with the cash-in-transit (CIT) activities of the Intesa Sanpaolo Group.

EFFICIENCY AND OPTIMISATION OF ENERGY CONSUMPTION

In accordance with the provisions in the Environmental Plan, the actions and measures to reduce electricity and thermal energy consumption continued in 2018 both in Italy and in International Subsidiary Banks, where there is an increasing awareness of energy efficiency issues. The actions undertaken confirm that the Intesa Sanpaolo Group also assesses the potential risks connected with climate change that may influence future

management costs of the properties (see page **50**).
Below are some of the initiatives:

Project	Description	Forecast annual savings
Measurement of electricity consumption (Italy and Croatia) Investment: 90,000 euro	37 new electricity consumption measurement systems were installed. Managed online, they allow to turn the lighting and HVAC systems on and off	Energy saving: 232,000 kWh Economic saving: 43,000 euro Reduction in potential CO_2 emissions: 109 t
Replacement of lighting systems (Italy, Croatia, Egypt, Serbia and Ukraine) Investment: 175,000 euro	Traditional or low energy lamps were replaced with new LED technologies in various branches and central offices	Energy saving: 293,000 kWh Economic saving: 24,000 euro Reduction in potential CO_2 emissions: 130 t
Replacement of HVAC systems (Italy, Croatia, Hungary, Albania and Serbia) Investment: 7,650,000 euro	The replacement of heating and air conditioning systems continued. Furthermore, in line with the regulatory obligations, in Italy 34 systems containing R22 were replaced with refrigeration units containing R410A gas.	Energy saving: 2,158,000 kWh Economic saving: 315,000 euro Reduction in potential CO_2 emissions: 846 t
Other optimisation and energy efficiency measures (Italy and Albania) Investment: 837,000 euro	Renovation work was carried out on sites with the replacement of fixtures and the improvement of the exterior insulation system, alongside energy optimisation measures.	Energy saving: 155,000 kWh Economic saving: 25,000 euro Reduction in potential CO_2 emissions: 65 t

Finally, in line with the Rules of environmental sustainability for the development of sustainable branches, the site renovations or the development of new branches are carried out in accordance with criteria for the improvement of energy and management efficiency: since 2008, over 1,000 Group buildings have undergone energy certification processes.
Thanks to the measures introduced in recent years, in Italy the Group was able to claim tax deductions of around 7 million euro in 2014-2018, around 1 million euro in 2018.

RENEWABLE ENERGY

One important measure for reducing the Intesa Sanpaolo Group's environmental impact is the purchase and production of energy from renewable sources.
As regards the purchase of zero-emissions electricity, in 2018 the Group reached an overall consumption percentage of around 80.5%.
Notwithstanding the use of self-produced energy from cogeneration at the Parma site (3.1% usage with economic savings of over 700,000 euro), in Italy the purchase of energy from fossil fuels was extremely limited, at 2.1%.
In the International Subsidiary Banks, the situation differs, also in relation to the limits imposed by certain national regulations. Once again, this year, Intesa Sanpaolo Bank (Slovenia) has eliminated its emissions by purchasing all its energy from hydroelectric sources, while Privredna Banka Zagreb (Croatia) purchases around a third of its electricity from renewable sources. Additionally, thanks to the national energy mix part of the electricity used by Intesa Sanpaolo Bank Albania (100%), VÚB Banka (Slovakia) (15%) and CIB Bank (Hungary) (5%) comes from renewable sources.
The Group itself produced over 1,010 MWh of energy from renewable photovoltaic sources, generated from the 13 sites in Italy (nine small and four large) and two sites in Slovenia.
In Italy, photovoltaic plants generated an energy saving by not purchasing electricity, totalling approximately 190,000 euro in 2018.
Finally, in line with Italian Legislative Decree 28/11, consideration was given to the thermal energy produced in Italy using heat pump air conditioning systems, with around 2,800 tonnes of CO_2 emissions avoided as a result.

MOBILITY

The Mobility Management function part of the Labour Affairs and Policies Head Office Department, is dedicated to supporting employee commuting, to improve their quality but also to promote sustainable means of transport. The goal is to translate the feedback from employees into concrete actions in order to provide a structured range of options for daily commutes and implement the actions of the Home-Work Commuting Plans. The questionnaire issued to employees in 2017 was an attempt to gain a better understanding of the demand for home-work mobility, how the employees' behaviour had changed, and which areas of improvement were to be focused on.
The main goals pursued by the Intesa Sanpaolo Group are: the reduction in the use of private individual transport, as requested by the so-called Ronchi Decree, the improvement of road safety, as established by the international ISO 39001:2012 standard, and the reduction of the Group's CO_2 emissions.
As regards the last objective, the two most significant initiatives are as follows:

- the spread of Flexible Work and Training, which innovatively combine the management of people's private lives with the company's organisational requirements (see page 130);
- signing a union agreement on work-life balance, which also introduced measures to help people that work a long way away and that have specific personal needs to move closer to their residence or home;
- the Mobility Office platform which promotes the use of public transport, enabling employees to request annual season tickets directly from their workstation and also to take advantage of discounted rates with the option of paying in instalments (the service is available in certain cities – Bologna, Florence, Milan, Naples, Padua, Rome, Turin and Venice – and will be gradually extended). Contributions to promote the use of public transport have been implemented at CIB Bank (Hungary) and Privredna Banka Zagreb (Croatia);
- company shuttle service available in Turin/Moncalieri, Milan/Assago, Naples, Padua/Sarmeola di Rubano and Venice/Mestre, which have a positive impact on the environment (an estimated 508 tonnes of CO_2 avoided) as well as on people's quality of life; at the Bank of Alexandria (Egypt), a shuttle service to Cairo and Alexandria is available;
- development of car and/or bike sharing services. In Italy, ALI - the Intesa Sanpaolo employees' association - has entered into agreements with the main networks in a number of cities (Bologna, Carrara, Como, Cremona, Cuneo, Florence, La Spezia, Milan, Modena, Monza, Padua, Perugia, Rome, Turin and Treviso). Bicycles owned by the Bank are available at Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia) and CIB Bank (Hungary). At Privredna Banka Zagreb (Croatia) and CIB Bank (Hungary) employees can take advantage of special parking facilities and services (changing rooms and showers) and the application of discounts on purchases of bicycles and accessories. In addition, in April 2018, the Hungarian bank signed a contract for the use of car sharing to replace taxis, which will only use electric cars. Lastly, for the fifth year in a row, VÚB Banka (Slovakia) took part in the Cycle to Work campaign, the objective of which is to encourage the use of the bicycle as a means of transport for travelling to work;
- management of the company fleet through precise selection criteria and usage guidelines that respect the environment. In this context, the process of updating the company fleet with Euro 6 vehicles continues;

- development of remote communications for both listening activities (internal communications web focus groups managed online) and work activities, with the use of Skype for Business (instant messaging, voice over IP or online meetings) instead of business travels.

COMPANY CARPOOLING

With the aim of inverting the trend observed in internal surveys, which show that a large number of employees go to work in their own car, a pilot company carpooling project was launched in November 2017 at the Milan-Bisceglie site. The initiative has since been extended to all employees working within the municipality of Milan and Assago, Turin New Headquarters, Moncalieri Data Centre and Florence-Novoli sites. It is also planned to extend the project to other locations. Carpooling is a mode of transport based on the sharing of private cars by multiple people with compatible routes and timetables. The aim is to share the car for commutes in order to improve the quality of transfers, make savings on transport expenses, and reduce traffic, pollution and road accidents. Using an app, created for the specific needs of Intesa Sanpaolo, a trial initiative was developed that facilitates the matching of travel supply and demand and the sharing of the relative costs, with the possibility of managing the provision of incentives, in the form of fuel and parking vouchers, and forming a network of users.
Other forms of car sharing have been implemented at Intesa Sanpaolo Bank Albania, CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Pravex-Bank (Ukraine) and Intesa Sanpaolo Bank Romania.

RESPONSIBLE MANAGEMENT OF RESOURCES

According to the Code of Ethics and the Rules for the environmental and energy policy, the Group's responsibilities include the close evaluation of the consequences of its activities on ecosystems and the reduction of its environmental footprint. For this reason, the responsible management of resources is a priority issue for the Intesa Sanpaolo Group in its attempts to mitigate its impact on the environment.

PAPER

In 2018, the Group continued to reduce the use of paper per staff member, which fell by 1.3% compared with 2017. Additionally, there was an increase in the use of recycled paper of 3.4% which, together with certified sustainable paper, now represents 89.6% of the total.
In Italy, these results were also achieved through the implementation of various paperless initiatives. Among these measures, particularly worthy of note are the paperless contracts and accounts project, extended during the year to other banking products and services, the consultation of information sheets on screens, online statement and the Zero Carta ("*Zero Paper*") project in training initiatives. Thanks to these initiatives, it was possible to avoid the use of over 3,265 tonnes of paper, corresponding to a reduction in CO_2 emissions of around 6,330 tonnes, with cost savings of over 4.7 million euro.
The paperless contracts project, involving the exclusive use of graphometric or remote digital signature for signing documents, instead of paper, available in all Retail and Personal branches, enables a simple and innovative interaction with customers.
Managers' activities have been simplified within the internal paper management and archiving processes and through the creation of a digital document archive which ensures, in accordance with the legislation in force, better storage and a reduction of back office activities to zero.
Eurizon in order to promote sustainable conduct, launched the sustainability contest - Risparmio della carta (*Paper saving*) - for employees of Eurizon Capital SGR and Epsilon SGR. 37 teams were selected and took part in a competition to reduce paper consumption: during the two-month period between May and June 2018, around 106,000 pages were saved (-25%) compared with October-November 2017.
A significant contribution to the reduction of paper consumption is made by the multichannel projects in Italy and the DigiCal project for the Group's International Subsidiary Banks (see page 78).
In the International Subsidiary Banks, the development of dematerialisation processes/paperless branches, being a component of the DigiCal model, has been implemented at Privredna Banka Zagreb (Croatia), CIB Bank (Hungary), Intesa Sanpaolo Banka Bosna i Hercegovina and VÚB Banka (Slovakia), enabling an overall saving of around 159 tonnes of paper in 2018, while also simplifying archiving activities.
The DigiCal environment of the paperless branches has been enhanced with a series of cutting-edge technologies, such as tablets enabling customer interaction, as well as an IT platform that allows managers to optimise the time spent on banking activities - to the benefit of the customers.

OTHER GREEN PURCHASES

In 2018, around 45 tonnes of environmentally-friendly stationery was purchased in Italy.
In line with the Rules on sustainability for the purchase of office machines, the Bank assesses the environmental impact connected with the purchase and responsible use of the following equipment: photocopiers, printers, desktop computers, computer, monitors, notebooks and ATMs/MTAs. In the promotion of sustainability aspects due consideration is given both to legislation and relevant compliance requirements in force, as well as to specific environmental evaluation criteria.

WATER

The Intesa Sanpaolo Group's consumption of drinking water from aqueducts is predominantly related to sanitary purposes and, to a lesser extent, the generation of cold air for air conditioning.
In 2018, the Group's water consumption per person was around 20.6 cubic meters per staff member.
In Italy, the New Headquarters is an excellent example of efficient water management: in 2018, drinking water consumption was again well below the Group average at around 7 cubic metres per staff member, partly due to the installation of low-consumption and timer taps, double-flush toilets, and the dual network for toilets using a rainwater collection system combined with (if necessary) groundwater.
With a view to sustainable and efficient management of resources, the HVAC systems of the New Headquarters also use a heat exchange system with groundwater that is taken and put back into the aquifer without affecting the water quality.

HAZARDOUS WASTE MANAGEMENT

The Intesa Sanpaolo Group focuses particular attention on the monitoring and management of hazardous waste for the environment, including radon and asbestos.
Radon is a gas normally present in the subsoil which can however penetrate into closed environments due, for example to the presence of cracks or the permeability of the foundations of buildings; in such cases it can accumulate and reach concentrations that are damaging to health.
In line with current legislation, which for underground work spaces sets warning and action thresholds depending on the concentration level, the Safety and Protection Head Office Department carries out campaigns for the measurement of the average annual concentration in order to protect the health of employees. Should the warning threshold be exceeded, a notification concerning the matter is issued so employees and their representatives are properly informed about the issue in question. In addition, a Qualified Radiation Protection Expert is appointed, an external consultant who assesses employees' exposure to radon through the calculation of Effective Doses and the identification of any risk mitigation measures, mandatory in the event of the exceeding of the Effective Dose threshold of 3 mSv/year. No significant risk situations were highlighted in 2018.
In the region of Puglia, which set a lower concentration limit than the national average for non-residential buildings open to the public, monitoring activities are currently being finalised. Should this limit be exceeded, the Qualified Expert immediately prepares specific mitigation measures.
In the same way, although the activities carried out by Intesa Sanpaolo employees do not in any way expose employees to dust and materials containing asbestos, in 2018 the Safety and Protection Head Office Department once again carried out a specific risk assessment for all workspaces. The measurements, carried out by an external consultant responsible for storing materials containing asbestos which performs periodic checks according to the timeframes established by law, confirmed that there is no contamination: all of the values measured are lower than the threshold established by the laws in force and similar to those present in the external environment.

WASTE MANAGEMENT

The handling of all waste produced at the Group's sites has been entrusted to outside companies that operate in the local area, have the necessary permits for the transport and/or disposal of waste, and use specifically authorised vehicles. These companies have been appointed to oversee the collection, sorting, correct temporary deposit and disposal of the waste. As for waste that is collected separately (e.g. paper, glass, plastic etc.), the management methods used are those indicated by the municipal regulations.
In 2018, the special waste produced by the Group totalled 3,997 tonnes (41.7 kg per staff member), an increase of 27.6% compared with 2017. The rise is mainly due to the adjustment of the IT equipment following the integration of the former Banca Popolare di Vicenza and former Veneto Banca.
Only 6.0% of waste is disposed of in landfills, 0.9% is incinerated with energy recovery, and the remaining 93.1% is recycled or reused/recovered.
In 2018, the reconditioned toner project continued in Italy, involving the partial replacement of black ink cartridges with reconditioned cartridges on a number of models representing over 90% of the black cartridges purchased. At the end of 2018, 55% of black cartridges were reconditioned.
The Cost Management Department has launched a project to streamline and reduce expenses from printing costs, including for the purposes of environmental sustainability. To this end, certain measures were identified and assessed jointly with the Communication and Corporate Image Head Office Department which concern the type of character used in the individual productivity documents and the associated graphic standards, aimed at reducing the consumption of toner.

Green economy

COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for environmental and energy policy, the Intesa Sanpaolo Group has always paid particular attention to the portfolio of green products and services it offers to its customers, also with the goal of contributing to combating climate change.
International studies and research show that climate change may also be a business opportunity and a lever for economic growth, considering the fact that, in order to achieve the European Union's climate and energy targets for 2030, the European Commission's Action Plan on sustainable finance estimates supplementary investments of 180 billion euro per year.
To this end, Intesa Sanpaolo is active in promoting renewable energy, energy efficiency and the circular business model by supporting their development and assisting the various customer segments, committed to reducing their environmental impact, with the promotion of green products and services offered by the sales network in Italy and abroad.
In addition, particular importance is given to training and research initiatives, as well as to events on environmental issues organised by Intesa Sanpaolo and/or its partners.

LOANS AND SERVICES FOR THE GREEN ECONOMY

In 2018, the Group disbursed 1,922 million euro to the green economy (over 18 billion between 2010 and 2018), equal to 3.2% of all Group loans. The offer involves all customer segments: retail customers (3.5%), businesses and Third sector (20.1%), leasing (0.2%), corporate & public finance (25.4%) and project finance (50.8%).

RETAIL CUSTOMERS

The Bank continued to provide loans and mortgages for environmental purposes in 2018. These loans regarded the replacement of fixtures and high-performance boilers, the renovation of buildings from an energy efficiency perspective, the purchase of environmentally-friendly vehicles and the installation of solar and photovoltaic panels. Moreover, certain features of the Mutuo Domus Case prefabbricate in legno – prefabricated wooden houses – mortgage loan have been improved (increase in the maximum duration of the loan and increase of the LTV - value of the loan that may be obtained in proportion to the value of the property), in order to satisfy the needs of customers most conscious about environmental issues.
The Valorizzazione Immobiliare, an additional loan service, seeks to support customers who intend to invest in their homes through energy redevelopment and restructuring works, providing free information on tax benefits and savings on energy bills, as well as to support the best loan and home protection solutions. Customers can also take advantage of discounts on the services offered by partners of the initiative which operate in the energy savings and redevelopment sectors.
The content of the insurance policy 'XME Protezione', seeks to cover the needs of customers in the areas of Family, Health and Property, has been improved, with new coverage providing protection from natural disasters: earthquakes and flooding.
Lastly, the Intesa Sanpaolo Group continued its tangible and concrete commitment to supporting households and businesses affected by earthquakes, environmental disasters or extraordinary atmospheric events, with the provision of new subsidised loans for restoring damaged structures (homes, shops, offices, artisanal workshops and businesses), suspensions of payments on outstanding loans, actions in the area of protection and preferential, simplified and expedited procedures for new instruments. Among these initiatives, it is worth noting that, in November 2018, Intesa Sanpaolo set up a plafond for households and businesses of one billion euro to tackle the emergency caused by extraordinary atmospheric events which have affected the whole of Italy (see page 86).

BUSINESSES CUSTOMERS

In 2018 Intesa Sanpaolo Group continued to disburse short, medium and long-term loans in support of projects for renewable energy and energy efficiency works for professionals and businesses.
Businesses can continue to use the Finanziamento Energia Imprese ("businesses energy loan"), which is designed to support investment plans focused on the development of efficient energy production plants and diversifying energy sources and/or streamlining consumption, as well as the Finanziamento Energie Rinnovabili ("renewable energy loan"), created for the construction of new plants for the production of renewable energies other than photovoltaic energy, such as biomass and small-scale wind energy.

Banca IMI has continued to play a leading role in the structuring of loans for the renewable energy sector (especially photovoltaic and wind power), by supporting and assisting the main operators in their strategic consolidation process and in the implementation of new investments.
Mediocredito Italiano's contribution was once again noteworthy this year: in particular, it continued to support businesses that invest in renewable energy production plants and in the energy efficiency of their production processes, providing dedicated financial solutions and specialist advisory services. During the year loans were granted to support projects mainly in the photovoltaic, wind and hydroelectric sectors.
At the end of 2018, Mediocredito Italiano's portfolio in the green sector came to approximately 1.5 billion euro, equal to around 10% of all medium and long-term credit. All of the financed projects were carried out in Italy and concerned: photovoltaic plants (80.4%), wind energy plants (6.5%), hydroelectric plants (5.9%), biomass or biogas plants (5.2%) and energy efficiency measures (2.0%). The financed projects also included energy efficiency measures carried out by energy intensive manufacturing companies through the installation of cogeneration plants.
In order to regulate energy efficiency investments made directly by businesses, or rather indirectly through the intervention of an ESCo (Energy Service Company), credit guidelines have been developed for this type of project.
All loans, overseen step by step by the specialist Energy Desk, are always preceded by an examination in support of the Bank's credit assessment. Customers can count on a comprehensive service that ranges from risk assessment to the structuring of the most appropriate financial solutions, and from consultancy on new technology trends to new market opportunities.
In the lease area, four new Leasenergy product contracts of a value of approximately 4.6 million euro were signed in 2018. The new lease contracts will result in annual emission savings of around 22,485 tonnes of CO_2. There are around 1,540 existing lease contracts, which have contributed to the construction of plants for the production of over 1.8 Gigawatts of energy from renewable sources.
In addition, the Intesa Sanpaolo Group confirmed its commitment to the Circular Economy by promoting the spread of the model, drawing on the support of the Ellen MacArthur Foundation, the main promoter of the global transition towards the Circular Economy. The 2019-2021 three-year cooperation agreement has been renewed, confirming Intesa Sanpaolo's role as Global Partner of the Foundation. Intesa Sanpaolo will continue to redefine business strategies in an innovative way, ensuring financial support for investments to facilitate the redesign of the industrial system.
The transition to a Circular Economy continued, also with the contribution of the Intesa Sanpaolo Innovation Center, a Group company which oversees all the Circular Economy activities.
Some of the most noteworthy activities in 2018 include the Circular Economy Lab and the Plafond Circular.
The Circular Economy Lab was launched in September 2018 in Milan, thanks to a Framework Agreement between Intesa Sanpaolo and Fondazione Cariplo, and followed by a strategic partnership between Intesa Sanpaolo Innovation Center and Cariplo Factory, with the goal of supporting and assisting the transformation of the Italian economic system and disseminating new models of value creation in the collective interest, by accelerating the transition to the Circular Economy.
The activities of the Circular Economy Lab are based on three pillars:

- positioning the laboratory as the primary systemic actor of the Circular Economy, by disseminating and promoting the principles of the new economic model;
- contributing to the creation of business opportunities;
- creating value and growth through Open Innovation initiatives organised between start-ups and companies, as well as with universities and institutions.

In order to provide concrete support to companies involved in the transition process, the Intesa Sanpaolo Group, within the time-frame of the 2018-2021 Business Plan, has decided to provide a plafond of up to 5 billion euro, aimed at companies which adopt the circular model with innovative procedures, granting the best conditions for accessing credit. In particular, as part of the credit process, Intesa Sanpaolo Innovation Center, based on criteria connected with investments in the Circular Economy defined together with the Ellen MacArthur Foundation, is responsible for providing a technical assessment on the level of circularity of the initiatives proposed.
During the year, the 'circular' assessment of businesses along their value chain continued (around 15 businesses were interviewed) through the use of the Circular Economy Standard, an instrument used to measure the level of circularity.
In 2018, with regards to start-ups (see page 94), the Start-Up Initiative continued, which selects the most promising innovative start-ups, prepares them to face the market with coaching initiatives, and introduces them to the players of the innovation ecosystem.
The selection process was integrated together with the circularity criteria in the overall assessment. Two Italian start-ups in the food and fashion sectors were awarded as Circular Economy success stories.

In November 2018, the Position Paper of the Alleanza Italiana per l'Economia Circolare (Italian Alliance for the Circular Economy) was submitted, promoted by Intesa Sanpaolo in conjunction with Enel. The Alliance comprises eight large 'Made in Italy' companies and, since 2017, has sought to reinforce existing collaborations and propose new projects between companies, in order to promote the transition to the Circular Economy in the various production chains, while also involving Italian and European institutions.
In order to support the wood sector in north-eastern Italy, which was severely affected by the extreme weather events at the end of October, an agreement was signed with FederlegnoArredo aimed at supporting the development of companies in the sector with specific products and benefits which also include support to forest holdings and individuals involved in reforestation projects.
Finally, the Insurance Division proposes supplementary insurance coverage for the loans provided for the purchase and installation of a photovoltaic plant. 'Polizza Business Fotovoltaico' protects the photovoltaic plant from material and unforeseen damage accidentally caused to third parties, protecting the plant from damage caused, for example, by fire, weather events, vandalism, theft, malfunctions or electrical problems, and covering losses in profits due to the disruption or fall in the production of clean electricity as a result of the insured events.

THIRD SECTOR

Banca Prossima has continued to support Third sector businesses that wish to invest in energy efficiency projects with solutions that make it possible to save on energy costs and increase the overall sustainability of the social activity. At the end of 2018, total loans relative to the agreement with Federesco (National Federation of ECSo's) came to 1.9 million euro. These initiatives generated savings of around 593 tonnes of oil equivalent (toe) in 2018, corresponding to around 1,270 tonnes of CO_2 avoided.

GREEN BOND

In 2017, Intesa Sanpaolo was the first Italian bank to issue a 500-million-euro Green Bond connected with environmental sustainability projects.
First issued in 2007 by the European Investment Bank, Green Bonds are traditional bonds – in terms of their structure and contractual terms – that must respect specific requirements in terms of the use of funds (to be allocated to green projects), transparency, reporting and the use of proceeds.
The commitments undertaken by Intesa Sanpaolo are defined in a set of guidelines (Green Bond Framework) based on the Green Bond Principles, a voluntary protocol that promotes transparency and involves the close monitoring of the environmental projects that receive the funds. The compliance of the framework with these principles was verified by an external ESG research and analysis company.
In particular, the projects financed by the Bond must belong to the following three categories:

- infrastructures for the generation and transmission of energy from renewable sources (solar, photovoltaic, wind, biomass and hydroelectric);
- investments in infrastructure or processes for reducing the use of energy and fostering greater energy efficiency;
- construction of new buildings or the redevelopment of existing buildings according to the best environmental standards.

In June 2018, following its annual reporting commitment, Intesa Sanpaolo published its first Green Bond Report [i] on the use of Green Bond proceeds and its associated environmental benefits.
The report also includes the certification of the auditing company, the Second Party Opinion on the bond issue (Robust ESG performance) and the Moody's assessment, which obtained the highest score (GB1 Excellent).
The Bond proceeds, fully allocated during the first year of the issue, was used as follows: 79.4% to refinance specific loans included in the Energy Portfolio of Mediocredito Italiano, and 20.6% for the financing of new projects, selected by a dedicated working group. In total, 77 projects were financed with over 213,000 tonnes of CO_2 emissions avoided annually. 68.5% of the proceeds were allocated to photovoltaic power, 14.0% to wind power, 8.5% to hydroelectric power, 7.4% to biomass and 1.6% to energy efficiency.
During 2018, the Corporate and Investment Banking Division participated, as a bookrunner, in five Green Bond issues onto the Euro market, including the only three in Italy, thus confirming its leading role on the Italian market.

GREEN CULTURE AND INITIATIVES

One of the goals of the Intesa Sanpaolo Rules for environmental and energy policy is the spread of the culture of sustainability among employees and customers. The following section outlines the main initiatives in 2018.

TRAINING

The Ambientiamo multimedia platform is available for all employees in Italy, it provides in-depth training on climate change, renewable energies and correct waste management. In addition, for those that work in operating units covered by the Environmental and Energy Management System (EEMS) certification or in central offices involved in the activities of EEMS, a specific course on the issue was also provided, as established also by the international reference standards: in 2018, around 140 employees were able to access the online course, joining the 2,000 employees previously trained. In the same way, subsidiary CIB Bank (Hungary) trained around 1,780 employees on the obligations relating to the ISO 50001 standard via the online platform.
As for customers, Intesa Sanpaolo Formazione continued to provide the Think Green course to agricultural entrepreneurs who, focusing particularly on the protection of biodiversity, plan to innovate and develop their businesses. Two new training courses were introduced: Think Green Bio, to enable agri-food companies to seize the opportunity offered by organic farming, by developing new skills, studying the main marketing and operating aspects of the sector, and Think Green Wine, dedicated to companies in the wine industry who wish to consolidate their skills and acquire new expertise, with a particular focus on sustainable vine-growing and wine-making processes. In total, the Think Green courses involved around 90 entrepreneurs.
To spread the culture of innovation in the area of Circular Economy, the promotion of the BioCircE Master (the first Italian Master's qualification in this area) continued, four meetings were held with secondary schools as part of the Italian "Alternanza Scuola-Lavoro" school-work project and online courses were provided to over 100 employees.
In the International Subsidiary Banks, during September, a two-day training course was held on the main innovations and trends in the agribusiness sector. Some of the themes of the course included sustainable agriculture and organic farming techniques. The course was attended by 21 employees from the Group's subsidiaries in Albania, Croatia, Serbia, Slovenia, Slovakia and Hungary. In Egypt, Bank of Alexandria launched two training initiatives, aimed at employees that concerned sustainable finance and green finance.

PARTICIPATION IN ASSOCIATIONS AND DEBATES ON ENVIRONMENTAL SUSTAINABILITY ISSUES

The Group made an important contribution to the international debate on the topic of environmental sustainability in 2018.
In terms of sustainable finance, the Group's collaboration with the Associazione Bancaria Italiana (Italian Banking Association - ABI) continued, within specific working groups, particularly in relation to issues linked to taxonomy and the European Action Plan on financing sustainable growth.
As part of the European Commission initiatives, Intesa Sanpaolo has continued the activity initiated during the second half of 2017, by participating regularly in the work of groups of experts for the financing of the Circular Economy, which will also continue in 2019, until the publication of the final recommendations.
The Group also continued its collaboration with the main European associations, contributing to the work of the Sustainable Finance Working Group of the European Banking Federation (EBF) and the Association for Financial Markets in Europe (AFME).
In particular, Intesa Sanpaolo has contributed to the drafting of the main (legislative and non-legislative) position papers of the financial sector published during 2018, such as, for example, the proposal for a regulation concerning the introduction of a framework to promote sustainable investments and the proposal on reporting sustainable investments and sustainability risks, as well as the document of the European Banking Federation - Financing the Europe of tomorrow. Intesa Sanpaolo also participated in the discussion at the European level on Green Lending Principles and the green supporting factor.
Moreover, the Group participated in the consultation of the Italian Ministry of the Environment and the Protection of Land and Sea (MATTM) on indicators for the measurement of the Circular Economy, and in the work of the National Observatory on Sustainable Finance promoted by the MATTM. It also contributed to the activities of the Circular Economy working group promoted by the Fondazione COTEC (Fondazione per l'innovazione - Foundation for Innovation).
In addition, the Group took part in the work of 'FinanCE', a working group formed within the Ellen MacArthur Foundation network, with the aim of rethinking the finance sector to accelerate the transition to the Circular Economy, by identifying concrete measures which the public and private sectors should undertake, coordinating the sub-working group of Financial Services.
Studi e Ricerche per il Mezzogiorno (SRM), the Group's research centre aimed at disseminating economic

knowledge and culture, with a particular focus on the development of southern Italy, held a series of seminars in cooperation with the Federico II University of Naples on Circular Economy issues, port activities, water resources and energy, with the aim of drawing attention to how policies connected with the Circular Economy constitute an important step which must go hand in hand with technological innovation, infrastructure upgrading and efficient management for the development and competitiveness of these sectors. SRM is also part of SOS LOG, the association for the development of sustainable logistics, whose mission is the dissemination of information, research and initiatives aimed at spreading the culture of sustainable transport and logistics.
In July 2018, Intesa Sanpaolo is also part of the RES4Med&Africa non-profit organisation, which promotes the development of renewable energy in Sub-Saharan Africa and the southern Mediterranean.
Mediocredito Italiano is a partner of Milan Polytechnic in the market trends observatory regarding the renewable energy and energy efficiency.

STUDIES

The Group's commitment to the development of study and research projects in the environmental field continued in 2018. Listed are some of the most important publications:

- The fourth Report on the Bio-economy - "La Bioeconomia in Europa" (The bio-economy in Europe), produced by the Intesa Sanpaolo Research Head Office Department, which, in addition to providing new estimates of the value of the bio-economy, includes an analysis of innovative start-ups operating in associated sectors, along with two in-depth analyses, one on the use and recovery of sewage sludge and the other on marine resources;
- Two reports on transport drafted by the Research Department, which take into consideration the growing demand in the field of mobility and the resulting problems of congestion and pollution, which are raising awareness of the fact that only reinforcing, reclassifying and improving the efficiency of local public transport (tram, metro, bus, regional rail network) can promote the sustainable development of Italy. In detail:
  - "Le aziende di Trasporto Pubblico Locale (TPL): Ieri, oggi, domani" (Local public transport companies: yesterday, today, tomorrow), in cooperation with ASSTRA and IFEL, offers a general overview of the issue, with in-depth consideration of regulatory, management and financial aspects;
  - "Trasporto ferroviario regionale" (Regional rail transport), provides an analysis of this passenger service, with details of the regulations, pricing, management structure, liberalisation, status of infrastructure and resources, and investments;
- "Un Sud che innova e produce. Il valore delle filiere produttive nel nuovo contesto competitivo e innovativo, tra Industria 4.0 e Circular Economy" (The Innovative, Productive South. The value of the production chains in the new competitive and innovative context, from Industry 4.0 to the Circular Economy), produced by Studi e Ricerche per il Mezzogiorno with the contribution of the Intesa Sanpaolo Innovation Center. The study addresses the theme of interdependence in the production chain and the role of technology in promoting an innovative, interconnected and sustainable production model, which sees the Circular Economy as the reference model;
- The Rapporto Annuale sull'Economia del Mare 2018 (The 2018 Annual Report on the Maritime Economy), produced by Studi e Ricerche sul Mezzogiorno and presented on the national and international stage, having now become a reference point on this matter for institutions, sector professionals, trade associations, infrastructure and the academic world. The Report is part of the 'Osservatorio sull'Economia del Mare e sulla Logistica' research project, managed by Studi e Ricerche per il Mezzogiorno: some of the key topics include the sustainability of port investments, reducing emissions produced by ships, the use of environmentally friendly fuels, and reducing road transport in favour of shipping. Two in-depth analyses were conducted in 2018: one on Liquefied Natural Gas (LNG) and the development of shipping corridors, and the other on alternative fuels for large vessels;
- In 2018, Studi e Ricerche per il Mezzogiorno launched two other major research projects; firstly, the creation of a new Mediterranean Energy Observatory in partnership with the Energy Department of the Turin Polytechnic, and secondly, a monographic research into issues connected with the environment and sustainability with an overview on companies and southern Italy.

ENVIRONMENTAL SUSTAINABILITY EVENTS

In order to raise the awareness of environmental issues among customers and employees, the Intesa Sanpaolo Group participates in various initiatives aimed at increasingly spreading the culture of sustainability and good practices as widely as possible. The main international events in which the Group participated in 2018 were the World Environment Day promoted by UNEP (the United Nations Environment Programme) - whose theme was the reduction of plastic pollution - and the European Week for Waste Reduction promoted by the European Commission, with the 2018 edition focusing on the prevention and management of hazardous waste. In Italy, Intesa Sanpaolo also took part in the Energy Saving Day (part of the "M'illumino di meno" campaign) while some International Subsidiary Banks have signed up to the WWF's Earth Hour.

Human
rights

RELEVANT ISSUES

The Intesa Sanpaolo Group has always been committed to protecting human rights, in line with the values of the Code of Ethics.
Aware that its activities have direct and indirect impacts on human rights, Intesa Sanpaolo has defined its areas of responsibility for each of its stakeholders. Indeed, it has considered its impact on its employees, customers, suppliers and the community. The environment is another issue closely related to the principles of human rights, and the promotion of high environmental standards must therefore be considered key to respecting and enjoying these rights.
As a cross-cutting issue that is relevant to various areas of the Group's operations, human rights are therefore touched upon throughout the Consolidated Non-financial Statement, as summarised in the following table:

STAKEHOLDER	AREA OF IMPACT	SEE PAGE
Employees	Health and safety of workers in the workplace and combating conditions of discomfort and stress	page **134**
Employees	Combating the harassment of employees	page **62**
Employees	Freedom of association	page **123**
Employees	Non-discrimination, equal opportunities and fair remuneration	page **128**
Employees	Family life through work-life balance policies	page **130**
Employees	Safeguarding social security with supplementary pensions	page **131**
Customers	Policies and solutions for combating robberies	page **81**
Customers/Employees	Privacy of personal and sensitive data	page **61**
Customers	Financial inclusion of the most vulnerable social groups	page **83**
Suppliers	Inclusion of criteria for respecting human rights in the supply chain	page **117**
Community	Assessing the respect of human rights on the part of customer companies, specifically regarding their employees, and in financed projects, in particular concerning the rights of the communities involved	pages **48-49**
Community	Culture and charitable activities promoting a respect for human rights	page **103**
Environment	All	page **138**

WHY THESE ISSUES ARE RELEVANT

According to the UN's Guiding Principles on Business and Human Rights, approved in 2011, the State has a duty to protect human rights and businesses must respect them wherever they operate (regardless of the ability or willingness of States to fulfil their obligations). Victims of abuse must also be able to access appropriate and effective remedies.
Indeed, through their activities businesses can have various types of impacts on human rights: positive ones, such as the supply of innovative services that improve people's quality of life; or negative ones, including the exploitation of workers, for example, or the forced displacement of people or entire communities. Businesses can also be indirectly involved in violations committed by other businesses or states.
In its role as an intermediary, a financial institution like Intesa Sanpaolo initiates a value chain that involves many different individuals, entities, businesses and states. For this reason, as well as observing the relevant legislation in force in all countries in which it operates, it is committed to identifying, mitigating and, where possible, preventing potential violations of human rights connected with its activities, as recommended by the UN's Guiding Principles on Business and Human Rights.

PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Approved by the Board of Directors in December 2017, the Group adopted a specific human rights policy which incorporates the principles already outlined in the Code of Ethics and translates them into tangible commitments.

Indicators	2018	2017	2016
Injuries in the workplace	260	257	269
Employees belonging to a union (% of total)*	65.4%	65.5%	64.1%
Part-time employees (% of total)	11.8%	11.5%	11.3%
Employees signed up to the flexible work scheme	over 11,500	over 8,200	over 5,700
Reports of non-compliance with the Code of Ethics for alleged discrimination	10	3	6
Court cases for mobbing	0	0	0
Reports of alleged breaches of the Privacy Code (Italy)	115	101	155
Robberies - Number of events per 100 branches	0.26	0.51	0.54
Suppliers registered on the Supplier Gate** (n.)	3,161	1,966	n/a
Projects subject to Equator Principles screening:			
Number	20	11	14
Amount (millions of euro)	993.5	611.5	2,040.0
% of total project finance	11%	8%	10%
Donations for vulnerable and disadvantaged groups managed centrally (% of total)	92%	88%	84%

*The industry National Collective Bargaining Agreement covers all employees in Italy. The percentage of employees working in Italy and covered by the Collective Bargaining Agreement for the Credit Sector who are also members of a trade union is 77.84% (calculation based on Full Time Equivalents –FTEs).
**All suppliers registered on the portal are subject to checks in the areas of business ethics and respect for human rights, workers' rights and environmental rights.

COMPANY POLICIES

Through the Group policy, Human Rights Principles, Intesa Sanpaolo pledges to:

- support the protection of human rights in accordance with the principles established in the Universal Declaration of Human Rights of 1948 and subsequent international conventions on civil and political rights and economic, social and cultural rights;
- recognise the principles established by the fundamental conventions of the ILO (International Labour Organization) and in particular the right of association and the right to collective bargaining, the abolition of forced and child labour, and non-discrimination in employment;
- contribute to combating corruption, supporting the guidelines of the OECD (Organisation for Economic Co-operation and Development) and the anti-corruption principles established by the UN in 2003, and also by taking a 'zero tolerance' approach to any eventual cases of corruption.

THE PROCESS OF MONITORING HUMAN RIGHTS

The implementation and gradual extension of the protection of human rights is monitored by Corporate Social Responsibility through:

- monitoring the implementation and governance of the Group's Code of Ethics, also with third-party assessments in line with the international UNI ISO 26000 standard, with a specific focus on the areas related to human rights;
- the sustainability report, which involves stakeholders and defines improvement objectives and the relative metrics and is subject to the certification of an independent auditor outside the Group;
- the analysis of potential risk areas in the sphere of human rights which, for every principle in the international conventions, outlines the possible impacts of the company's operations on its stakeholders and the relative company regulations.

Taking into account the results of the monitoring process, Intesa Sanpaolo pledges to:

- assess whether the policy needs updating;
- define guidelines for actions aiming to prevent and mitigate possible negative impacts on its stakeholders;
- issue, if necessary, further documents on specific rights and activities.

As a further guarantee for all stakeholders, anyone that wishes to report an incident of non-compliance can write to the Code of Ethics email address (codice.etico@intesasanpaolo.com), anonymously and without fear of reprisals. As regards reports of alleged human rights violations received in 2018, see page **44**.

Human rights issues have, once again this year, been subject to third-party verification in accordance with the principles and contents of the ISO 26000 standard. The third-party assessment conducted in 2018 confirmed the presence of regulations and procedures aimed at protecting the human rights listed in the relevant policy, in relation to the main categories of stakeholders. The rating difference between Italy and abroad is a result of the different regulatory environments, especially concerning certain countries.

Human rights aspects were checked across all areas, with regard to the following issues:

Issues	Aspects addressed	Average rating of issues (0-5)
Employment protection	Respecting individual rights in terms of protecting employment and access to trade union representation	Italy 4.5 Abroad 3.9
Employee well-being	Respecting individual rights in terms of welfare and quality of life in the company; employee health and safety; working environment	Italy 4.9 Abroad 3.9
Employee growth and development	Respecting individual rights in terms of enhancement of diversity	Italy 4.6 Abroad 4.0
Quality and innovation in customer relations	Respecting individual rights in terms of accessibility, customer protection, and customer health and safety	Italy 4.7 Abroad 4.2
Integrity in corporate conduct	Respecting individual rights in terms of the protection of privacy and compliance with labour laws	Italy 4.7 Abroad 3.5
Responsible asset management	Respecting human rights in investments	Italy 4.5 Abroad 3.7
Green economy	Respecting human rights in loans	Italy 4.9 Abroad 3.9

Note: The Abroad Rating is the average of the scores obtained by the 9 Banks within the International Subsidiary Banks Division.

The assessment highlighted areas for improvement in relation to suppliers and the community, refining the respective tools in order to evaluate the social and environmental performance recorded for suppliers, and to investigate and assess respect for the rights of the community by the financed parties.

Stakeholder Engagement Activities and results

Relations with stakeholders: engagement and listening

In its 2018-2021 Business Plan, Intesa Sanpaolo set itself key social responsibility goals that involve various stakeholders. In 2018, the stakeholder engagement activities carried out in accordance with the AA1000 AccountAbility standard, using specific engagement methods for each category of stakeholder, addressed the topics outlined in the materiality matrix with a close focus on the CSR (Corporate Social Responsibility) aspects of the Business Plan.
Intesa Sanpaolo defined an engagement plan with the collaboration of the internal departments which have direct relations with all categories of stakeholder on a daily basis. This engagement is documented in minutes taken down in collaboration with the relevant parties and with their approval. The activity is managed by an independent third party to guarantee the unbiased presentation of opinions. The topics proposed to individual stakeholders relate to different aspects of sustainability, not limiting the listening process to the issues traditionally connected with each category, encouraging broader discussions and new perspectives.

STAKEHOLDER MAP

The stakeholder map represents the Bank's network of relations and the results of the engagement activities in 2018 are presented as summaries in order to highlight the priority topics that emerged in terms of materiality analysis

EMPLOYEES
- Network personnel
- Staff personnel
- Junior employees
- Senior employees
- Managers
- Top management
- Trade unions

CUSTOMERS
- Retail and household customers
- Financially vulnerable retail and household customers
- SME customers
- Large corporate customers
- Start-ups
- Consumer associations
- Public Authorities and Public
- Directors
- Third sector
- Professional associations

SHAREHOLDERS
- Small investors
- Foundations
- Institutional investors
- Sustainable investors
- Shareholders' associations

SUPPLIERS
- Large-scale suppliers
- Small-scale suppliers
- Commercial partners
- Sub-suppliers

ENVIRONMENT
- Environmental associations
- Future generations
- Scientific community

COMMUNITY
- Associations representing the interests of the community
- Regulatory authorities
- National and international public institutions
- Media

ENGAGEMENT INITIATIVES AND ISSUES COVERED

The stakeholders involved are: corporate and retail customers; the environment and the community, through dialogue with NPOs and NGOs, institutions and information media focusing on specific topics; the shareholders, and sustainable shareholders in particular; employees, involved directly and through trade associations; and suppliers. The following table outlines the methods used to engage stakeholders, divided into individual categories and relative topics, proposed thanks to the listening tools implemented.

Stakeholder category	Stakeholders	Listening method	Issues covered
Customers	Retail customers	Online questionnaire filled out by a sample of 2,994 retail customers	▪ Quality of customer services (provision of medium-long term credit, optimisation of geographical coverage, digitalisation, cyber security) and strength of the bank's image ▪ Actions supporting the circular economy ▪ Green bonds ▪ Ethical investment funds ▪ Loans guaranteeing financial inclusion ▪ Insurance and consultancy solutions ▪ Reduction of greenhouse gas emissions ▪ Smart working for employee well-being ▪ Supporting the needy and non-profit organisations for local development ▪ Promotion and management of cultural heritage
		Analysis of spontaneous feedback received between January and July 2018	
	Corporate customers	Telephone interviews carried out with a sample of 2,096 corporate customers	▪ Bank value and solidity ▪ Quality of customer services (provision of medium-long term credit, optimisation of geographical coverage, digitalisation) ▪ Supporting economic growth of society and contributing to its development ▪ Financial inclusion through the launch of initiatives to disburse loans to sections of society that find it difficult to access credit (Fund for Impact) ▪ Expansion of range of products and services specifically for businesses ▪ Actions supporting the circular economy ▪ Promotion and management of cultural heritage
		Analysis of spontaneous feedback received between January and July 2018	
Environment	NGOs and representative figures	Telephone interviews with 7 representatives from environmental associations, NGOs and NPOs, and representatives from the world of journalism and institutions	▪ Environmental sustainability (reduction of building emissions and optimisation of commutes) ▪ Green economy (supporting the circular economy and issuing green bonds) ▪ Sustainable investments and ESG/ethical funds ▪ Expectations for the goals stated in the 2018-2021 Business Plan
Community	NGOs and representative figures	Telephone interviews with 8 representatives from associations, NGOs and NPOs active in the social welfare sphere, and representatives from the world of journalism and institutions	▪ Supporting the needy in partnership with the Third sector ▪ Financial inclusion through the launch of initiatives to disburse loans to sections of society that find it difficult to access credit (Fund for Impact) ▪ Sustainable investments and ESG/ethical funds ▪ Promotion and management of cultural heritage ▪ Expectations for the goals stated in the 2018-2021 Business Plan
Shareholders	SRI investors	Analysis of the content of annual meetings	▪ Bank value and solidity (e.g. costs/revenues, international consolidation, economic performance etc.) ▪ Environmental aspects (e.g.: environmental targets, Green Bonds etc.) ▪ Aspects connected with employee growth, well-being and protection (e.g. incentive plans, diversity, reassignment of excess employees etc.) ▪ Aspects related to customer relations (e.g. responsible business practices, digitalisation, cyber security, access to credit, responsible asset management, insurance etc.) ▪ Aspects linked to relations with the community ▪ Integrity in corporate conduct (e.g.: corporate culture, Code of Ethics, anti-money laundering, policies for sensitive sectors etc.)
	Small shareholders (E.Di.Va.)	1 focus group	▪ Bank value and solidity (growth of revenues and investments and reduced costs, de-risking, creation and distribution of value) ▪ Instruments for growth (wealth management, corporate and investment banking, reduction of non-performing loans, growth of international subsidiary Banks) ▪ Environmental sustainability (reduction of building emissions and optimisation of commutes) ▪ Green economy (supporting the circular economy and issuing Green Bonds) ▪ Sustainable investments and ESG/ethical funds ▪ Financial inclusion through the launch of initiatives to disburse loans to sections of society that find it difficult to access credit (Fund for Impact) ▪ Loans to the Third Sector ▪ Supporting the needy ▪ Promotion and management of cultural heritage ▪ Expectations and comments regarding the content of the 2018-2021 Business Plan

Stakeholder category	Stakeholders	Listening method	Issues covered
	Dow Jones Sustainability Index	Analysis of the criteria and assessments conducted by RobecoSAM on the ESG areas of the questionnaire for inclusion on the index	▪ Economic dimension (e.g.: corporate governance, risk management, codes of conduct etc.) ▪ Environmental dimension (e.g.: reporting, energy, water, waste, products and services, climate strategies etc.) ▪ Social dimension (e.g.: reporting, human rights, talent acquisition etc.)
Employees	Trade unions	1 focus group with 10 representatives from 5 trade unions	▪ Bank value and solidity ▪ HR management and employment protection ▪ Employee training and incentives ▪ Employee well-being (e.g. flexibility and smart working) ▪ Reduction of greenhouse gas emissions ▪ Supporting the community with the promotion of social projects ▪ Expectations and comments regarding the content of the 2018-2021 Business Plan
	Italian and international employees	Questionnaire via email included in a corporate mission survey sent to 68,901 Italian employees and 19,929 international employees, and returned by 35,525 Italian and 8,270 international employees.	▪ Employee growth and development (e.g. training, incentivisation, talent development, promoting diversity) ▪ Employee well-being (e.g. working environment, welfare and quality of life in the company, health and safety) ▪ Employment protection and relations with trade union representatives ▪ Reduction of direct environmental impacts (e.g.: CO_2 emissions, consumption of resources, waste production) ▪ Active participation in combating climate change ▪ Transparency and care in customer relations ▪ Promoting sustainable investment solutions ▪ Promoting access to credit and financial inclusion among disadvantaged sections of society
Suppliers	Suppliers	Questionnaires on the environment, CSR and human rights on the new supplier portal completed by 1,846 companies	▪ Company value and solidity ▪ Direct environmental impacts (e.g. energy consumption, waste production, consumption of resources, emissions) and indirect environmental impacts (e.g. promotion of a sustainable supply chain) ▪ Employee growth and development (e.g. protecting diversity, quality and security) ▪ Employee well-being (e.g. flexibility, health and safety) ▪ Employment protection (e.g. membership in trade unions, respect for contractual rights) ▪ Relations with the community (e.g. communication of sustainability aspects) ▪ Integrity in corporate conduct (e.g. anti-corruption)

Overall, two focus groups were held, 2,000 telephone interviews with three categories of stakeholders conducted, and two online questionnaires were published, that were answered by over 45,000 people. Direct listening activities were supplemented with indirect actions in the form of extensive document analysis.

SUMMARY OF ISSUES EMERGING FROM THE STAKEHOLDER ENGAGEMENT PROCESS

The results deriving from the engagement of the individual stakeholder groups were classified on the basis of Intesa Sanpaolo's priority issues. The main results are reported for each issue.

Company value and solidity: the topic is viewed as very important. The importance of the creation of value for the Bank is confirmed (Customers). A close focus on governance and risk management (Investors) is also noted. Future scenarios are envisaged in which factors like climate change and social transformations will also influence the economic and financial system; governance for these issues will therefore become increasingly strategic (Environment). There is a high demand for the integration of ESG (Environment, Social, Governance) factors in the Bank's policies and actions, which must be supplemented with the measurement of impacts by following recognised methodologies, as well as with effective communication (Small Shareholders).

Integrity in corporate conduct: this is regarded as important by many stakeholders (Customers, Community, Shareholders, Employees, Suppliers) and involves every company pledging to act correctly and responsibly. The specific areas of attention that emerged during the listening process were anti-money laundering (Shareholders) and anti-corruption.

Employee growth and development: has a high score for stakeholders. Training is considered the main tool for the development and growth of employees. To continue developing employees and, with them, the solidity of the Bank, training courses must be developed in three main areas: innovation (digitalisation and internationalisation), the training of specialist staff, and the transfer of skills between generations (Employees). To foster the improvement and innovation of relationships with employees, the need for ESG metrics in the management of human resources and in employee and management incentive schemes was identified (Shareholders).

Employee well-being: in modern society, work and working methods are highly flexible and variable. Being aware of this change for some time, Intesa Sanpaolo has taken tangible steps to promote the well-being of its employees, including the introduction of important welfare initiatives (Employees) and the implementation of smart working. These initiatives are highly appreciated by stakeholders (Employees, Customers). The implementation of the Business Plan entails significant changes in a short space of time; it is therefore important to ensure that the speed of the changes requested from human resources meets these needs, while at the same time guaranteeing respect for the abilities and time requirements of individual employees. Open dialogue on these issues is considered essential to maintain a positive working environment (Employees).

Employment protection: the acknowledgment of the employment protection actions taken by Intesa Sanpaolo in the last year meant that this topic did not score highly in the listening activities held in 2018. The reassignment of excess employees is the most challenging area for the current and future management of this issue (Shareholders).

Quality and innovation in customer relations: the central role of customer relations for Intesa Sanpaolo is evident in the importance attributed to this issue by its stakeholders. The Bank must continue to focus its attention on three main areas: digital innovation and the accessibility of its services, which must be guaranteed through a range of channels including internet banking, the widespread distribution of its branches across the country and the development of methods of supplying its alternative services, such as the Banca 5 project (Customers); the diversification of its products, with the extension of its traditional credit activities to include insurance and consultancy (Customers);and transparency and responsibility in customer relations (Employees and Shareholders).

Access to credit and financial inclusion: this registered a high score among stakeholders. The commitment undertaken by the Bank during the year with the launch of the Intesa Sanpaolo Fund for Impact and its ambition to become the first Impact Bank in the world are both regarded as highly significant. Expectations are high with regard to the development of initiatives for disadvantaged sections of society (Employees, Customers, Shareholders) and support for businesses (Customers, Shareholders). Collaboration with organisations that operate in the social sphere is seen as an important success factor. The development of partnerships in this area could lead to the implementation of actions with significant and widespread social effects (Community).

Responsible asset management and customer protection: this topic was expanded in 2018 with the focus on customer protection, also following the growing importance of the insurance sector in the Intesa Sanpaolo Business Plan. Our stakeholders are aware that responsible investments are one of the key aspects of sustainable finance (Customers, Environment, Employees). For this reason, the adoption of ESG criteria when assessing investments and measuring the impact of the entire portfolio is particularly important (Shareholders, Community).

Direct environmental impacts: almost all stakeholders (Customers, Environment, Shareholders, Employees and Suppliers) placed a close focus on this issue, particularly with regard to CO_2 emissions and climate change. The direct impacts are regarded as considerable, but less significant than indirect impacts, which are linked with financial credit activities and investment. The listening activities brought to light the importance of aligning the Bank's improvement objectives with international goals in this area, in particular the Paris Agreement (Employees). As well as climate change, saving resources and reducing waste production, particularly plastic packaging, were also viewed as important (Environment).

Green economy: stakeholders showed great interest in the Bank taking significant responsibility in the area of the green economy. The Group is asked to make a commitment that goes beyond its traditional activities, and to assume an active role in the transition towards sustainable development (a view also shared by retail customers). All commitments and actions taken with regard to the circular economy, seen as one of the central themes in the development of a green economy, are considered important. The Bank's alignment with the Sustainable Development Goals promoted by the 2030 Agenda is appreciated (Environment). Stakeholders view Intesa Sanpaolo's support for the recommendations of the Task Force on Climate-related Financial Disclosures as confirmation of its intention to play an active role in the change (Environment and Shareholders). This intention is also corroborated by the development of products like Green Bonds and facilities for the conversion of businesses and homes to renewable energy (Employees).

Relations with the community: all categories of stakeholders view this issue as very important. Two main strands emerged: the focus on the most vulnerable sections of society, including through collaboration with the Third sector (Employees) and enhancement and promotion of culture (Customers), activities in which Intesa Sanpaolo has always stood out. Through its relations with the community, the Bank can take advantage of its widespread presence and play a leading role in a process that leads to the creation of networks to promote and spread experiences and knowledge (Community). To achieve this objective, a more effective way of measuring, and subsequently communicating, the social impact of the initiatives promoted by Intesa Sanpaolo is required, using indicators included in the Sustainable Development Goals (SDGs) (Shareholders).

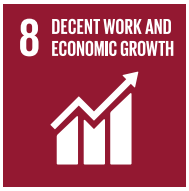
Improvement objectives

Improvement objectives

2018-2021 BUSINESS PLAN

In the 2018-2021 Intesa Sanpaolo Group Business Plan, sound and sustainable creation and distribution of value will remain a priority, through maintaining a high level of capitalisation and significantly reducing the risk profile, at no extraordinary cost to shareholders.
The Plan confirms the role of Intesa Sanpaolo as a real economy Bank, with sustainable profitability creating value for all stakeholders, with over 300 billion euro contributed to the economy over the four-year period.
The Group is also seeking to consolidate its leadership role in Corporate Social Responsibility, and become an exemplary model for society in terms of social and cultural responsibility, while increasing the internal commitment to inclusion.

Shareholders		Cash dividends with a pay-out ratio of 85% for 2018, 80% for 2019, 75% for 2020 and 70% for 2021
Society	Households and businesses	New medium- to long-term loans disbursed to the real economy and totalling around 250 billion euro (~500,000 new investments financed)
		Focus on a multi-channel platform aimed at offering all customers a cutting-edge digital range of products and services; 70% of activities digitised in 2021, up from 10% in 2017; ~2.8 billion euro in investments to complete the digital transformation, reinforcement of cybersecurity practices
		Launch of a new fund (ISP Fund for Impact, allocating 0.5% of shareholder's equity by 2021, for an estimated value of ~250 million euro) enabling the disbursement of credit with a social impact totalling ~1.2 billion euro to groups who find it hard to access credit despite their potential (new households, university students, researchers and new businesses), thus making Intesa Sanpaolo the world's first Impact Bank
		Consolidation of leading role in responsible investments available to customers
	Community	Extension of the "Cibo e Riparo per i bisognosi" ("Food and Shelter for the needy") initiative with the provision of funds to ensure 10,000 meals a day, 6,000 beds and 3,000 medicines and items of clothing per month
		New medium- to long-term loans in support of social enterprises, totalling approximately 0.7 billion euro, thus confirming its position as the largest Third Sector lender in Italy
		Creation of a unit dedicated to the management of artistic, cultural and historical heritage to promote art and culture in Italy and abroad.
	Suppliers	Purchases and investments totalling around 11 billion euro
	Public sector	Taxes (direct and indirect) totalling around 13 billion euro



Employees

Personnel expenses of around 24 billion euro (to over 90,000 households)

Investment of around 1 billion euro in training and ~46 million hours of training during the 2018-2021 period, with around 11.9 million hours of training in 2021, up from 6.6 million in 2017

Reassignment of excess capacity (~5,000 people) into new high-value added initiatives (Proactive HR In-Placement)

Hiring of at least 1,650 people to support the growth of the core business and facilitate generational change.

New long-term incentive programmes linked to the main indicators of the Plan (with the participation of all employees in ISP's capital) to promote the creation of long-term value for all stakeholders

Development of improved, innovative programmes to promote distinctive leadership for the managers of the Group (international Managers' School, ~7,000 managers)

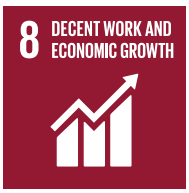
International programme for young talents (~500 individuals), to strengthen the international 'middle management' community through training programmes and personalised career plans

Implementation of a new international HR platform aimed at ensuring internal equality and meritocracy by mapping ~2,400 managerial roles

Ongoing dialogue with people within the Group to support their well-being and contribute to organisational improvements, in line with the values and culture of Intesa Sanpaolo (Process and People Care)

Launch of dedicated initiatives to ensure diversity and inclusion are fully promoted

Focus on flexibility programmes (including smart working extended to around 24,000 people in 2021, up from 8,000 in 2017, to improve the productivity and satisfaction of employees and optimise the use of spaces, part-time work and mixed work contracts)



Environment

37% reduction in CO_2 emissions over the 2012-2022 period (Climate Change Action Plan)

Allocation of a specific plafond (5 billion euro) and launch of an investment fund dedicated to the Circular Economy

Indicators*

* The data relating to 2018 is not comparable with that of previous years, particularly the indicators relating to Employees and the Environment, due to the inclusion of the aggregate set of the former Banca Popolare di Vicenza and the former Veneto Banca in the reporting boundary of the 2018 Statement.
The data reported in the tables and charts may not add up exactly due to rounding differences.

Governance Indicators

GOVERNANCE BODIES

BOARD OF DIRECTORS

	2018
Men	12
Women	7
<=30	0
30-50	1
>50	18
Indipendent*	14
Meetings	26
Attendance rate [%]	99%

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

MANAGEMENT CONTROL COMMITTEE

	Members	Independent*	Meetings	Attendance rate [%]
Management Control Committee	5	5	48	99

* Independence requirements in accordance with the regulations in force and the Articles of Association.

COMMITTEES OF THE BOARD OF DIRECTORS

Committees	Members	Independent*	Meetings	Attendance rate [%]
Remuneration Committee	5	3	22	99
Nomination Committee	5	3	6	100
Risks Committee	5	3	42	100
Related Party Transactions Committee	5	5	19	100

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

COMMUNICATION TO THE MARKET

Presentations, roadshows and meetings	2018	2017	2016
Group institutional presentations	58	56	60
Public financial disclosures	215	190	213
Roadshows	71	82	82
Europe	57	62	63
United States	12	20	18
Asia	2	0	1
Meetings with investors and analysts	485	589	600
of which:			
Meetings with investors and analysts on ESG issues*	23	26	20
Replies to requests received	12,000	12,000	12,000

* ESG: Environmental, social and governance issues.

CSR GOVERNANCE

Code of Ethics: reports of alleged non-compliance	2018	2017	2016
Customers	112	93	67
Employees	19	8	13
Suppliers	0	0	1
Community	0	0	1
Total	**131**	**101**	**82**

INTEGRITY IN CORPORATE CONDUCT

Whistleblowing	2018	2017	2016
Reports received	21	16	22
Reports identified as not relevant	4	6	3
Reports with specific investigations	17	10	19

Specific training for the prevention of corruption and anti-money laundering	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants [No.]	48,534	17,786	66,320	35,807	14,713	50,520	22,914	14,355	37,269
Hours of specific training [No.]	278,788	44,454	323,242	71,873	57,089	128,962	116,960	47,366	164,326
Executives [%]	21.6	21.9	21.7	10.5	18.8	13.4	17.6	11.6	15.5
Middle managers [%]	71.8	72.6	72.0	53.2	62.4	54.7	32.3	56.1	36.4
Professional areas [%]	71.7	79.9	74.2	59.5	63.0	60.7	38.8	60.3	46.1
Participants [%]	71.0	76.9	72.5	56.1	61.9	57.7	35.7	58.4	42.0
Hours of specific training/total hours of training [%]	10.4	4.4	8.8	3.9	7.4	4.9	3.6	7.0	4.2

Training for the protection of free competition	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	47,499	477	47,976	2,057	176	2,233	2,442	569	3,011
Hours of training provided (classroom + remote learning)	71,690	1,248	72,938	2,324	97	2,421	3,014	1,739	4,753

Training for consumer protection	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	38,243	1,798	40,041	4,710	5,622	10,332	12,845	3,558	16,403
Hours of training provided (classroom + remote learning)	1,195,044	28,157	1,223,201	5,470	13,471	18,941	14,540	7,036	21,576

Training for privacy protection	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	46,259	5,637	51,896	7,725	5,410	13,135	8,783	3,854	12,637
Hours of training provided (classroom + remote learning)	37,119	6,383	43,501	3,205	12,713	15,918	3,603	6,856	10,459

SANCTIONS REGARDING ENVIRONMENTAL AND SOCIAL ISSUES

Sanctions for non-compliance with environmental regulations	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Sanctions	4	3	7	10	1	11	14	0	14
Amount [K euro]	0.6	2.7	3.4	1.0	1.4	2.4	2.9	0.0	2.9

Sanctions for non-compliance with employee health and safety regulations	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Sanctions	7	2	9	5	0	5	17	0	17
Amount [K euro]	11.7	0.1	11.8	4.6	0.0	4.6	16.8	0.0	16.8

PROCEEDINGS AND DISCIPLINARY MEASURES TAKEN AGAINST EMPLOYEES

Proceedings pending with staff	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Termination of employment	7	110	117	7	138	145	5	103	108
Establishment and performance of employment	53	1	54	72	1	73	102	6	108
Duties and qualifications	25	20	45	24	24	48	36	25	61
Welfare and assistance	1	6	7	0	6	6	1	5	6
Remuneration	92	42	134	169	38	207	178	51	229
Anti-trade union behaviour	0	0	0	0	0	0	0	0	0
Active (promoted by the bank vis-à-vis staff)	0	115	115	4	181	185	2	109	111
Causes due to mobbing	0	0	0	0	0	0	0	0	0
Miscellaneous	6	41	47	9	43	52	9	44	53
Request from the Provincial Directorate of Labor	1	0	1	0	0	0	1	0	1

Disciplinary measures taken against staff	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Written censure and verbal or written reprimand	276	153	429	284	187	471	333	207	540
Reduction in remuneration	1	83	84	0	58	58	0	118	118
Suspension from work with substraction of remuneration (from 1 to 10 days)	155	0	155	161	0	161	153	0	153
Dismissal for just cause or justified reason	21	122	143	26	135	161	23	221	244
Disciplinary sanctions due to staff corruption	0	0	0	0	0	0	0	0	0
Dismissal due to corruption	0	0	0	0	0	0	0	0	0

In Italy, collective bargaining requires prior information and consultation with workers' representatives in the case of major restructuring, with a procedure for companies lasting 45 days, and a procedure for the Group lasting 50 days.

Company value and solidity

MAIN ECONOMIC AND FINANCIAL RATIOS[1]

Personnel efficiency indexes [m euro]	2018	2017
Loans to customers / Number of employees	4.27	4.12
Operating income / Number of employees	0.19	0.18
Financial assets of customers[2] / Number of employees	9.90	9.75

Capital ratios	2018	2017
Shareholders' equity / Loans to customers	13.7%	13.3%
Shareholders' equity / Financial assets of customers[2]	5.9%	5.6%

Solvency coefficients	2018	2017
Common Equity Tier 1 capital net of regulatory adjustments / Risk weighted assets (CET 1 ratio)	13.5%	13.3%
Tier 1 Capital / Risk-weighted assets	15.2%	15.2%
Total own funds / Risk-weighted assets	17.7%	17.9%

Income ratios	2018	2017
Income for the year / Average shareholders' equity[3]	8.8%	7.9%
Operating costs/ Operating income (Cost income Ratio)	53.0%	55.1%

Risk ratios	2018	2017
Net bad loans / Loans to customers	1.8%	2.6%
Cumulated adjustments on bad loans / Gross bad loans to customers	67.2%	69.1%

1. The ratios were calculated with reference to reclassified statements and figures published in the Intesa Sanpaolo Group's 2018 Consolidated Financial Statements. Comparative data is restated, where necessary and if material, to take into account changes in the scope of consolidation and discontinued operations, and include the acquired Aggregated Set of Banca Popolare di Vicenza and Veneto Banca (Aggregate Data). The comparative balance sheet data includes the effects of the first-time adoption of accounting standard IFRS 9 (01.01.2018).
2. Customer financial assets: direct deposits from banking business, direct deposits from insurance business and technical reserves and indirect deposits, after netting, referred to components of indirect deposits which are also included in direct deposits.
3. Ratio of net income, minus non-recurring elements, to shareholders' equity at the end of the period. The shareholders' equity does not take account of AT 1 equity instruments and the net income for the year.

CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

FINANCIAL STATEMENT ITEMS*		[M EURO]	
		2018	2017
10.	Interest and similar income	10,486	10,506
20.	Interest and similar expense	-3,144	-3,802
40.	Fee and commission income	9,911	9,544
50.	Fee and commission expense[1]	-1,639	-1,468
70.	Dividend and similar income	94	117
80.	Profits (Losses) on trading	442	651
90.	Fair value adjustments in hedge accounting	-111	-15
100.	Profits (Losses) on disposal or repurchase of:	549	502
	a) financial assets measured at amortised cost	-19	-7
	b) financial assets measured at fair value through other comprehensive income	508	544
	c) financial liabilities	60	-35
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	298	-1
	a) financial assets and liabilities designated at fair value	28	-1
	b) other financial assets mandatorily measured at fair value	270	0
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,240	3,485
130.	Net losses/recoveries for credit risks associated with:	-2,509	-3,154
	a) financial assets measured at amortised cost	-2,507	-2,653
	b) financial assets measured at fair value through other comprehensive income	-2	-501
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-26	-8
140.	Profits (Losses) on changes in contracts without derecognition	-11	0
160.	Net insurance premiums	8,180	6,817
170.	Other net insurance income (expense)	-9,968	-9,012
230.	Other operating expenses (income)	732	5,902
250. (partial)	Profits (Losses) on investments in associates and companies subject to joint control (realised gains/losses)[2]	10	833
280.	Profits (Losses) on disposal of investments	452	106
320.	Income (Loss) after tax from discontinued operations	0	0
A	**Total economic value generated**	**16,986**	**21,003**
190.b (partial)	Other administrative expenses (net of indirect taxes and donations and charges for resolution funds and deposit guarantee)[3]	-2,732	-2,667
	ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	-2,732	-2,667
190.a	Personnel expenses[4]	-6,601	-7,825
	ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES AND COLLABORATORS	-6,601	-7,825
340.	Minority interests	-22	-38
	ECONOMIC VALUE DISTRIBUTED TO THIRD PARTIES	-22	-38
350. (partial)	Parent Company net income (loss) - Share allocated to Shareholders[5]	-3,449	-3,419
350. (partial)	Parent Company net income (loss) - Share allocated to holders of equity instruments[6]	-199	-186
	ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS AND HOLDERS OF EQUITY INSTRUMENTS	-3,648	-3,605
190.b (partial)	Other administrative expenses: indirect taxes	-915	-917
190.b (partial)	Other administrative expenses: charges for resolution funds and deposit guarantee	-422	-290
300. (partial)	Income taxes for the year (current taxes)[7]	-497	-727
	ECONOMIC VALUE DISTRIBUTED TO GOVERNMENT, ORGANISATIONS AND INSTITUTIONS	-1,834	-1,934
190.b (partial)	Other administrative expenses: donations[8]	-1	-1
350. (partial)	Parent Company net income (loss) - Share allocated to charity funds[9]	-14	-12
	ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND ENVIRONMENT	-15	-13
B	**Totale Total economic value distributed**	**-14,852**	**-16,082**
C	**Total economic value retained (withdrawn) by the corporate system[10]**	**2,134**	**4,921**

* The 2018 data includes the effects of the application of IFRS 9, and is presented by item, these items being established by the new Bank of Italy framework, which was updated as a result. The data relating to the 2017 financial year is consistent, with no revaluation performed. For additional details, please refer to the 2018 Consolidated Financial Statements.

1. The figures differ from those of the income statement in the annual report, as the remuneration of the financial consultant networks was reclassified as “Personnel expenses”.
2. The figures differ from those of the income statement in the annual report due to the exclusion of unrealised gains/losses, now recognised in a separate item.
3. The figures differ from those of the income statement in the annual report due to the exclusion of indirect taxes and donations and gifts, and taxes and other charges regarding the banking industry, now recognised in a separate item.
4. The figures differ from those of the income statement in the annual report, as they also include the remuneration paid to the financial consultant networks.
5. For 2017, the economic value distributed to shareholders is partially drawn from the reserves of the Parent Company.
6. Accrued interest relative to coupons on additional class 1 (AT1) equity instruments, recognised directly in the shareholders’ equity.
7. The figures differ from those of the income statement in the annual report due to the exclusion of deferred tax assets and liabilities, now recognised in a separate item.
8. The figures differ from those in the “Relations with the community” chapter, as they only consider the “Donations and charity” caption of the income statement.
9. The figures include amounts allocated to charity funds by the Group banks.
10. Represented by adjustments/recoveries and provisions, deferred tax assets and liabilities, and by the consolidated profit net of dividends distributed by the Parent Company. For 2017, the figure is net of the government contribution received to offset the impact on the capital ratios resulting from the acquisition of certain assets and liabilities, and certain legal relationships of Banca Popolare di Vicenza and Veneto Banca.

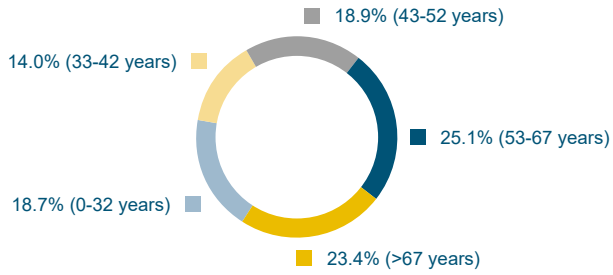
Society

CUSTOMERS

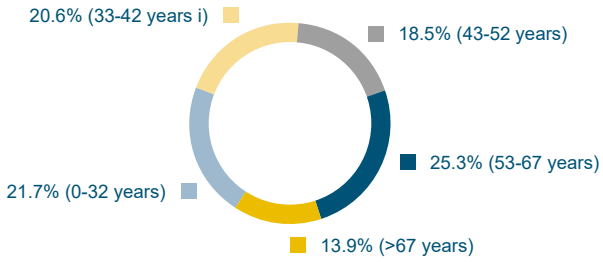
CUSTOMER COMPOSITION

Retail customers by age bracket [% - years]

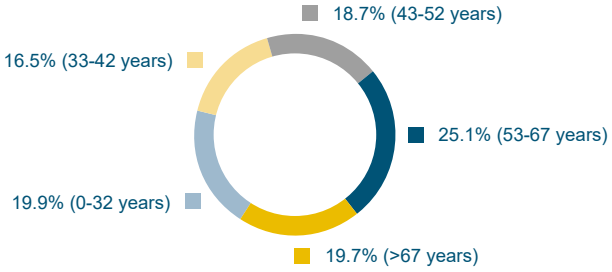
Italy



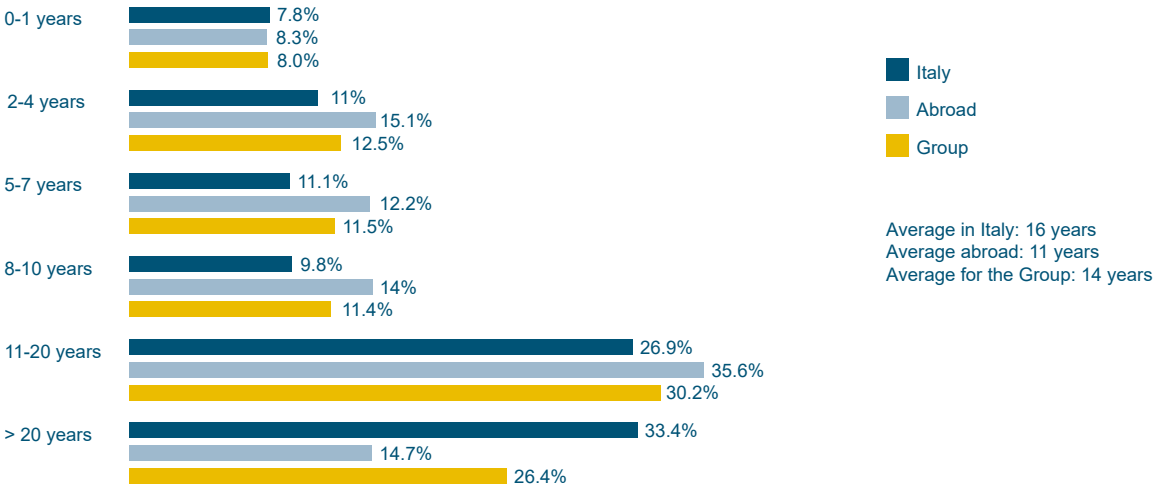
Abroad



Group

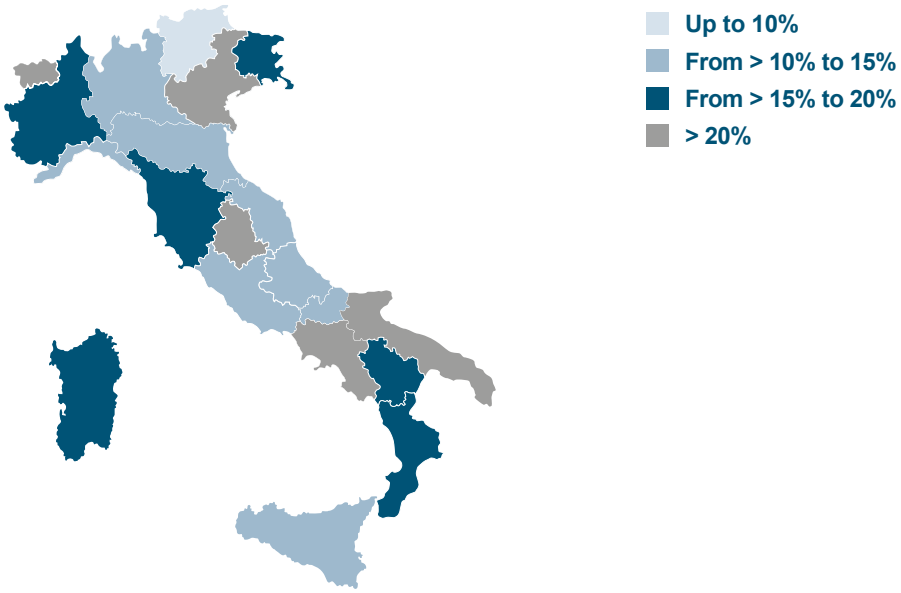


Retail customers by years of relationship with the bank [years - %]



Average in Italy: 16 years
Average abroad: 11 years
Average for the Group: 14 years

Market share per region of branches in Italy



Last update September 2018.

Presence in Italian regions with a low population density*	2018		2017		2016	
	Branches	Atm	Branches	Atm	Branches	Atm
Valle d'Aosta	20	45	21	46	23	46
Basilicata	44	55	46	36	24	36
Sardegna	84	149	86	151	87	152
Molise	16	25	16	24	15	23
Trentino Alto Adige	53	69	55	69	57	72

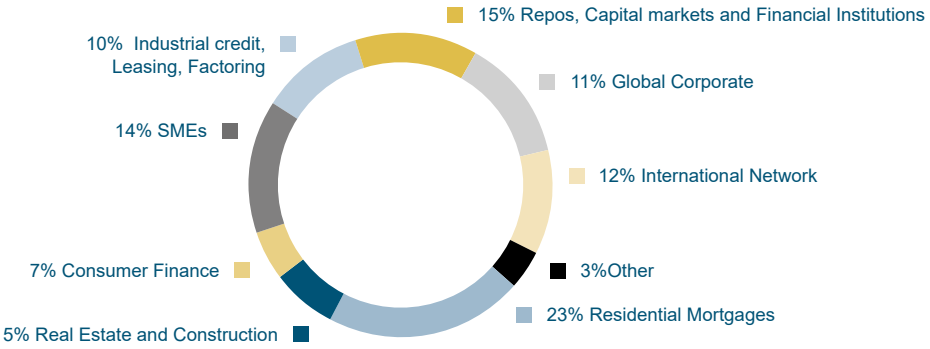
* Source: ISTAT 2018 Yearbook, resident population at 01/01/2018 and relative area data. Regions considered have less than 100 inhabitants per square kilometre.

Intesa Sanpaolo Group banks abroad*	2018		2017		2016	
	Branches	Atm	Branches	Atm	Branches	Atm
Albania	34	51	32	49	32	49
Croatia	295	1,394	301	962	248	818
Romania	34	43	30	39	45	55
Serbia	154	299	158	289	166	267
Slovakia	202	592	231	577	234	575
Slovenia**	0	0	0	0	52	98
Ukraine	50	157	50	172	190	216
Hungary	68	130	76	137	82	142
Egypt	175	375	172	366	172	348
Russian Federation	32	48	37	53	36	49

* The breakdown by country is carried out on the basis of the head office of the Parent Company for the international banking groups (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).
**Since 2017 the Slovenian subsidiary bank (Intesa Sanpaolo Bank), which has 52 branches and 100 ATMs, has been merged into the PBZ Group (Croatia).

LOANS

Loans to customers by business area



Loans to customers by economic business sector

Breakdown by economic business sector	2018	2017	2016
Loans of the Italian banks and companies of the Group			
Households	**29.0%**	**25.5%**	**24.0%**
Public Administration	**1.9%**	**3.0%**	**4.2%**
Financial Companies	**11.3%**	**9.5%**	**7.9%**
Non-financial Companies of which:	**33.0%**	**33.8%**	**33.5%**
Services	6.1%	5.8%	5.8%
Distribution	5.7%	5.7%	5.3%
Real Estate	3.6%	3.7%	4.1%
Utilities	2.5%	2.9%	2.0%
Construction	2.0%	2.2%	2.4%
Metals and metal products	1.8%	1.9%	1.8%
Agriculture	1.5%	1.6%	1.6%
Food and drink	1.4%	1.4%	1.4%
Transport	1.3%	1.4%	1.6%
Mechanical	1.0%	1.0%	1.1%
Intermediate industrial products	1.0%	1.0%	1.0%
Fashion	0.9%	0.9%	0.9%
Electrotechnical and electronic	0.6%	0.6%	0.6%
Transportation means	0.5%	0.5%	0.6%
Holding and other	0.4%	0.5%	0.6%
Base and intermediate chemicals	0.3%	0.4%	0.4%
Energy and extraction	0.3%	0.4%	0.5%
Material for construction	0.3%	0.3%	0.3%
Infrastructure	0.3%	0.3%	0.4%
Publishing and printing	0.3%	0.3%	0.4%
Non-classified units	0.3%	0.1%	0.1%
Furniture	0.2%	0.2%	0.2%
Pharmaceutical	0.2%	0.2%	0.2%
Other consumption goods	0.2%	0.2%	0.2%
Mass consumption goods	0.1%	0.1%	0.1%
White goods	0.1%	0.1%	0.1%
Rest of the word	**9.7%**	**11.6%**	**12.9%**
Loans of international banks and companies of the Group	**10.9%**	**10.0%**	**9.2%**
Non-performing loans	**4.2%**	**6.2%**	**8.2%**
TOTAL	**100.0%**	**100.0%**	**100.0%**

Note: figures may not add up exactly due to rounding differences.

OPERATIONS SUBJECT TO EQUATOR PRINCIPLES SCREENING

Project Finance*	Category A	Category B	Category C
Total	5	10	3
Sector			
Oil and gas	2	1	
Mining			
Energy	2	4	3
Infrastructure	1	5	
Other			
Region			
Americas		3	
Europe, Middle East and Africa (EMEA)	5	5	3
Asia and Oceania		2	
Type of country**			
Designated	2	5	1
Not designated	3	5	2
Independent audit			
Yes	5	10	3
No			

Business Loans Associated With Projects*	Category A	Category B	Category C
Total	2		
Sector			
Oil and gas	2		
Energy			
Region			
Europe, Middle East and Africa (EMEA)	2		
Type of country**			
Designated	1		
Not designated	1		
Independent audit			
Yes	2		
No			

* The tables show the number of projects that were financially completed in 2018.
** Designated countries: countries considered as having solid environmental and social governance, legal systems and an institutional capacity conceived to protect the population and natural environment. The list of designated countries is available on the Equator Principles Internet site.

Projects closed during the year*	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Projects	17	3	20	10	1	11	12	2	14
Economic Value [m euro]	955	38	993	603	9	612	2,007	33	2,040

* Projects that were financially completed in 2018.

SOCIAL IMPACT LOANS*

Type [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Micro-finance	25,199	45,535	70,733	29,905	34,886	64,791	35,708	38,328	74,036
Anti-usury loans	1,680	0	1,680	2,190	-	2,190	1,884	-	1,884
Loans to the Third sector**	252,375	0	252,375	334,908	-	334,908	254,928	-	254,928
Products for vulnerable social groups	3,637,664	295,362	3,933,026	3,415,712	570,924	3,986,636	3,214,815	528,276	3,743,091
Support for people hit by disastrous events	197,090	0	197,090	133,168	-	133,168	2,900	-	2,900
Total	**4,114,008**	**340,897**	**4,454,904**	**3,915,883**	**605,810**	**4,521,693**	**3,510,235**	**566,604**	**4,076,839**

*Since 2017 the composition of this category of loans has been reviewed in order to improve the focus on people in vulnerable conditions.
**It includes medium/long term loans provided by Banca Prossima and by Banks in Italy.
In 2018, loans with high social impact represented a total of 7.4% of the total new loans granted by the Group.

RELATIONS WITH THE THIRD SECTOR

Banca Prossima	2018	2017	2016
Customers [No.]	64,664	61,837	58,378
Customers with loans [No.]	11,394	10,847	10,217
Loans [K euro]	1,899,200	1,796,311	1,680,733
Direct funding [K euro]	3,687,631	3,479,901	3,142,941
Indirect funding [K euro]	1,611,907	2,510,316	4,525,536

SUSTAINABLE INVESTMENTS

Eurizon SGR: Ethical and ESG Funds	2018	2017	2016
Ethical and ESG Funds: assets [K euro]	5,619,618	3,965,237	901,491
Ethical Funds: assets [K euro]	1,152,199	1,096,764	901,491
International ethical equity assets [K euro]	140,690	109,755	100,155
Ethical bonds assets [K euro]	430,064	480,648	437,862
Diversified Ethical: assets [K euro]	581,446	506,361	363,474
ESG funds: assets [K euro]*	4,467,419	2,868,473	-
ESG Target 40 Fund (retail customers): assets [K euro]*	107,294	121,393	-
Sustainable Global Equity Fund (professional customers): assets* [K euro]	350,399	289,741	-
Flexible Equity Fund: assets [K euro]*	3,364,371	2,457,339	-
Sustainable Discipline ESG Fund: assets [K euro]**	423,298	-	-
Absolute Green Bonds Fund: assets [K euro]**	152,181	-	-
Bond Corporate Smart ESG Fund: assets [K euro]**	69,876	-	-
Ethical International Equity: gross return [%]	-3.7	8.5	3.9
Ethical Bond: gross return [%]	-0.1	1.4	4.7
Ethical Diversified: gross return [%]	-0.8	1.5	3.2
ESG Target 40 (retail customers): gross return [%]*	-6.3	n.a.	-
Sustainable Global Equity (professional customers): gross return [%]*	-12.6	n.a.	-
Flexible Equity Fund: gross return [%]*	-5.7	7	-
Sustainable Discipline ESG: gross return [%]**	-3.6		
Absolute Green Bonds: gross return [%]**	-1.5		
Smart ESG: gross return [%]**	-0.5		
Percentage of Ethical and ESG Funds (registered in Italy and delegated) in relation to total fund assets registered in Italy [%]	8.3	5.6	1.3
Total fund assets managed using ESG criteria for third parties (requested by institutional investors): [K euro]	2,570,553	2,389,543	866,000

* Funds offered to the public since 2017.
** Funds offered to the public since 2018.

Average gross yield weighted for assets on the basis of the time horizons of the funds. Eurizon Ethical Funds are Italian funds. For the characteristics and performances of the funds, please click on the relevant hyperlink below.

Eurizon International Ethical Equity [i] Eurizon Diversified Ethical [i]Eurizon Ethical Bond [i] Eurizon Absolute Green Bonds [i] Eurizon Flexible Equity [i]

Eurizon Sustainable Global Equity [i] Eurizon ESG Target 40 [i] Eurizon Sustainable Discipline ESG [i] [i] [i] [i] Eurizon Bond Corporate Smart ESG [i]

Eurizon SGR: engagement initiatives	2018	2017	2016
Companies comprising the portfolios*	1,382	1,552	1,437
Companies for which engagement initiatives have been carried out	600	665	600
Companies for which ESG engagement initiatives have been carried out	130	135	50
% of the no. of companies included in the portfolios subject to ESG engagement	9.4	8.7	3.5

*The overall number reported refers to issuers of equity in Italian funds.

Fideuram Ethical and ESG Funds	2018	2017	2016
Ethical and ESG Funds: assets [K euro]	115,420	51,640	39,041
Ethical Funds: assets [K euro]	47,909	51,640	39,041
Fonditalia Ethical Investment Class R: assets [K euro]	26,447	30,165	28,895
Fonditalia Ethical Investment Class T: assets [K euro]	21,462	21,475	10,146
ESG Funds: assets [K euro]	67,511	0	0
Fonditalia Millennials Equity Class R: assets [K euro]*	21,336	-	-
Fonditalia Millennials Equity Class T: assets [K euro]*	46,175	-	-
Fonditalia Ethical Investment Class R: gross return [%]	-3.2	2.88	2
Fonditalia Ethical Investment Class T: gross return [%]	-3.2	2.88	2
Fonditalia Millennials Equity Class R: gross return [%]	-10.2		
Fonditalia Millennials Equity Class T: gross return [%]	-10.3		
Total assets in funds managed directly by Fideuram and on behalf of independent organisations [K euro]**	55,418,000	56,653,000	48,263,000

* Segment active since June 2018.
** "Third parties" refers to asset management companies not belonging to the Fideuram Group (Fideuram Investimenti and Fideuram Asset Management Ireland) which establish mutual investment funds that are then placed with customers.

Fideuram Ethical Funds are Luxembourg funds.

For the characteristics and performance of the funds, please click on the related hyperlink below.
Fonditalia Ethical Investment Classe R [i] Fonditalia Ethical Investment Classe T [i] Fonditalia Millennials Equity Classe R [i] Fonditalia Millennials Equity Classe T [i]

MULTI-CHANNEL

Distribution channels and automation of operations: Italy	2018	2017	2016
Multi-channel contracts (stock)*	8,972,878	7,515,941	6,929,604
Multi-channel contracts (stock)/no of customers	70.7	63.4	59.4
Bank transfers automation [%]	88.3	88.1	86.2
Securities automation [%]	67.5	74.9	78.8
Remote Banking: active contracts at date	239,358	164,220	157,667
Remote Banking: orders	127,248,285	134,771,167	126,451,505

*Monitoring of the 2018-2021 Business Plan is performed on customers of the Banca dei Territori Division (8.3 million multichannel contracts at the end of 2018). This does not include the contracts of Fideuram Intesa Sanpaolo Private Banking customers (621,399) and Banca 5 customers (21,595).

Distribution channels: Abroad	2018		2017	
	No. of multi-channel contracts (stock)	No. of multi-channel contracts (stock)/no. of customers	No. of multi-channel contracts (stock)	No. of multi-channel contracts (stock)/no. of customers
Albania	18,664	9	13,082	7
Croatia	540,333	28	516,339	27
Romania	13,893	20	12,563	25
Serbia	833,571	49	647,975	47
Slovakia	555,682	57	694,463	60
Ukraine	83,479	59	74,385	49
Hungary	316,916	85	305,595	81
Russian Federation	46,528	21	43,886	20

The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia e CIB Bank in Hungary).

CYBER SECURITY

Training	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Participants	3,627	4,653	8,280	28,846	7,194	36,040	1,289	8,010	9,299
Hours of training provided (classroom + remote learning)	7,560	6,647	14,207	6,716	10,510	17,226	2,538	15,512	18,050

CUSTOMER EXPERIENCE*

Net promoter score (NPS) performance by type of customer	2018	2017	2016
Retail	15.9	13.2	8.3
Personal	3.2	2.7	0.4
SME	20.3	20.2	17.6

*Surveys on customers of the Banca dei Territori Division. Customers of the Aggregate Set of the former Banca Popolare di Vicenza and the former Veneto Banca are excluded from the survey.

CLAIMS, COMPLAINTS AND APPEALS

Type	2018			2017			2016		
	Italy	Abroad*	Group	Italy	Abroad	Group	Italy	Abroad	Group
Loans	24,922	4,703	29,625	27,215	5,559	32,774	33,262	6,302	39,564
Payment systems	9,640	20,616	30,256	7,247	20,452	27,699	7,389	19,793	27,182
Organisational issues, Internet site, other	10,365	7,082	17,447	8,457	8,269	16,726	6,285	7,722	14,007
Insurance products	6,088	150	6,238	5,650	285	5,935	5,316	182	5,498
Current accounts, deposits and securities dossier	5,997	5,336	11,333	3,315	5,510	8,825	2,360	5,619	7,979
Investments	2,997	209	3,206	1,823	351	2,174	1,946	120	2,066
Total	60,009	38,096	98,105	53,707	40,426	94,133	56,558	39,738	96,296

For a correct comparison, the number of complaints received in 2017 – by individual category - must be supplemented with the data referring to the 'Venetian Banks' (2834 complaints in total) as reported on pp. 72-74
With regard to requests received from customers on personal data protection in Italy, 115 reports were received for an alleged violation of the Privacy Code in 2018 (101 in 2017), together with one request from the Italian Data Protection Authority.
* The survey of the International area also includes Eximbank (Moldova), which does not fall within the reporting boundary of the 2018 Statement.

COMMUNITY

CONTRIBUTION TO THE COMMUNITY

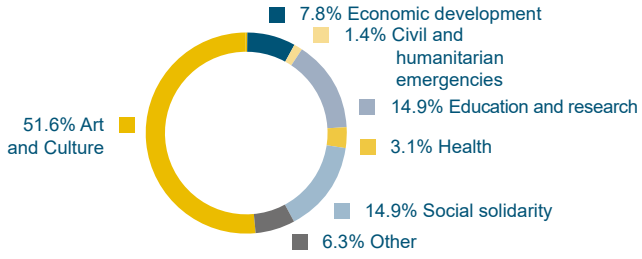
Contribution to the community by type [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Monetary contribution to the community	58,964	2,721	61,685	46,775	2,862	49,637	43,699	2,713	46,412
Goods and services donated to the community	0	17	17	0	0	0	10	17	27
Time contributions	125	89	214	56	162	218	16	130	146
Operating costs	4,558	253	4,811	3,414	155	3,569	3,429	253	3,682
Overall contribution to the community	**63,647**	**3,080**	**66,727**	**50,245**	**3,179**	**53,424**	**47,154**	**3,113**	**50,267**

Contribution to the community: geographic distribution [K euro]*	2018	2017	2016
European Union	65,307	52,006	48,635
Other European countries	612	671	610
Africa	789	724	1,022
South America**	19	23	-
Total contribution to the community	**66,727**	**53,424**	**50,267**

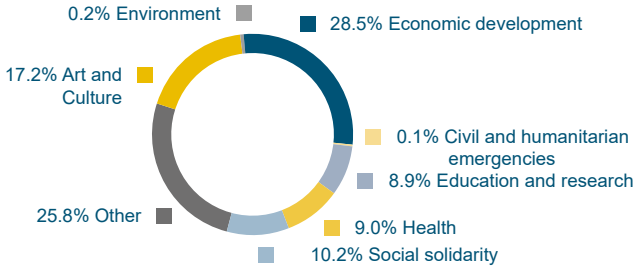
* Data recorded based on the geographic area of the Group Bank making the contribution.
** Data recorded since 2017.

Monetary contribution to the community by area of activity [%]

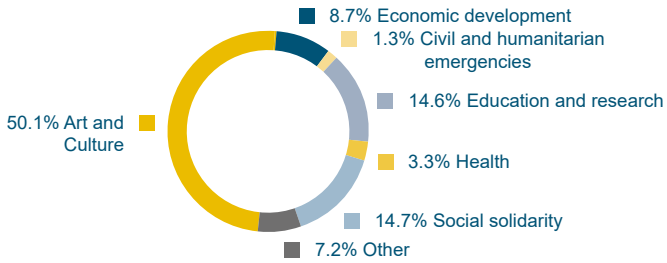
Italy



Abroad



Group

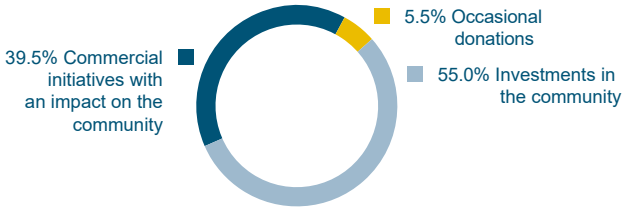


Monetary contribution to the community by area of activity [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Art and Culture	30,417	468	30,885	27,551	786	28,337	26,285	730	27,015
Social solidarity	8,786	278	9,064	5,335	167	5,502	4,003	369	4,372
Health	1,803	246	2,048	1,796	319	2,115	1,931	377	2,308
Education and research	8,790	242	9,032	4,386	301	4,687	4,450	84	4,535
Civil and humanitarian emergencies	798	3	801	780	0	780	469	94	563
Economic development	4,616	776	5,391	4,274	434	4,709	4,906	216	5,123
Environment	25	5	30	120	15	134	58	164	222
Other	3,730	703	4,433	2,533	840	3,373	1,597	677	2,274
Total monetary contribution to the community	**58,964**	**2,721**	**61,685**	**46,775**	**2,862**	**49,637**	**43,699**	**2,713**	**46,412**

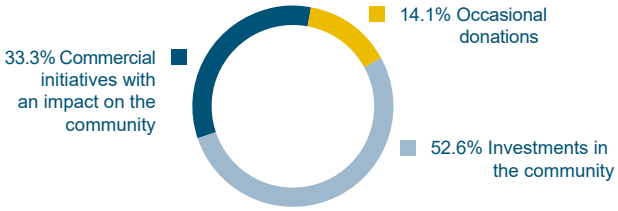
Monetary contribution to the community by reason [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Occasional donations	3,218	385	3,603	3,469	497	3,966	4,179	710	4,889
Investments in the community	32,428	1,430	33,858	25,899	1,310	27,209	22,523	1,435	23,958
Commercial initiatives with an impact on the community	23,318	906	24,224	17,407	1,055	18,462	16,997	568	17,565
Total monetary contribution to the community	**58,964**	**2,721**	**61,685**	**46,775**	**2,862**	**49,637**	**43,699**	**2,713**	**46,412**

Monetary contribution to the community by reason [%]

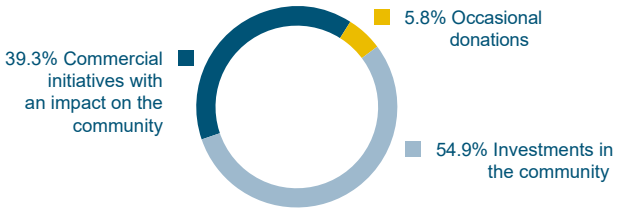
Italy



Abroad



Group



Company voluntary work	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total monetary contribution of hours of company voluntary work [K euro]	125	89	214	56	162	218	16	130	146
Hours of company voluntary work	2,897	9,626	12,523	1,843	15,213	17,056	567	11,713	12,280
Staff involved in company voluntary work [No.]	393	931	1,324	252	1,295	1,547	75	904	979

MEDIA RELATIONS*

Type [No.]	2018	2017	2016
Press releases and analysis	1,461	810	703
Press conferences and interviews	709	117	97
Speeches by managers at events covered by the press office	351	134	121

* The 2018 figures are not comparable with those of 2017 and 2016, as the Press Releases caption figures of 2017 and 2016 do not include analysis, the Press conferences caption figures do not include interviews, and the Product and initiative presentation caption figures do not include all the speeches by managers at events covered by the Press Office.

SUPPLIERS

Total gross revenue (Group)	2018
Total gross revenue [K euro]	2,784,000

Suppliers - Supplier Gate*	2018
Suppliers [No.]	3,161
of which:	
Italy [No.]	2,860
Europe (excluding Italy) [No.]	239
Rest of the world [No.]	62
Share of orders from Europe to (Breakdown by supplier registred office)	
Europe [%]	98
Rest of the world [%]	2

* The figures refer exclusively to suppliers whose registration with the Intesa Sanpaolo Group's Supplier Gate is ongoing or has been completed.
The 2018 figures are not comparable with those of previous years, as a new calculation method has been applied.

Employees*

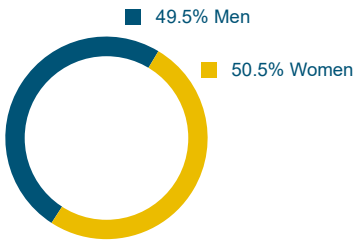
COMPOSITION

Group staff breakdown by country	2018		
	Total	Men	Women
Italy	68,392	33,835	34,557
Luxembourg	214	137	77
Ireland	29	15	14
Egypt	4,509	3,504	1,005
Albania	640	192	448
Croatia	5,278	1,503	3,775
Romania	606	168	438
Serbia	3,031	830	2,201
Hungary	2,262	695	1,567
Slovakia	4,248	1,153	3,095
Ukraine	1,074	211	863
Russian Federation	1,202	333	869
Brazil	41	30	11
Group	91,526	42,606	48,920

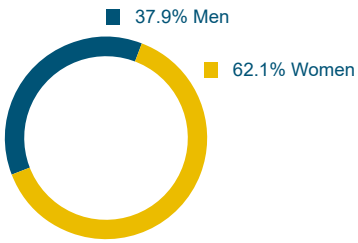
The figures exclude employees with atypical contracts.
Employees from foreing subsidiaries of Italian companies are included in the scope of Italy.
The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).

Breakdown of staff by gender

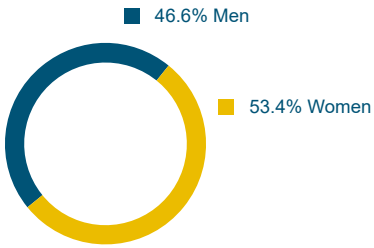
Italy



Abroad



Group



Female bank employees in Italy account for 45.9% of staff, against 54.1% male employees.

* All the Italy System data refer to: ABI 2018 Report on the labor market in the financial industry, Bancaria Editrice (the data regarding credit staff are updated as of 2017).

Employees by type of contract and gender [no.]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	68,343	20,704	89,047	63,756	21,582	85,338	63,999	21,744	85,743
Men	33,809	7,697	41,506	31,346	8,083	39,429	31,539	7,882	39,421
Women	34,534	13,007	47,541	32,410	13,499	45,909	32,460	13,862	46,322
Fixed-term contracts	47	2,312	2,359	60	2,068	2,128	29	2,753	2,782
Men	26	1,034	1,060	27	924	951	19	1,329	1,348
Women	21	1,278	1,299	33	1,144	1,177	10	1,424	1,434
Apprenticeships	2	118	120	43	112	155	101	96	197
Men	0	40	40	19	41	60	44	40	84
Women	2	78	80	24	71	95	57	56	113
Access-to-work contract	0	0	0	0	1	1	0	3	3
Men	0	0	0	0	0	0	0	1	1
Women	0	0	0	0	1	1	0	2	2

Employees by type of contract and gender [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Open-ended contracts	99.93	89.50	97.29	99.84	90.82	97.39	99.80	88.40	96.64
Men	49.43	33.27	45.35	49.09	34.02	45.00	49.18	32.05	44.43
Women	50.49	56.22	51.94	50.75	56.81	52.39	50.62	56.36	52.21
Fixed-term contracts	0.07	9.99	2.58	0.09	8.70	2.43	0.05	11.19	3.14
Men	0.04	4.47	1.16	0.04	3.89	1.09	0.03	5.40	1.52
Women	0.03	5.52	1.42	0.05	4.81	1.34	0.02	5.79	1.62
Apprenticeships	0.00	0.51	0.13	0.07	0.47	0.18	0.16	0.39	0.22
Men	0.00	0.17	0.04	0.03	0.17	0.07	0.07	0.16	0.09
Women	0.00	0.34	0.09	0.04	0.30	0.11	0.09	0.23	0.13
Access-to-work contract	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Men	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Women	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00

Figures for Italy for bank staff are as follows: executives (98.6%), middle managers (0.9%) and professional areas (0.5%).

Atypical contracts and work placements	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Temporary agency employment contracts	31	107	138	22	102	124	30	122	152
Men	11	44	55	12	29	41	10	36	46
Women	20	63	83	10	73	83	20	86	106
Temporary employment contracts	28	0	28	61	0	61	43	0	43
Men	26	0	26	55	0	55	38	0	38
Women	2	0	2	6	0	6	5	0	5
Work placements	236	132	368	148	127	275	156	101	257
Men	130	62	192	92	64	156	101	38	139
Women	106	70	176	56	63	119	55	63	118

Financial advisors	Italy		
	2018	2017	2016
Financial advisors	5,995	5,950	5,848
Men	4,740	4,735	4,704
Women	1,255	1,215	1,144

Overall workforce	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Overall workforce	74,682	23,373	98,055	70,040	23,992	94,032	70,206	24,819	95,025
Men	38,742	8,877	47,619	36,286	9,141	45,427	36,455	9,326	45,781
Women	35,940	14,496	50,436	33,754	14,851	48,605	33,751	15,493	49,244

Includes staff, other employees (with various types of contracts) and financial advisors.

Employees by category and gender [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	1.5	2.3	1.7	1.5	2.1	1.6	1.4	2.0	1.6
Men	1.2	1.4	1.3	1.2	1.3	1.2	1.2	1.3	1.2
Women	0.3	0.9	0.5	0.3	0.8	0.4	0.2	0.8	0.4
Middle managers	42.5	23.4	37.7	43.1	22.9	37.6	42.8	22.8	37.3
Men	25.8	13.8	22.8	25.7	13.7	22.5	25.6	13.8	22.3
Women	16.6	9.6	14.9	17.4	9.2	15.1	17.2	9.1	14.9
Professional areas	56.0	74.3	60.6	55.4	75.0	60.8	55.8	75.1	61.2
Men	22.4	22.7	22.5	22.2	23.1	22.5	22.5	22.6	22.5
Women	33.6	51.6	38.1	33.2	51.9	38.3	33.3	52.5	38.7

Figures for Italy for bank staff are as follows: executives (2.1%), middle managers (41.5%) and professional areas (56.4%).

Employees - Breakdown by category and gender [% of the category total]	2018		2017		2016	
	Men	Woman	Men	Woman	Men	Woman
Executives	73.9	26.1	75.2	24.8	75.7	24.3
Middle managers	60.5	39.5	59.7	40.3	60.0	40.0
Executives + Middle managers	61.1	38.9	60.4	39.6	60.6	39.4
Professional areas	37.1	62.9	37.0	63.0	36.8	63.2

Part time employees by gender	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Number of part time employees/total staff [%]	15.4	1.1	11.8	15.3	1.0	11.5	15.3	1.1	11.3
Breakdown of part time employees by gender [No.]	10,531	248	10,779	9,802	240	10,042	9,809	261	10,070
Men [No.]	678	29	707	638	32	670	609	28	637
Women [No.]	9,853	219	10,072	9,164	208	9,372	9,200	233	9,433

In Italy, part time personnel account for 15.4%, about 3.3% more than the Italian figure for the banking sector (12.1%).

Average age of employees	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Average age of employees	47.9	41.5	46.3	48.1	41.2	46.2	47.6	41.0	45.8
Men	49.2	42.6	47.9	49.6	42.6	48.0	49.1	42.7	47.7
Women	46.7	40.8	44.9	46.7	40.4	44.7	46.0	40.0	44.1
Executives	52.8	45.4	50.3	52.5	45.1	49.8	52.0	44.9	49.5
Middle managers	51.0	46.6	50.4	51.2	46.4	50.4	50.7	46.3	50.0
Professional areas	45.4	39.7	43.7	45.6	39.5	43.5	45.0	39.3	43.1

Figures for Intesa Sanpaolo and Italy for leading banks are comparable: average age of employees (46.9), men (48.1), women (45.5), executives (52.6), middle managers (50.1) and professional areas (44.3).

Employees by age bracket [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
≤30	3.1	14.6	6.0	3.2	15.5	6.5	3.0	15.8	6.5
Men	1.6	5.4	2.6	1.7	5.5	2.7	1.5	5.3	2.5
Women	1.4	9.2	3.4	1.5	10.0	3.8	1.5	10.5	4.0
31-50	53.3	62.4	55.6	51.9	62.1	54.7	55.1	62.5	57.1
Men	22.6	21.1	22.2	21.4	21.0	21.3	22.9	21.0	22.4
Women	30.7	41.3	33.4	30.5	41.1	33.4	32.1	41.5	34.7
>50	43.6	23.0	38.4	44.9	22.4	38.8	42.0	21.8	36.4
Men	25.2	11.4	21.8	26.0	11.5	22.1	24.8	11.4	21.1
Women	18.4	11.6	16.7	18.9	10.9	16.7	17.1	10.4	15.3

The Italian industry figures for the percentage breakdown of bank employees by age group are as follows: ≤ 30 (4.5%), 31 - 50 (56.3%) e > 50 (39.2%).

International banks: senior managers hired in the local community	2018		
	First line managers	First line managers (local recruitment)	Front line managers hired in the local community/front line managers [%]
Albania	12	10	83.3
Croatia	31	29	93.5
Romania	9	6	66.7
Serbia	11	10	90.9
Slovakia	9	5	55.6
Ukraine	13	9	69.2
Hungary	10	9	90.0
Egypt	14	12	85.7
Russian Federation	5	5	100.0

The breakdown by country is based on the parent company head office for international subsidiaries (PBZ in Croatia, VÚB Banka in Slovakia and CIB Bank in Hungary).

Employees by level of education and gender [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Graduates	38.5	69.3	46.3	35.7	67.9	44.4	34.3	61.5	41.8
Men	18.8	28.5	21.3	17.3	27.9	20.2	16.6	26.4	19.3
Women	19.7	40.8	25.0	18.4	40.0	24.2	17.7	35.2	22.5
High school certificate	56.6	26.6	49.0	58.1	27.2	49.7	58.7	33.3	51.6
Men	27.1	7.4	22.1	27.5	7.2	22.0	27.9	8.3	22.5
Women	29.5	19.2	26.9	30.6	20.0	27.7	30.8	25.0	29.2
Other	4.9	4.1	4.7	6.2	4.9	5.8	7.0	5.2	6.5
Men	3.5	2.0	3.2	4.3	2.9	3.9	4.7	3.0	4.2
Women	1.4	2.1	1.5	1.9	2.0	1.9	2.3	2.2	2.3

Intesa Sanpaolo and Italian industry figures for education of leading banks are comparable: graduates and post-graduates (40.3%), high school certificate (54.6%), other (5.1%).

Average employee seniority [years]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total average seniority	21.6	13.3	19.5	22.2	13.0	19.7	21.8	13.2	19.4
Men	22.0	14.1	20.4	23.0	14.2	21.0	22.6	14.8	20.9
Women	21.1	12.8	18.7	21.5	12.2	18.6	21.0	12.2	18.2
Executives	20.1	12.8	17.6	20.1	12.1	17.3	19.4	11.9	16.7
Middle managers	24.6	18.8	23.7	25.5	18.7	24.4	25.1	18.8	24.0
Professional areas	19.3	11.6	16.9	19.8	11.3	16.9	19.3	11.5	16.7

Employees belonging to protected categories [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Disabled persons	4.7	1.8	4.0	4.6	1.4	3.8	4.8	1.3	3.8
Men	2.7	0.7	2.2	2.7	0.6	2.2	2.8	0.6	2.2
Women	2.0	1.1	1.8	1.9	0.8	1.6	1.9	0.7	1.6
Protected categories	1.4	1.0	1.3	1.6	0.1	1.1	1.6	0.1	1.2
Men	0.8	0.0	0.6	0.9	0.0	0.6	0.9	0.1	0.7
Women	0.6	1.0	0.7	0.7	0.1	0.5	0.7	0.1	0.5

Employment by gender and age [no.]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1,073	2,901	3,974	1,244	2,741	3,985	1,098	3,023	4,121
Men	609	1,079	1,688	721	1,066	1,787	663	1,122	1,785
Women	464	1,822	2,286	523	1,675	2,198	435	1,901	2,336
≤30	522	1,436	1,958	701	1,419	2,120	654	1,677	2,331
31-50	504	1,365	1,869	506	1,233	1,739	419	1,245	1,664
>50	47	100	147	37	89	126	25	101	126

Employment rate by gender and age [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	1.6	12.5	4.3	1.9	11.5	4.5	1.7	12.3	4.6
Men	1.8	12.3	4.0	2.3	11.8	4.4	2.1	12.1	4.4
Women	1.3	12.7	4.7	1.6	11.4	4.7	1.3	12.4	4.9
≤30	25.0	42.5	35.8	34.4	38.6	37.1	34.2	43.3	40.3
31-50	1.4	9.5	3.7	1.5	8.4	3.6	1.2	8.1	3.3
>50	0.2	1.9	0.4	0.1	1.7	0.4	0.1	1.9	0.4

Termination by gender and age	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	4,360	3,949	8,309	1,267	3,613	4,880	893	4,247	5,140
Men	2,560	1,474	4,034	769	1,298	2,067	574	1,656	2,230
Women	1,800	2,475	4,275	498	2,315	2,813	319	2,591	2,910
≤30	187	916	1,103	96	840	936	79	1,088	1,167
31-50	451	2,169	2,620	282	2,046	2,328	295	2,250	2,545
>50	3,722	864	4,586	889	727	1,616	519	909	1,428

Termination rate by gender and age [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	6.4	17.1	9.1	2.0	15.2	5.6	1.4	17.3	5.8
Men	7.6	16.8	9.5	2.4	14.3	5.1	1.8	17.9	5.5
Women	5.2	17.2	8.7	1.5	15.7	6.0	1.0	16.9	6.1
≤30	8.9	27.1	20.2	4.7	22.9	16.4	4.1	28.1	20.2
31-50	1.2	15.0	5.1	0.9	13.9	4.9	0.8	14.6	5.0
>50	12.5	16.2	13.0	3.1	13.6	4.8	1.9	17.0	4.4

Termination by reason [No.]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Employment ended in the year	4,360	3,949	8,309	1,267	3,613	4,880	893	4,247	5,140
Resignation	601	1,394	1,995	344	1,274	1,618	348	1,460	1,808
Retirement	71	206	277	27	257	284	62	261	323
Exit incentives	3,446	0	3,446	724	0	724	291	0	291
Death	78	26	104	74	31	105	82	41	123
Other reasons - with incentives	23	902	925	9	540	549	21	745	766
Other reasons - without incentives	68	1,199	1,267	70	1,333	1,403	61	1,527	1,588
Expiry of fixed-term contracts	73	222	295	19	178	197	28	213	241

Turnover by gender and age	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	-3,287	-1,048	-4,335	-23	-872	-895	205	-1,224	-1,019
Men	-1,951	-395	-2,346	-48	-232	-280	89	-534	-445
Women	-1,336	-653	-1,989	25	-640	-615	116	-690	-574
≤30	335	520	855	605	579	1,184	575	589	1,164
31-50	53	-804	-751	224	-813	-589	124	-1,005	-881
>50	-3,675	-764	-4,439	-852	-638	-1,490	-494	-808	-1,302

Turnover rate by gender and age [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	-4.6	-4.3	-4.5	0.0	-3.5	-1.0	0.3	-4.7	-1.1
Men	-5.5	-4.3	-5.2	-0.2	-2.5	-0.7	0.3	-5.5	-1.1
Women	-3.7	-4.3	-3.9	0.1	-4.2	-1.3	0.4	-4.3	-1.2
≤30	19.1	18.2	18.5	42.2	18.7	26.1	43.1	17.9	25.2
31-50	0.1	-5.3	-1.5	0.7	-5.2	-1.2	0.4	-6.1	-1.7
>50	-11.0	-12.6	-11.2	-2.9	-10.7	-4.2	-1.8	-13.1	-3.9

PROFESSIONAL DEVELOPMENT

Number of promotions by gender	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total	2,773	2,901	5,674	3,327	2,209	5,536	1,342	2,462	3,804
Men	1,352	1,645	2,997	1,547	1,170	2,717	518	1,370	1,888
Women	1,421	1,256	2,677	1,780	1,039	2,819	824	1,092	1,916
Staff promoted [%]	4.1	12.5	6.2	5.2	9.3	6.3	2.1	10.0	4.3

Average gross base salary by category and gender - FTE* [K euro]	2018		
	Italy	Abroad	Group
Executives	146.6	69.4	122.1
Men	150.6	79.7	132.0
Women	129.1	52.3	91,9
Middle managers	58.4	19.9	52.3
Men	60.4	18.8	54.0
Women	55.2	21.5	49.7
Professional areas	39.4	12.9	31.0
Men	39.5	13.5	32.7
Women	39.4	12.6	29.9

Minimum remuneration in the Group for new recruits is always the retribution of national collective bargaining agreements for the industry, for various categories of staff. At an international level, minimum remuneration is related to regulations and the cost of living of the relative country.
Basic salary levels for female staff, with comparable roles and seniority terms, do not differ from salary levels for male staff.
* Since 2018, the reported figures have been calculated on the basis of Full Time Equivalent (FTE) employees in order to provide a more accurate and truthful representation of average wages and salaries on the basis of gender and professional category. For this reason, the figures from the previous two-year period were omitted as they are not comparable.

Average remuneration by category and gender - FTE* [K euro]	2018		
	Italy	Abroad	Group
Male executives	224.9	103.2	192.9
Female executives	188.5	63.4	127.9
Male middle managers	66.9	22.2	60.0
Female middle managers	60.5	24.5	54.6
Male professional areas	41.9	15.0	34.8
Female professional areas	41.7	13.9	31.8
Average annual remuneration of all employees	54.5	18.0	45.2
Ratio between the CEO's remuneration and the average remuneration of all employees	75.2		

This includes the basic gross average remuneration and the variable component received in the year.
* Since 2018, the reported figures have been calculated on the basis of Full Time Equivalent (FTE) employees in order to provide a more accurate and truthful representation of average wages and salaries on the basis of gender and professional category. For this reason, the figures from the previous two-year period were omitted as they are not comparable.

Women/men base salary and remuneration ratio - FTE* [%]	2018		
	Italy	Abroad	Group
Ratio of gross base salary - women vs. men - FTE			
Executives	0.9	0.7	0.7
Middle managers	0.9	1.1	0.9
Professional areas	1.0	0.9	0.9
Ratio of total remuneration - women vs. men - FTE			
Executives	0.8	0.6	0.7
Middle managers	0.9	1.1	0.9
Professional areas	1.0	0.9	0.9

Basic remuneration is annual, before tax. Remuneration is calculated as the salary plus any bonus/reward system.
* Since 2018, the reported figures have been calculated on the basis of Full Time Equivalent (FTE) employees in order to provide a more accurate and truthful representation of average wages and salaries on the basis of gender and professional category. For this reason, the figures from the previous two-year period were omitted as they are not comparable.

Performance appraisal	Abroad		
	2018	2017	2016
Employees with annual performance appraisal [%]	86.2	88.0	87.3
Men	93.6	94.6	94.1
Women	81.7	83.9	83.3
Employees with annual performance appraisal [No.]	19,945	20,907	21,483
Men	8,208	8,560	8,706
Women	11,737	12,347	12,777

In Italy, all staff have a performance appraisal.

Breakdown of branch personnel by category and gender [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Directors	12.2	9.3	11.5	12.2	9.1	11.5	12.2	9.6	11.5
Men	8.0	4.1	7.1	7.9	3.9	6.9	8.0	4.1	7.0
Women	4.2	5.2	4.4	4.3	5.2	4.6	4.2	5.5	4.5
Executive directors	59.8	46.5	56.7	60.8	45.5	57.0	60.5	44.1	56.2
Men	21.1	12.7	19.1	20.6	13.3	18.8	20.6	12.7	18.5
Women	38.7	33.9	37.6	40.2	32.2	38.2	39.9	31.4	37.7
Other	28.0	44.1	31.8	26.9	45.4	31.6	27.3	46.3	32.2
Men	14.5	14.7	14.6	14.7	14.3	14.6	14.9	14.1	14.7
Women	13.5	29.4	17.2	12.2	31.1	17.0	12.5	32.1	17.5

TRAINING

Training by category (hours)	2018			2017*			2016*		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	34,552	25,499	60,051	26,082	18,697	44,779	32,946	17,571	50,517
Men	28,010	14,698	42,709	21,215	11,498	32,713	26,886	10,784	37,670
Women	6,542	10,800	17,342	4,867	7,199	12,066	6,060	6,787	12,847
Middle managers	2,922,599	202,666	3,125,265	1,863,133	176,606	2,039,738	3,521,452	137,557	3,659,009
Men	1,721,452	109,050	1,830,502	1,049,237	96,930	1,146,167	2,036,333	69,984	2,106,317
Women	1,201,147	93,615	1,294,763	813,896	79,676	893,571	1,485,119	67,573	1,552,692
Professional areas	4,182,800	775,598	4,958,397	2,565,895	578,363	3,144,257	4,281,206	517,384	4,798,590
Men	1,578,504	233,010	1,811,514	968,497	202,657	1,171,154	1,562,514	170,183	1,732,697
Women	2,604,296	542,588	3,146,884	1,597,398	375,705	1,973,104	2,718,692	347,201	3,065,893
Total**	7,139,951	1,003,762	8,143,713	4,455,110	773,665	5,228,774	7,835,603	672,512	8,508,115
Men	3,327,966	356,758	3,684,725	2,038,949	311,085	2,350,034	3,625,733	250,951	3,876,684
Women	3,811,985	647,003	4,458,988	2,416,161	462,580	2,878,741	4,209,870	421,561	4,631,431

* Comparative figures for Italy are restated, consistent with 2018, on the basis of a recalculation that takes training effectiveness parameters into account.
** The figures do not include the hours of training provided to employees that left during the year, as well as the training provided via Web TV.

Training by category (No. participants)	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executives	925	451	1,376	808	442	1,250	823	398	1,221
Men	751	275	1,026	662	276	938	681	252	933
Women	174	176	350	146	166	312	142	146	288
Middle managers	27,167	5,120	32,287	25,044	4,706	29,750	26,925	4,536	31,461
Men	16,486	3,136	19,622	14,786	2,948	17,734	16,147	2,846	18,993
Women	10,681	1,984	12,665	10,258	1,758	12,016	10,778	1,690	12,468
Professional areas	35,415	14,840	50,255	31,390	14,240	45,630	34,097	14,183	48,280
Men	13,817	4,389	18,206	12,134	4,570	16,704	13,510	4,309	17,819
Women	21,598	10,451	32,049	19,256	9,670	28,926	20,587	9,874	30,461
Total	63,507	20,411	83,918	57,242	19,388	76,630	61,845	19,117	80,962
Men	31,054	7,800	38,854	27,582	7,794	35,376	30,338	7,407	37,745
Women	32,453	12,611	45,064	29,660	11,594	41,254	31,507	11,710	43,217

Training by content [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Managerial	6.1	6.9	6.3	6.1	9.9	7.2	5.2	10.7	6.1
Commercial	5.6	13.4	7.7	7.1	18.9	10.6	2.8	19.3	5.7
Operational	36.7	24.8	33.4	29.4	26.5	28.5	12.9	21.1	14.3
Credit	3.5	8.9	5.0	2.6	6.6	3.8	4.1	9.9	5.1
Finance	41.5	10.5	33.1	34.8	3.2	25.4	42.4	4.9	35.9
Abroad	0.2	0.2	0.2	0.4	0.8	0.5	0.2	0.1	0.2
IT	1.7	4.5	2.5	3.9	2.7	3.6	1.8	3.9	2.2
Specialist	2.4	25.8	8.8	7.3	24.5	12.4	27.9	22.9	27.0
Language	2.4	5.0	3.1	8.5	6.9	8.0	2.7	7.2	3.5

Aid and benefits received relative to personnel [K euro]	2018			2017			2016		
	Italy	Abroad*	Group	Italy	Abroad*	Group	Italy	Abroad*	Group
Relative to personnel	9,243	87	9,330	5,137	109	5,246	6,597	157	6,754
of which: funded training (only Italy)	9,243	0	9,243	5,137	0	5,137	6,418	0	6,418
of which other	0	87	87	0	109	109	179	157	336

* The amount only refers to Banca Intesa Russia.

Training by category and gender [average hours]*	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Executive	25.1	48.2	32.8	24.2	36.2	28.5	31.6	35.2	32.9
Men	24.7	46.7	30.7	23.6	36.0	27.3	30.9	34.9	32.1
Women	26.5	50.5	39.0	27.0	36.5	32.3	35.5	35.7	35.6
Middle managers	38.4	37.4	38.2	26.8	34.2	28.0	52.1	24.5	47.4
Men	37.7	34.1	37.2	25.7	31.2	26.6	50.7	20.7	45.6
Women	39.4	42.2	39.9	28.4	38.6	30.1	54.2	30.3	50.1
Other	40.3	45.1	41.8	30.3	32.0	30.9	49.5	28.0	42.2
Men	39.4	44.3	40.6	30.2	36.1	31.8	46.6	30.6	42.1
Women	41.0	45.5	42.5	30.5	30.1	30.3	51.6	26.9	42.3

* Hours defined as the duration of the teaching units used.

Training by procedure	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Classroom training [% of hours]*	6.4	73.6	14.6	11.4	79.3	21.4	11.7	82.7	17.6
Remote training [% of hours]*	93.6	26.4	85.4	88.6	20.7	78.6	88.3	17.3	82.4
Number of persons registered	63,507	20,411	83,918	57,242	19,388	76,630	61,845	19,117	80,962
Hours of training provided (classroom + remote learning) [No.]*	7,139,951	1,003,762	8,143,713	4,455,110	773,665	5,228,774	7,835,603	672,512	8,508,115
Hours of training per employee [No.]**	39.3	43.4	40.3	28.7	32.6	29.8	50.4	27.3	44.0

* Comparative figures for Italy are restated, consistent with 2018, on the basis of a recalculation that takes training effectiveness parameters into account. The figures do not include the hours of training provided to employees that left during the year, as well as the training provided via Web TV.
** Hours defined as the duration of the teaching units used.

Training costs	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Training costs [K euro]	30,613	6,547	37,160	24,392	6,198	30,590	25,244	5,899	31,143
Training costs per staff member [euro]	448	283	406	382	261	349	394	240	351

EMPLOYEE SATISFACTION AND COMMUNICATION

Company climate	2018		2017		2016	
	Italy	Abroad	Italy	Abroad	Italy	Abroad
Climate analysis (% taking part in the survey out of the selected sample)	-	-	-	-	55.2	52.1
Employee satisfaction index [%]	-	-	-	-	78.0	77.0
Change in the employee satisfaction index compared to the previous period	-	-	-	-	13.0	-1.0
Climate analysis*	-	-	-	-	1	-
Internal communication events	148	336	100	339	105	253
Focus groups	12	16	7	23	61	17
Participants in focus groups	120	580	70	380	488	211

*In 2018 and 2017 no climate surveys were conducted. In 2016, the climate survey was the same throughout the Group, applied both in Italy and abroad.

Web Tv Access and House organ	2018	2017	2016
Web Tv total access*	661,680	1,025,931	1,022,390
House organ: total number of online visits	473,000	468,000	447,522

* Average, daily, one-time accesses to the company intranet in 2018 accounted for 65,000 hits.

FREEDOM OF COLLECTIVE BARGAINING

Trade union freedom	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Employees registered with a trade union [No.]	52,740	7,160	59,900	49,536	7,857	57,393	48,542	8,316	56,858
Executives	190	58	248	160	52	212	163	55	218
Middle managers	20,920	2,470	23,390	20,158	2,631	22,789	19,445	2,750	22,195
Professional areas	31,630	4,632	36,262	29,218	5,174	34,392	28,934	5,511	34,445
Employees registered with a trade union [%]	77.1*	31.0	65.4	77.6	33.1	65.5	75.7	33.8	64.1
Days' absence for trade union reasons (all permits for trade unionists)	96,336	607	96,943	90,474	575	91,049	78,924	578	79,502
Days' absence for meetings/strikes (also employees who are not trade unionists)	6,514	126	6,640	2,437	112	2,549	2,325	131	2,456
Men	3,004	67	3,071	1,196	47	1,243	1,309	61	1,370
Women	3,510	59	3,569	1,241	65	1,306	1,016	70	1,086
Days' absence for involvement in strikes	136	0	136	156	0	156	383	0	383
Men	68	0	68	74	0	74	243	0	243
Women	68	0	68	82	0	82	140	0	140
Days' absence for meetings	6,378	126	6,504	2,282	112	2,394	1,942	131	2,073
Men	2,936	67	3,003	1,122	47	1,169	1,066	61	1,127
Women	3,442	59	3,501	1,160	65	1,225	876	70	946

The National Collective Bargaining Agreement for the sector covers all employees in Italy.
*The percentage of employees in Italy covered by the collective bargaining agreement for the credit sector that are members of a trade union is 77.84% (calculation based on Full Time Equivalents - FTEs).

COMPANY WELFARE, HEALTH AND SAFETY

Contributions for staff [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Insurance and accident policies	20,296	671	20,967	17,258	753	18,011	12,914	967	13,881
Loyalty bonus	16,801	306	17,107	17,747	251	17,998	26,601	250	26,850
Study contributions for employees' children	3,602	107	3,709	3,118	67	3,185	3,115	87	3,202
Recreational and cultural activities	3,819	1,513	5,332	1,866	1,000	2,866	2,258	1,027	3,285
Contributions for employees' children with disabilities	2,742	18	2,760	2,333	13	2,346	1,993	29	2,022

Supplementary healthcare and welfare	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Contributions paid by the Bank for supplementary healthcare assistance [K euro]	76,638	2,495	79,133	71,767	2,007	73,774	71,499	1,825	73,324
Health assistance: persons assisted	70,985	10,179	81,164	63,920	7,246	71,166	63,823	6,472	70,295
Contributions paid by the Bank for supplementary retirement benefits [K euro]	150,787	3,517	154,304	133,406	4,184	137,590	131,089	4,005	135,094
Supplementary retirement benefits: persons assisted	68,545	3,529	72,074	61,872	5,724	67,596	61,637	5,783	67,420

Credit facilities for staff	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Mortgages [No.]	3,487	876	4,363	3,484	1,017	4,501	3,239	1,237	4,476
Total mortgages disbursed [K euro]	542,911	60,822	603,733	550,396	67,594	617,990	515,315	78,116	593,431
Loans [No.]	16,689	5,188	21,877	13,842	6,055	19,897	13,288	4,921	18,209
Total loans disbursed [K euro]	175,001	36,440	211,441	159,055	36,452	195,507	134,100	31,574	165,674

Loans granted to all personnel with an open-ended contract, with the exception of loans at special rates granted to staff with apprenticeships.

Parental leave	Italy		
	2018	2017	2016
Employees entitled to parental leave	65,110	63,196	63,336
Men	33,144	31,059	31,132
Women	31,966	32,137	32,204
Employees using parental leave	3,528	3,397	3,510
Men	277	272	284
Women	3,251	3,125	3,226
Employees returning to work after leave	2,656	2,657	2,786
Men	268	263	278
Women	2,388	2,394	2,508
Employees returning to work, who are still bank employees in the following 12 months	2,644	2,668	2,819
Men	258	255	278
Women	2,386	2,413	2,541

Parental leave - Rates [%]	Italy		
	2018	2017	2016
Rate of return to work after parental leave*	75.3	78.2	79.4
Men	96.8	96.7	97.9
Women	73.5	76.6	77.7

* Calculated as the number of employees returning to work after leave out of the number of employees using parental leave.
Retention rate of returning employees, who are still employees: not available. Due to the variety and complexity of leave that may be used, it would be necessary to monitor each employee to calculate the indicator, affecting their privacy rights.

Absence by reason and gender - days lost [No.]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total absences	1,141,276	810,122	1,951,398	1,084,975	863,362	1,948,337	954,426	964,380	1,918,807
Illness	584,675	161,661	746,337	525,447	154,992	680,439	451,938	163,931	615,870
Men	268,465	26,978	295,443	243,171	25,349	268,520	213,314	25,900	239,214
Women	316,211	134,683	450,893	282,276	129,643	411,919	238,625	138,031	376,656
Injury	17,738	4,313	22,051	15,840	3,049	18,889	15,217	2,409	17,626
Men	7,727	703	8,430	6,855	663	7,518	7,668	352	8,020
Women	10,012	3,610	13,622	8,985	2,386	11,371	7,548	2,057	9,605
Child care	246,325	383,551	629,876	235,570	463,484	699,054	235,468	503,644	739,112
Men	8,853	4,485	13,337	6,456	3,332	9,788	5,013	4,309	9,322
Women	237,472	379,067	616,539	229,114	460,152	689,266	230,455	499,335	729,790
Personal and family reasons	116,398	233,361	349,760	145,868	215,848	361,716	115,173	236,257	351,430
Men	44,337	136,535	180,872	49,174	129,853	179,027	42,488	144,084	186,571
Women	72,061	96,826	168,887	96,694	85,995	182,689	72,685	92,174	164,859
Leave for public positions	9,598	846	10,444	7,474	448	7,922	7,951	519	8,470
Men	6,727	396	7,123	5,107	99	5,206	5,539	145	5,684
Women	2,871	450	3,321	2,367	348	2,715	2,412	374	2,786
Leave for blood and other donations	9,675	348	10,024	9,002	171	9,173	8,038	136	8,173
Men	7,022	174	7,195	6,572	65	6,637	6,021	44	6,065
Women	2,653	175	2,828	2,430	106	2,536	2,017	92	2,109
Disability	137,502	1,921	139,423	129,648	1,014	130,662	108,244	983	109,227
Men	57,730	353	58,083	55,709	494	56,203	49,297	410	49,707
Women	79,772	1,568	81,340	73,939	520	74,459	58,948	573	59,521
Other	19,364	24,120	43,484	16,126	24,356	40,482	12,397	56,502	68,899
Men	10,858	4,139	14,997	8,641	3,542	12,183	7,069	14,086	21,154
Women	8,506	19,981	28,487	7,485	20,814	28,299	5,328	42,416	47,744

Days lost are calculated based on calendar business days.

Absence by reason and gender [%]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total absence/theoretical working days	7.59	15.92	9.69	7.73	16.52	10.11	6.76	17.82	9.83
Men	2.74	3.41	2.91	2.72	3.13	2.83	2.38	3.50	2.69
Women	4.85	12.50	6.78	5.01	13.39	7.28	4.38	14.32	7.14
Illness	3.89	3.18	3.71	3.74	2.96	3.53	3.20	3.03	3.16
Men	1.78	0.53	1.47	1.73	0.48	1.39	1.51	0.48	1.23
Women	2.10	2.65	2.24	2.01	2.48	2.14	1.69	2.55	1.93
Injury	0.12	0.08	0.11	0.11	0.06	0.10	0.11	0.04	0.09
Men	0.05	0.01	0.04	0.05	0.01	0.04	0.05	0.01	0.04
Women	0.07	0.07	0.07	0.06	0.05	0.06	0.05	0.04	0.05
Child care	1.64	7.54	3.13	1.68	8.87	3.63	1.67	9.31	3.79
Men	0.06	0.09	0.07	0.05	0.06	0.05	0.04	0.08	0.05
Women	1.58	7.45	3.06	1.63	8.80	3.58	1.63	9.23	3.74
Personal and family reasons	0.77	4.59	1.74	1.04	4.13	1.88	0.82	4.37	1.80
Men	0.29	2.68	0.90	0.35	2.48	0.93	0.30	2.66	0.96
Women	0.48	1.90	0.84	0.69	1.64	0.95	0.52	1.70	0.84
Leave for public positions	0.06	0.02	0.05	0.06	0.01	0.04	0.06	0.01	0.04
Men	0.04	0.01	0.04	0.04	0.00	0.03	0.04	0.00	0.03
Women	0.02	0.01	0.02	0.02	0.01	0.01	0.02	0.01	0.01
Leave for blood and other donations	0.06	0.01	0.05	0.06	0.00	0.05	0.06	0.00	0.04
Men	0.05	0.00	0.04	0.05	0.00	0.03	0.04	0.00	0.03
Women	0.02	0.00	0.01	0.02	0.00	0.01	0.01	0.00	0.01
Disability	0.91	0.04	0.69	0.92	0.02	0.68	0.77	0.02	0.56
Men	0.38	0.01	0.29	0.40	0.01	0.29	0.35	0.01	0.25
Women	0.53	0.03	0.40	0.53	0.01	0.39	0.42	0.01	0.30
Other	0.13	0.47	0.22	0.11	0.47	0.21	0.09	1.04	0.35
Men	0.07	0.08	0.07	0.06	0.07	0.06	0.05	0.26	0.11
Women	0.06	0.39	0.14	0.05	0.40	0.15	0.04	0.78	0.24

Absenteeism and occupational disease - rates	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Rate of absenteeism*	5.09	3.32	4.64	4.91	3.06	4.41	4.20	3.10	3.90
Men	4.71	1.49	4.05	4.61	1.34	3.88	4.07	1.32	3.45
Women	5.46	4.45	5.16	5.20	4.11	4.86	4.34	4.18	4.29
Rate of occupational disease**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

* The absentee rate is the ratio between the number of days lost for illness, injuries (including injuries requiring first aid), public office, blood donation and other leave, disability, meeting/strikes and theoretical working days.

** The rate of occupational disease is equal to the total number of times leave is taken because of occupational disease divided by the total number of hours worked.

Injuries by year and gender	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total injuries in the year [No.]	764	109	873	719	88	807	773	94	867
Men	304	25	329	284	23	307	341	24	365
Women	460	84	544	435	65	500	432	70	502
Injury rate*	7.94	3.41	6.80	8.01	2.70	6.59	8.48	2.83	6.96
Men	5.95	2.06	5.23	6.00	1.85	5.16	7.08	1.92	6.05
Women	10.18	4.25	8.32	10.25	3.23	7.93	10.06	3.39	7.82
Working days lost [No.]	17,738	4,313	22,051	15,840	3,049	18,889	15,217	2,409	17,626
Men	7,727	703	8,430	6,855	663	7,518	7,668	352	8,020
Women	10,012	3,610	13,622	8,985	2,386	11,371	7,548	2,057	9,605
Rate of working days lost (severity index)**	0.17	0.11	0.16	0.16	0.08	0.14	0.16	0.06	0.13
Men	0.14	0.05	0.12	0.13	0.04	0.11	0.15	0.02	0.12
Women	0.20	0.15	0.19	0.20	0.10	0.16	0.16	0.08	0.13
Injuries / Total employees [%]	1.1	0.5	1.0	1.1	0.4	0.9	1.2	0.4	1.0

* Injury rate = (total number of injuries in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

** Rate of working days lost (or severity index) = (number of days lost / total number of working hours) x 1,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000 (hours worked). Working days lost include injuries requiring first aid.

Injuries at work and on the way to/from work	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Injuries at work [No.]	229	31	260	230	27	257	239	30	269
Men	79	2	81	85	5	90	105	4	109
Women	150	29	179	145	22	167	134	26	160
Rate of injuries at work*	2.38	0.97	2.03	2.56	0.83	2.10	2.62	0.90	2.16
Men	1.55	0.16	1.29	1.80	0.40	1.51	2.18	0.32	1.81
Women	3.32	1.47	2.74	3.42	1.09	2.65	3.12	1.26	2.49
Injuries on the way to/from work [No.]	535	78	613	489	61	550	534	64	598
Men	225	23	248	199	18	217	236	20	256
Women	310	55	365	290	43	333	298	44	342
Rate of injuries on the way to/from work**	5.56	2.44	4.78	5.45	1.87	4.49	5.86	1.93	4.80
Men	4.41	1.89	3.94	4.21	1.45	3.65	4.90	1.60	4.24
Women	6.86	2.78	5.58	6.83	2.14	5.28	6.94	2.13	5.33

* Rate of injuries at work = (total number of injuries at work in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

** Rate of injuries on the way to/from work = (total number of injuries on the way to/from work in the year / total hours worked) x 1,000,000. For better comprehension, this indicator was calculated using a multiplication factor equal to 1,000,000 (hours worked).

Injuries by type	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total injuries	764	109	873	719	88	807	773	94	867
Injuries while driving	352	23	375	308	10	318	356	10	366
Falls/slipping	105	39	144	255	34	289	219	44	263
Robberies	3	5	8	5	6	11	7	7	14
Other	304	42	346	151	38	189	191	33	224

Serious injuries and deaths	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Cases presented for occupational disease	5	0	5	6	0	6	9	0	9
Serious/very serious injuries	165	8	173	145	7	152	163	8	171
Injuries at work	41	2	43	47	2	49	0	0	0
Injuries on the way to/from work	124	6	130	98	5	103	0	0	0
Serious/very serious injuries with res judicata sentence	0	0	0	0	1	1	0	3	3
Deaths at work, with res judicata sentence	0	0	0	0	0	0	0	0	0

Training on health and safety	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Hours of training on health and safety	34,224	10,655	44,879	101,974	15,134	117,109	143,980	11,495	155,475
Employees who have attended health and safety training [No.]	5,895	3,476	9,371	15,685	5,009	20,694	20,976	5,115	26,091
Employees who have attended health and safety training [%]	9	15	10	25	21	24	33	21	29
Costs of health and safety training [K euro]	336	1,417	1,753	265	273	538	686	526	1,212
Hours of health and safety training per employee	0.5	0.5	0.5	1.6	0.6	1.3	2.2	0.5	1.8

Robberies	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Robberies	12	1	13	15	8	23	21	4	25
Robberies for every 100 bank counters	0.3	0.1	0.3	0.4	0.8	0.5	0.6	0.4	0.5
Interviews of psychological counselling to employees who have suffered robberies [No.]	156	0	156	126	0	126	236	0	236
On-site inspections on workplaces to assess risks for robbery [No.]	836	0	836	809	0	809	636	0	636

Environment

DIRECT ENVIRONMENTAL IMPACTS

Parameters	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Operators = Staff + Consultants	No.	72,680	23,244	95,924	67,606	23,876	91,482	67,531	24,731	92,262
Staff	No.	68,392	23,134	91,526	63,859	23,763	87,622	64,129	24,596	88,725
Consultants	No.	4,288	110	4,398	3,747	113	3,860	3,402	135	3,537
Total transfers	No.	654,263	21,225	675,488	626,149	20,961	647,110	607,687	20,646	628,333
Total transport	thousands of km	145,128	33,895	179,023	137,339	32,442	169,781	129,424	31,876	161,300
Floor area	thousands of m^2	3,169	626	3,795	2,828	658	3,485	2,902	711	3,613

Greenhouse gas emissions [CO_2e]	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Direct emissions (Scope1)	**tCO_2eq**	**51,581**	**5,584**	**57,165**	**34,239**	**6,510**	**40,749**	**33,257**	**6,969**	**40,226**
Natural gas emissions for independent heating	tCO_2eq	30,422	1,847	32,268	24,257	2,964	27,221	19,790	3,178	22,968
Natural gas emissions for cogeneration	tCO_2eq	6,826	418	7,244	2,150	0	2,150	5,378	0	5,378
Diesel emissions for independent heating	tCO_2eq	1,407	55	1,462	1,861	354	2,216	1,801	461	2,262
HFC emissions	tCO_2eq	5,720	159	5,879	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gasoline emissions for company fleet	tCO_2eq	20	562	582	33	696	730	64	1,044	1,109
Diesel emissions for company fleet	tCO_2eq	7,186	2,544	9,729	5,938	2,495	8,433	6,223	2,286	8,509
Indirect emissions (Scope2 Market-based)	**tCO_2eq**	**8,135**	**35,326**	**43,461**	**5,055**	**33,181**	**38,235**	**4,583**	**31,274**	**35,857**
Electricity emissions (excluding cogeneration)	tCO_2eq	3,926	33,286	37,212	1,470	30,734	32,204	777	28,823	29,600
Natural gas emissions for building heating (including district heating)	tCO_2eq	3,752	1,949	5,701	2,948	2,354	5,302	3,039	2,355	5,393
Diesel emissions for building heating	tCO_2eq	456	91	548	637	93	730	767	97	864
Total direct + indirect emissions (Scope1 + 2 Market-based)	**tCO_2eq**	**59,716**	**40,911**	**100,626**	**39,294**	**39,691**	**78,985**	**37,839**	**38,243**	**76,082**
Total direct + indirect emissions per staff member	tCO_2eq/ staff member	0.8	1.8	1.0	0.6	1.7	0.9	0.6	1.5	0.8
Total direct + indirect emissions per square meter	$kgCO_2eq$/ m^2	18.8	65.3	26.5	13.9	60.3	22.7	13.0	53.8	21.1
Total direct + indirect emissions (Scope1 + 2 Location-based)	**tCO_2eq**	**177,395**	**38,515**	**215,910**	**156,817**	**44,996**	**201,813**	**149,650**	**41,002**	**190,652**
Other indirect emissions (Scope3)	**tCO_2eq**	**52,344**	**25,818**	**78,162**	**51,116**	**29,310**	**80,425**	**21,022**	**6,846**	**27,868**
Business trips	tCO_2eq	8,614	2,258	10,871	8,510	1,725	10,235	8,350	1,444	9,794
Purchased paper	tCO_2eq	3,981	1,881	5,861	3,876	1,783	5,659	4,443	2,436	6,880
Waste	tCO_2eq	260	12	272	147	22	170	242	23	265
Office machinery	tCO_2eq	6,537	2,211	8,748	14,089	5,243	19,332	7,170	2,750	9,920
Internet banking*	tCO_2eq	123	53	176	114	122	236	817	192	1,009
Energy carriers**	tCO_2eq	32,822	19,400	52,222	24,379	20,414	44,794	n.a.	n.a.	n.a.
Cash-in-transit (CIT)	tCO_2eq	8	3	11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

* Annual data not comparable: in 2017 the methodology was made consistent at Group level, limiting the scope to the main internet banking transactions.
** Scope3 emission generated: (a) in the natural gas supply chain, (b) in the production of the energy sources used in the electricity mix and (c) in the distribution and transformation of the electricity.

Emissions of other gas which are harmful to the ozone layer (NO_x, SO_2)	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
NO_x emissions	t	50	46	96	38	39	77	38	45	83
SO_2 emissions	t	2	40	42	2	62	64	2	56	58

Energy consumption broken down by source	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Direct primary energy consumption (Scope1)	**GJ**	**754,041**	**81,572**	**835,613**	**568,502**	**102,964**	**671,466**	**550,272**	**108,968**	**659,241**
Natural gas consumption for independent heating	GJ	524,052	32,969	557,020	421,325	52,948	474,273	345,496	56,814	402,310
Natural gas consumption for cogeneration	GJ	117,587	7,502	125,089	37,348	0	37,348	93,897	0	93,897
Diesel consumption for independent heating	GJ	18,935	774	19,709	25,053	5,067	30,120	24,238	6,630	30,868
Gasoline consumption for the fleet	GJ	267	7,338	7,605	452	9,511	9,964	864	14,011	14,875
Diesel consumption for the fleet	GJ	93,199	32,990	126,189	84,324	35,437	119,761	85,778	31,514	117,291
Indirect primary energy consumption (Scope2)	**GJ**	**1,431,655**	**395,749**	**1,827,404**	**1,343,790**	**431,044**	**1,774,833**	**1,310,500**	**437,239**	**1,747,739**
Renewable electricity consumption	GJ	1,328,804	49,329	1,378,132	1,266,716	64,298	1,331,014	1,238,522	49,115	1,287,637
Non renewable electricity consumption (except cogeneration)	GJ	30,007	255,015	285,022	15,847	257,528	273,375	8,607	273,764	282,371
Natural gas consumption for building heating (including remote district heating)	GJ	66,703	90,120	156,822	52,658	107,912	160,569	53,048	112,992	166,040
Diesel consumption for building heating	GJ	6,142	1,285	7,427	8,569	1,306	9,875	10,323	1,368	11,691
Total direct + indirect energy (Scope1 + 2)	**GJ**	**2,185,696**	**477,321**	**2,663,017**	**1,912,292**	**534,008**	**2,446,299**	**1,860,772**	**546,207**	**2,406,980**
Total direct + indirect energy per staff member	GJ/staff member	30.1	20.5	27.8	28.3	22.4	26.7	27.6	22.1	26.1
Other indirect primary energy consumption (Scope3)	**GJ**	**2,639,484**	**902,134**	**3,541,618**	**979,260**	**950,595**	**1,929,855**	**405,633**	**187,920**	**593,553**
Business trips	GJ	128,283	30,131	158,415	127,457	23,728	151,185	104,370	19,680	124,051
Purchased paper	GJ	107,232	72,411	179,643	104,476	68,837	173,313	175,397	123,257	298,654
Waste	GJ	3,514	176	3,690	1,987	312	2,299	3,554	301	3,855
Office machinery	GJ	98,815	33,425	132,240	205,960	76,641	282,601	107,193	41,113	148,306
Internet Banking*	GJ	2,068	1,323	3,391	1,930	2,443	4,374	15,118	3,569	18,687
Energy carriers**	GJ	2,299,445	764,618	3,064,063	537,450	778,634	1,316,084	n.a.	n.a.	n.a.
Cash-in-transit (CIT)	GJ	127	50	177	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

* Annual data not comparable: in 2017 the methodology was made consistent at Group level, limiting the scope to the main internet banking transactions.
** Scope 3 primary energy consumption generated: (a) in the natural gas supply chain, (b) in the production of the energy sources used in the electricity mix and (c) in the distribution and transformation of the electricity.

Total electricity focus (including cogeneration)	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Electricity per staff member	kWh/staff member	5,359	3,701	4,957	5,326	3,744	4,913	5,273	3,627	4,831
Electricity per square meter	kWh/m2	123	137	125	127	136	129	123	126	123
Electricity from renewable sources	%	94.8	15.9	80.5	97.7	20.0	82.3	96.6	15.2	80.2
Electricity from cogeneration	%	3.1	1.7	2.8	1.1	0.0	0.8	2.7	0.0	2.2

Transport	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Air travel	thousands of km	40,044	5,064	45,108	40,191	5,212	45,403	35,364	5,350	40,714
Train travel	thousands of km	48,552	642	49,195	44,392	265	44,657	37,018	384	37,402
Company fleet	thousands of km	44,440	18,013	62,453	40,278	20,177	60,455	43,541	21,205	64,746
Personal cars	thousands of km	12,091	10,175	22,266	12,477	6,789	19,266	13,501	4,936	18,437
Remote connections	thousands	63,070	31	63,101	56,664	4	56,668	49,470	3	49,473
Distance covered for business trip per employee	km/ employee	222	1,597	265	219	1,548	262	213	1,544	257

Use of raw materials - paper	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Purchased paper	t	4,996	1,809	6,805	4,863	1,711	6,574	5,466	2,027	7,493
Purchased paper / staff member	kg/staff member	68.7	77.8	70.9	71.9	71.7	71.9	80.9	81.9	81.2
Ratio of recycled paper out of total paper	%	69.2	22.9	56.9	69.1	22.5	57.0	68.9	24.6	56.9
Ratio of FSC paper out of the total	%	5.4	15.3	8.0	5.5	20.1	9.3	4.0	16.4	7.3
Ratio of ECT/TCF paper out of the total	%	0.5	25.9	7.3	0.5	16.2	4.6	0.5	19.5	5.6
Ratio of FSC and ECT/ TCF paper out of the total	%	19.2	8.3	16.3	19.1	8.8	16.4	19.7	10.4	17.2
Ratio of other certified paper out of the total	%	0.2	3.4	1.1	0.1	5.8	1.6	0.0	7.5	2.0

Consumption of water	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total water consumed	thousands of m^3	1,428	546	1,974	1,242	515	1,757	1,829	531	2,359
Total water consumed / staff member	m3/staff member	19.6	23.5	20.6	18.4	21.6	19.2	27.1	21.5	25.6

Special waste by type	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Total waste	t	3,315	682	3,997	1,973	1,159	3,132	2,732	724	3,456
Total non-hazardous waste	t	3,292	621	3,914	1,937	1,148	3,085	2,712	666	3,378
Total hazardous waste	t	23	61	84	36	11	47	20	58	78
Total waste / staff member	kg/staff member	45.6	29.3	41.7	29.2	48.6	34.2	40.4	29.3	37.5

Special non-hazardous waste by disposal method	Unit	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Recycling	t	1,168	554	1,722	767	1,016	1,783	953	506	1,459
Reuse/recovery	t	1,919	65	1,984	1,043	120	1,162	1,508	145	1,652
Landfill	t	171	1	172	85	4	89	145	6	151
Incinerator for energy recovery	t	34	2	36	42	8	51	105	10	115

Figures are in part estimated from information from waste disposal service suppliers.

Special hazardous waste by disposal method	Unità	2018			2017			2016		
		Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Recycling	t	0	0	0	0	0	0	0	0	0
Reuse/recovery	t	8	8	16	20	4	25	3	9	12
Landfill	t	15	53	68	16	7	22	17	49	66
Incinerator for energy recovery	t	0	0	0	0	0	0	0	0	0

Figures are in part estimated from information from waste disposal service suppliers.

Environmental management expenditure [K euro]	2018			2017			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Special waste management	1,481	306	1,788	1,308	295	1,603	1,383	283	1,666
Training	0	200	200	4	167	171	3	103	106
System maintenance	45,276	17,408	62,684	42,185	20,502	62,687	43,378	22,660	66,038
Consulting for EEMS (Environmental and Energy Management System)	95	12	107	115	1	116	91	0	91
Environmental Certifications	55	1	55	45	8	53	84	25	109
Total	46,908	17,926	64,834	43,656	20,974	64,630	44,939	23,071	68,010

GREEN ECONOMY

Environmental Loans [m euro]	2018**			2017*			2016		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Retail Loans	55	11	66	84	22	106	94	54	148
Business and Third sector loans	369	17	386	205	43	248	387	9	396
Leasing	5	0	5	6	0	6	22	0	22
Corporate and Public finance	489	0	489	89	0	89	352	0	352
Project finance	679	297	976	536	271	807	180	631	812
Total	1,596	326	1,922	920	336	1,256	1,035	695	1,730

* Data not comparable for "Business and Third sector loans" and "Corporated and Public Finance" for changes in aggregation criteria.
** Data not comparable for "Project Finance" for change in aggregation criteria.

Methodology used for the estimates: in the limited cases of unavailability of the data, estimates were made using factors derived from the average of the values more responsive to the specificity of the indicator.

GRI Content Index

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. This service was performed on the Italian version of the report.

THIS STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH THE GRI STANDARDS: "CORE" OPTION

GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
GRI 101: Foundation 2016						
General Disclosures						
GRI 102: General Disclosures 2016	**ORGANIZATIONAL PROFILE**					
	102-1	Name of the organization	page 221			
	102-2	Activities, brands, products, and services	pages 11-12; About us [i]; Our Brand [i]			
	102-3	Location of headquarters	page 221			
	102-4	Location of operations	page 12; A Presentation of the Group (page 29) [i]			
	102-5	Ownership and legal form	page 41; page 221			
	102-6	Markets served	pages 11-12; A Presentation of the Group (page 29) [i]			
	102-7	Scale of the organization	page 41; pages 178-179; A Presentation of the Group (page 5) [i]			
	102-8	Information on employees and other workers	pages 179-182; Intesa Sanpaolo does not have a substantial portion of its work performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Intesa Sanpaolo does not have any significant variations in employment numbers. The "Headcount" method has been applied.		Principle 6	8
	102-9	Supply chain	page 117; page 178			
	102-10	Significant changes to the organization and its supply chain	page 9; pages 15-16; page 41; No changes in the supply chain			
	102-11	Precautionary Principle or approach	page 51; Report on Corporate Governance and Ownership Structures (page 69) [i]			
	102-12	External initiatives	page 19; Adherence to international standards [i]			
	102-13	Membership of associations	Our partnerships in sustainability [i]			
	STRATEGY					
	102-14	Statement from senior decision-maker	pages 6-7; pages 14-15			
	102-15	Key impacts, risks, and opportunities	page 13; page 36; pages 46-47; page 51; pages 53-54; pages 161-162			

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GRI Standards	Disclosure	Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	ETHICS AND INTEGRITY				
102-16	Values, principles, standards, and norms of behavior	page 18; Code of Ethics (page 7; page 9) [i]		Principle 10	16
102-17	Mechanisms for advice and concerns about ethics	pages 44-45; Code of Ethics (pages 22-23) [i]		Principle 10	16
	GOVERNANCE				
102-18	Governance structure	page 38; page 43; Report on Corporate Governance and Ownership Structures (page 33) [i]			
102-19	Delegating authority	page 43; Report on Corporate Governance and Ownership Structures (page 56; page 83) [i]			
102-20	Executive-level responsibility for economic, environmental, and social topics	page 43; Report on Corporate Governance and Ownership Structures (page 56; page 83) [i]			
102-21	Consulting stakeholders on economic, environmental, and social topics	page 43; Report on Corporate Governance and Ownership Structures (page 78; page 83) [i]			16
102-22	Composition of the highest governance body and its committees	page 39; page 164; Report on Corporate Governance and Ownership Structures (pages 34-35; pages 85-86) [i]			5, 16
102-23	Chair of the highest governance body	page 38			16
102-24	Nominating and selecting the highest governance body	pages 38-39; Report on Corporate Governance and Ownership Structures (pages 34-36) [i]			5, 16
102-25	Conflicts of interest	Report on Corporate Governance and Ownership Structures (pages 43-44) [i]			16
102-26	Role of highest governance body in setting purpose, values, and strategy	pages 43-44			
102-27	Collective knowledge of highest governance body	page 39-40			4
102-28	Evaluating the highest governance body's performance	Report on Corporate Governance and Ownership Structures (pages 44-46) [i]			
102-29	Identifying and managing economic, environmental, and social impacts	pages 34-35; pages 46-47; page 51; pages 53-54; Report on Corporate Governance and Ownership Structures (pages 59-61) [i]			16
102-30	Effectiveness of risk management processes	Report on Corporate Governance and Ownership Structures (pages 59-60) [i]			
102-31	Review of economic, environmental, and social topics	pages 43-44			
102-32	Highest governance body's role in sustainability reporting	page 43; Report on Corporate Governance and Ownership Structures (pages 59-60) [i]			
102-33	Communicating critical concerns	pages 43-44; pages 46-48			
102-34	Nature and total number of critical concerns	pages 44-45; Code of Ethics (pages 22-23) [i]			

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	102-35	Remuneration policies	page 40; Report on Corporate Governance and Ownership Structures (pages 61-62) [i], Report on Remuneration (pages 9-10) [i], Remuneration and Equity investments [i]			
	102-36	Process for determining remuneration	Report on Corporate Governance and Ownership Structures (pages 61-62) [i], Report on Remuneration (pages 9-10) [i]			
	102-37	Stakeholders' involvement in remuneration	Report on Corporate Governance and Ownership Structures (pages 61-62) [i], Report on Remuneration (page 66) [i]			16
	102-38	Annual total compensation ratio	page 185	For 2018, the Group reported the rate calculated on the basis of the mean of the total yearly remuneration of all employees in Italy. The rate calculated on the basis of the median of the total yearly remuneration of all employees in Italy will be available from 2020.		
	STAKEHOLDER ENGAGEMENT					
	102-40	List of stakeholder groups	page 156			
	102-41	Collective bargaining agreements	page 189		Principle 3	8
	102-42	Identifying and selecting stakeholders	The dialogue with stakeholders [i]			
	102-43	Approach to stakeholder engagement	pages 156-159			
	102-44	Key topics and concerns raised	pages 157-159; pages 161-162			
	REPORTING PRACTICE					
	102-45	Entities included in the consolidated financial statements	page 9; Financial Reports (Annual Report 2018 "Notes to the Parent Company's financial statements - Part A SECTION 3 - SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS" pages 213-219) [i]			
	102-46	Defining report content and topic Boundaries	pages 32-35; pages 215-216			
	102-47	List of material topics	page 33; pages 215-216			
	102-48	Restatements of information	page 168; page 185; page 188			
	102-49	Changes in reporting	pages 33-35; pages 215-216			
	102-50	Reporting period	page 9			
	102-51	Date of most recent report	page 9			
	102-52	Reporting cycle	page 9			

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	102-53	Contact point for questions regarding the report	page 221			
	102-54	Claims of reporting in accordance with the GRI Standards	page 199			
	102-55	GRI content index	page 199			
	102-56	External assurance	pages 217-220; This Consolidated Non-financial statement has been verified by the independent Firm KPMG which also audits the Group's Annual Report. The Statement has been submitted for the approval of the Bank's Board of Directors in its meetings of March 19, 2019.			
Material Topics						
ECONOMIC PERFORMANCE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 15; pages 215-216			
	103-2	The management approach and its components	pages 14-16; page 44; pages 215-216			8, 16
	103-3	Evaluation of the management approach	page 44; Report on Corporate Governance and Ownership Structures (pages 46-49; pages 63-64) [i]			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	page 17; page 102; page 168			5, 7, 8, 9, 13
	201-2	Financial implications and other risks and opportunities due to climate change	pages 50-54; page 215; Climate Change [i]		Principle 7	
	201-3	Defined benefit plan obligations and other retirement plans	page 131; Financial Reports (Annual Report 2018 "Notes to the Parent Company's financial statements - Part B SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 100" pages 343-345) [i]			
	201-4	Financial assistance received from government	pages 15-16; page 153; page 187			
MARKET PRESENCE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 15; page 215			
	103-2	The management approach and its components	pages 14-16; page 44; page 215			
	103-3	Evaluation of the management approach	page 40; page 44			
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	page 185		Principle 6	1, 2, 5, 8
	202-2	Proportion of senior management hired from the local community	page 182			8

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
INDIRECT ECONOMIC IMPACTS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 15; page 215			
	103-2	The management approach and its components	pages 14-16; page 44; pages 215-216			1
	103-3	Evaluation of the management approach	page 40; page 44			
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	page 49; page 102			2, 5, 7, 9, 11
	203-2	Significant indirect economic impacts	pages 34-36; page 83			1, 2, 3, 8, 10, 17
ANTI-CORRUPTION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 29; page 44; pages 56-57; page 63; page 216			
	103-3	Evaluation of the management approach	pages 44-45; page 56			
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	page 63		Principle 10	16
	205-2	Communication and training about anti-corruption policies and procedures	pages 57-58; page 118; page 165		Principle 10	16
	205-3	Confirmed incidents of corruption and actions taken	page 166		Principle 10	16
ANTI-COMPETITIVE BEHAVIOR						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	pages 44-45; page 55; pages 60-61; page 216			
	103-3	Evaluation of the management approach	pages 60-61			
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2018, no lawsuits were filed nor penalties imposed against the Intesa Sanpaolo Group in the area of free competition.			16
MATERIALS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	pages 140-141; page 144; page 162; page 215; Climate Change Action Plan [i]			
	103-3	Evaluation of the management approach	pages 44-45; pages 144-145			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	pages 144-145; page 197		Principle 7, 8	8, 12

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	301-2	Recycled input materials used	page 144-145; page 197		Principle 8	8, 12
ENERGY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	pages 140-144; page 215			
	103-3	Evaluation of the management approach	pages 44-45; pages 140-141			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	page 139; pages 196-197		Principle 7, 8	7, 8, 11, 12, 13
	302-2	Energy consumption outside of the organization	page 196		Principle 8	7, 8, 11, 12, 13
	302-3	Energy intensity	page 196		Principle 8	7, 8, 11, 13
	302-4	Reduction of energy consumption	pages 141-142		Principle 8, 9	7, 8, 11, 13
	302-5	Reductions in energy requirements of products and services	pages 146-148		Principle 8, 9	7, 8, 11, 13
WATER						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	pages 140-141; page 215			
	103-3	Evaluation of the management approach	pages 44-45; page 145			
GRI 303: Water 2016	303-1	Water withdrawal by source	page 139; page 145; page 197		Principle 7, 8	6
	303-2	Water sources significantly affected by withdrawal of water	page 139; page 145; page 197		Principle 7, 8	6
EMISSIONS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	pages 140-142; page 215			12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 44-45; pages 141-142			
GRI 305: Emissions 2016	305-1	Direct (Scope1) GHG emissions	page 139; page141; page 195; Emission Factors [i]		Principle 7, 8	3, 11, 12, 13, 14, 15

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	305-2	Energy indirect (Scope2) GHG emissions	page 139; page141; page 195; Emission Factors [i]		Principle 7, 8	3, 11, 12, 13, 14, 15
	305-3	Other indirect (Scope3) GHG emissions	page141; page 195; Emission Factors [i]		Principle 7, 8	3, 11, 12, 13, 14, 15
	305-4	GHG emissions intensity	page 139; page 195		Principle 8	13, 14, 15
	305-5	Reduction of GHG emissions	pages 141-142		Principle 8, 9	13, 14
	305-6	Emissions of ozone-depleting substances (ODS)	page 195; Emission Factors [i]		Principle 7, 8	3, 11, 13
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 196; Emission Factors [i]		Principle 7, 8	3, 11, 13, 14, 15
EFFLUENTS AND WASTE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	pages 140-142; page 215			12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 44-45; page 145			
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	page 145		Principle 8	3, 6, 12
	306-2	Waste by type and disposal method	page 139; page 145; pages 197-198		Principle 8	3, 6, 12
ENVIRONMENTAL COMPLIANCE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 216			
	103-2	The management approach and its components	pages 140-142; page 216			12, 13, 14, 15
	103-3	Evaluation of the management approach	pages 44-45; page 145			
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	page 166		Principle 8	16
EMPLOYMENT						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 122; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45; page 145			

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	pages 183-184		Principle 6	5, 8
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	pages 189-190			8
	401-3	Parental leave	page 190	Retention rate under privacy constrain. Because of the variety and the complexity of available parental leaves, in order to calculate the indicator an individual monitoring would be necessary, thus breaching the employees' privacy rights	Principle 6	5, 8
LABOR/MANAGEMENT RELATIONS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 122; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45; page 123			
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	page 166		Principle 3	
OCCUPATIONAL HEALTH AND SAFETY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 130; page 134; page 136; page 215			
	103-3	Evaluation of the management approach	pages 44-45; pages 134-136			
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	page 136			8
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	pages 192-194; page 215			3, 8
	403-4	Health and safety topics covered in formal agreements with trade unions	page 136			8
TRAINING AND EDUCATION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 123; page 162; page 215			5
	103-3	Evaluation of the management approach	pages 44-45; page 127			

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	pages 186-188		Principle 6	4, 5, 8
	404-2	Programs for upgrading employee skills and transition assistance programs	pages 127-128			8
	404-3	Percentage of employees receiving regular performance and career development reviews	page 124-125; page 186		Principle 6	5, 8
DIVERSITY AND EQUAL OPPORTUNITY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 123; pages 128-129; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45; page 128-129			
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	page 164; pages 179-182		Principle 6	5, 8
	405-2	Ratio of basic salary and remuneration of women to men	page 185		Principle 6	5, 8, 10
NON DISCRIMINATION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 152; page 216			
	103-2	The management approach and its components	page 44; page 62; page 216			
	103-3	Evaluation of the management approach	pages 44-45; pages 62-63			
GRI 406: Non Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	page 62; page 153		Principle 6	5, 8, 16
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; pages 215-216			
	103-2	The management approach and its components	page 44; page 48; page 153; pages 215-216			
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	pages 48-49; page 123; pages 152-154	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management	Principle 3	8

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
CHILD LABOR						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 152; pages 215-216			
	103-2	The management approach and its components	page 44; page 48; page 152; pages 215-216			
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	pages 48-49	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management	Principle 4	8, 16
FORCED OR COMPULSORY LABOR						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 152; pages 215-216			
	103-2	The management approach and its components	page 44; page 48; page 152; pages 215-216			
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	pages 48-49	Part of the indicator is not applicable: suppliers figures are not accounted. For the financial sector, the indicator has significance in relation to employees and credit management	Principle 4	8
RIGHTS OF INDIGENOUS PEOPLES						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 152; page 216			
	103-2	The management approach and its components	page 44; page 48; page 153; page 216			
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	In 2018 no reports emerged on possible violations of the rights of the natives; Equator Principles [i]		Principle 1	
HUMAN RIGHTS ASSESSMENT						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 152			
	103-2	The management approach and its components	page 44; pages 153-154; page 216		Principle 1	
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	pages 49-50		Principle 1	

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	412-2	Employee training on human rights policies or procedures	page 49; page 166		Principle 1	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	pages 49-50; page 153; page 172		Principle 2	
LOCAL COMMUNITIES						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66			
	103-2	The management approach and its components	page 44; page 48; page 83; page 161; page 216			
	103-3	Evaluation of the management approach	pages 44-45; pages 153-154			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	pages 48-50		Principle 1	
	413-2	Operations with significant actual and potential negative impacts on local communities	pages 48-50		Principle 1	1
Sector Specific Indicators - G4	FS13	Access point in low-populated or economically disadvantaged areas by type	page 170			1, 8, 10
	FS14	Initiatives to improve access to financial services for disadvantaged people	pages 78-79; Proximity [i]			1, 8, 10
PUBLIC POLICY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 44; page 59; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
GRI 415: Public Policy 2016	415-1	Political contributions	page 59		Principle 10	16
CUSTOMER HEALTH SAFETY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; pages 79-82; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
GRI 416: Customer Health Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	pages 79-82			

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GRI Standards	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No penalty or fines for non compliance with regulation, no incidents of non compliance with voluntary codes regarding customer Health and Safety			16
MARKETING AND LABELLING						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; pages 79-81; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
GRI 417: Marketing and Labelling 2016	417-2	Incidents of non-compliance concerning product and service information and labelling	pages 80-81; Transparency to customer [i]			16
	417-3	Incidents of non-compliance concerning marketing communications	pages 80-81; Transparency to customer [i]			
Sector Specific Guidance for DMA - G4	ex FS15	Policies for the fair design and sale of financial products and services	pages 79-81; Relationship with customers [i]			10
	ex FS16	Initiatives to enhance financial literacy by type of beneficiary	pages 89-90			1, 8, 10
CUSTOMER PRIVACY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 44; pages 61-62; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 62			16
SOCIOECONOMIC COMPLIANCE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 44; pages 56-57; page 64; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Financial Reports (Annual Report 2018 "Notes to the Parent Company's financial statements PART E - LEGAL RISKS - TAX LITIGATION" pages 501-506) [i]			16

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Sector Disclosures: Financial Services	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
Social Disclosure - Product Responsibility						
PRODUCT PORTFOLIO						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 138; pages 215-216			
	103-2	The management approach and its components	page 44; page 83; page 146; pages 161-162; pages 215-216			
	103-3	Evaluation of the management approach	pages 44-45			
Sector Specific Guidance for DMA - G4	ex FS1	Policies with specific environmental and social components applied to business lines	pages 48-49; page 96; page 146; page 153; Policy di CSR [i]			10
	ex FS2	Procedures for assessing and screening environmental and social risks in business lines	page 49; page 96; pages 146-147; page 153			10
	ex FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	page 49; Equator Principles [i]			
	ex FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	page 49; pages 149-150; Training and awareness [i]			10
	ex FS5	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	page 49; Equator Principles [i]			10
Sector Specific Indicators - G4	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/sme/large) and by sector	About us (A presentation of the Group. page 28) [i]			1, 8, 9
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	page 83; page 173			1, 8, 10, 11
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	page 146; page 198			
AUDIT						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 44; pages 62-63; page 216			
	103-3	Evaluation of the management approach	pages 44-45; pages 56-57			

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Sector Disclosures: Financial Services	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
Sector Specific Guidance for DMA - G4	former FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	pages 62-63; Implementation and governance [i] Monitoring against corruption [i]			10
ACTIVE OWNERSHIP						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; pages 96-97; page 161; page 216			
	103-3	Evaluation of the management approach	pages 44-45; pages 96-97			
Sector Specific Guidance for DMA - G4	former FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	pages 96-97			
Sector Specific Indicators - G4	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	page 174			10
	FS11	Percentage of assets subject to positive and negative environmental or social screening	pages 173-174			10

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Non GRI Material Topics	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
COMPANY VALUE AND SOLIDITY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 15; page 215			
	103-2	The management approach and its components	pages 14-17; page 44; page 215			
	103-3	Evaluation of the management approach	page 44; Report on Corporate Governance and Ownership Structures (pages 65-67) [i] Report on Remuneration (pages 65-69) [i]			
DIRECT ENVIRONMENTAL IMPACTS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	page 44; pages 140-141; page 215; Climate Change Action Plan [i]			
	103-3	Evaluation of the management approach	pages 44-45; page 141			
GREEN ECONOMY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 138; page 215			
	103-2	The management approach and its components	page 44; page 146; page 215; page 162			
	103-3	Evaluation of the management approach	pages 44-45; page 146			
EMPLOYEE ENHANCEMENT AND DEVELOPMENT						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 123; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45			
EMPLOYEE WELFARE						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 130; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45			
EMPLOYMENT PROTECTION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 120; page 215			
	103-2	The management approach and its components	page 44; page 122; page 162; page 215			
	103-3	Evaluation of the management approach	pages 44-45			

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Non GRI Material Topics	Disclosure		Page number(s) and/or URL(s)	Omissions	Global Compact	SDG's *
QUALITY AND INNOVATION IN CUSTOMER RELATIONS						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; page 69; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
ACCESS TO CREDIT AND FINANCIAL INCLUSION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; page 83; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
RESPONSIBLE SAVING MANAGEMENT AND CUSTOMER PROTECTION						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; page 96; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
RELATIONS WITH THE COMMUNITY						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 66; page 216			
	103-2	The management approach and its components	page 44; page 102; page 161; page 216			
	103-3	Evaluation of the management approach	pages 44-45			
INTEGRITY IN CORPORATE CONDUCT						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	page 55; page 216			
	103-2	The management approach and its components	page 29; page 44; page 56; page 216			
	103-3	Evaluation of the management approach	pages 44-45			

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GRI Impact boundaries

Material topics	GRI Aspects	Boundary: within	Boundary: outside
COMPANY VALUE AND SOLIDITY			
The value of assets, their solidity and risk management, including socio-environmental aspects. Strategic lines are defined by the Board of Directors and all the Departments ensure the management of the topic.	ECONOMIC PERFORMANCE MARKET PRESENCE INDIRECT ECONOMIC IMPACTS	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
DIRECT ENVIRONMENTAL IMPACTS			
Direct environmental impacts of business activities: consumption of resources, emissions and waste. More than 550 people are allocated for the strategic and operational management of the activities.	MATERIALS ENERGY WATER EMISSIONS EFFLUENTS AND WASTE	Intesa Sanpaolo Group	Environment, Community
GREEN ECONOMY			
To operate as a finanancial institution that supports production and consumption systems oriented to environmental sustainability, also in the risk evaluation. More than 26,000 people are allocated for the strategic and operational management of the activities.	ECONOMIC PERFORMANCE (201-2) ENERGY (302-5) PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO	Business Units, Credit, Risk Management, Innovation, Compliance	Environment, Shareholders, Customers, Suppliers, Community
EMPLOYEE ENHANCEMENT AND DEVELOPMENT			
Recognizing the employee values by developing all their potentiality and enhancing their characteristics. More than 400 people are allocated for the strategic and operational management of the activities.	TRAINING AND EDUCATION DIVERSITY AND EQUAL OPPORTUNITY	Intesa Sanpaolo Group	Customers, Community, Shareholders
EMPLOYEE WELFARE			
To promote work-life balance in workplace to protect and foster wellbeing for employees. More than 400 people are allocated for the strategic and operational management of the activities.	EMPLOYMENT (401-2; 401-3) OCCUPATIONAL HEALTH AND SAFETY	Intesa Sanpaolo Group	Customers, Community, Shareholders
LABOR RIGHTS			
Responsible employment management and development of labor/management relations shaped towards shared solutions. Almost 350 people are allocated for the strategic and operational management of the activities.	EMPLOYMENT (401-1) LABOR MANAGEMENT RELATIONS FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING CHILD LABOR FORCED OR COMPULSORY LABOR	Intesa Sanpaolo Group	Community, Shareholders

Material topics	GRI Aspects	Boundary: within	Boundary: outside
QUALITY AND INNOVATION IN CUSTOMER RELATIONS			
Care, transparency, improvement and simplification of the customer relations through all relationship channels. More than 9,000 people are allocated for the strategic and operational management of the activities.	MARKETING AND LABELLING CUSTOMER HEALTH AND SAFETY	Business Units, Operations, Compliance, IT Department, Innovation, External Relations, Human Resources	Customers, Community
ACCESS TO CREDIT AND FINANCIAL INCLUSION			
Promoting solutions to facilitate access to financial and credit products for households and businesses by adopting criteria that also take into account social vulnerability situations and growth prospects in risk assessment. More than 26,000 people are allocated for the strategic and operational management of the activities.	PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO SOCIETY LOCAL COMMUNITY FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING CHILD LABOR FORCED OR COMPULSORY LABOR RIGHTS OF INDIGENOUS PEOPLES HUMAN RIGHT ASSESSMENT	Business Units, Credit, Risk Management, Compliance, Innovation	Customers, Shareholders, Community
RESPONSIBLE SAVING MANAGEMENT AND CUSTOMER PROTECTION			
Offering investment and protection solutions characterized by ESG (environmental, social and governance) selection criteria for financial instrument issuers. About 2,000 people are allocated for the strategic and operational management of the activities.	PRODUCT RESPONSIBILITY: PRODUCT PORTFOLIO PRODUCT RESPONSIBILITY: ACTIVE OWNERSHIP	Business Units, Asset Management, Insurance	Customers, Shareholders, Community
RELATIONS WITH THE COMMUNITY			
The company as a promoter of relationships that influence the entire community and its well-being with its own cultural stimulus actions and its social dialogue skills. More than 100 people are allocated for the strategic and operational management of the activities.	ECONOMIC PERFORMANCE (201-1)	Intesa Sanpaolo Group	Community, Shareholders
INTEGRITY IN CORPORATE CONDUCT			
To act with transparency and responsibility in full compliance with international, national and corporate standards, rules and policies. Within the Group's governance structures, more than 1,300 people are allocated for strategic management and operational guidance of the activities.	ANTI-CORRUPTION PUBLIC POLICY ANTI-COMPETITIVE BEHAVIOR ENVIRONMENTAL COMPLIANCE NON DISCRIMINATION CUSTOMER PRIVACY SOCIOECONOMIC COMPLIANCE PRODUCT RESPONSIBILITY: AUDIT	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community

Auditors' report

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Intesa Sanpaolo S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2018 consolidated non-financial statement of the Intesa Sanpaolo Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 19 March 2019 (the "NFS").

Responsibilities of the parent's directors and management control committee for the NFS

The directors of Intesa Sanpaolo S.p.A. (the "parent") are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

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The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies for the identification and management of the risks generated or borne.

The management control committee is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
   - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
   - the group's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
   - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

   Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).
5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we held interviews and discussions with the parent's management personnel and personnel of Intesa Sanpaolo Group Services S.p.A., Cassa di Risparmio di Firenze S.p.A., Banca IMI S.p.A., Eurizon Capital SGR S.p.A., Fideuram – Intesa Sanpaolo Private Banking S.p.A., Banca Prossima S.p.A., Banca Apulia S.p.A., Privredna Banka Zagreb, CIB Bank Group, Bank of Alexandria S.A.E., Banca Intesa Beograd and VUB Group . We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

   Furthermore, with respect to significant information, considering the group's business and characteristics:

   - at parent and subsidiaries level:
     a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence;
     b) we carried out analytical and limited procedures to check the correct aggregation of data in the quantitative information;
   - we visited Intesa Sanpaolo S.p.A., Intesa Sanpaolo Group Services S.p.A., Cassa di Risparmio di Firenze S.p.A., Banca IMI S.p.A., Eurizon Capital SGR S.p.A., Fideuram – Intesa Sanpaolo Private Banking S.p.A., Banca Prossima S.p.A. and Banca Apulia S.p.A., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2018 consolidated non-financial statement of the Intesa Sanpaolo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Milan, 20 March 2019

KPMG S.p.A.

(signed on the original)

Mario Corti
Director of Audit

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Prepared by	Intesa Sanpaolo Spa - Corporate Social Responsibility
Graphic, layout and hypertexts	Studio Lariani architettura - Milano
Published in	March 2019

The document was drafted using methods that meet the requirements of visually-impaired or blind persons, in line with the accessibility rules certified by the LIA (Accessible Italian Books) Foundation

Intesa Sanpaolo Spa
Registered Office: Piazza San Carlo 156, 10121 Torino
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Share capital: 9,085,534,363.36 euro
Registration number on the Torino Company Register and Fiscal Code 00799960158
VAT number 10810700152
Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund included in the National Register of Banks No. 5361 and Parent Company of “Intesa Sanpaolo” Group, included in the National Register of Banking Groups

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

Through the Gallerie d'Italia, 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, coming from the art collections of Fondazione Cariplo and Intesa Sanpaolo, along with a collection representative of twentieth-century Italian art.

Gallerie d'Italia - Palazzo Leoni Montanari in Vicenza exhibits works of eighteenth-century Veneto art and a collection of Attic and Magna Graecia pottery. Moreover, one of the most important collections of Russian icons in the West is safeguarded here.

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:

ANGELO INGANNI
(Brescia, 1807 - 1880)
Piazza della Scala under the snow, seen from the Gallery 1874
oil on canvas, 65,5 x 55,5 cm
Intesa Sanpaolo Collection
Gallerie d'Italia - Piazza Scala, Milan

Angelo Inganni's vedute are fine works offering a valuable insight into the urban transformations that Milan experienced during the 19th century. In *Piazza della Scala under the snow, seen from the Gallery*, the artist depicts Teatro alla Scala before the square it faces was opened, which involved the demolition of a housing block next to the Palazzo Marino, and subsequently led to the construction of the Galleria Vittorio Emanuele II and the erection of the Leonardo da Vinci monument.

Despite the structural balance of the work, the resulting image - created with free and vibrant brushstrokes with no concern for defined outlines - seems somewhat random, almost like a snapshot of the path running between the snowy square and the Galleria.

The work is part of the permanent collection at the **Gallerie d'Italia**, Intesa Sanpaolo's museum complex located in **Piazza Scala, Milan**. The exhibition dedicated principally to 19th century art opens with Neoclassical works and continues through to the turn of the 20th century, with a century's worth of Italian paintings depicting historical events, battles of the Risorgimento (the Italian Unification), vedute and landscapes, as well as genre paintings and masterpieces of Symbolism.