

# 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	<ul style="list-style-type: none"> <li>66,320 trained employees (72.5% of the total)</li> <li>323,242 hours provided</li> </ul>
	Disciplinary sanctions due to staff corruption	<ul style="list-style-type: none"> <li>0</li> </ul>
	Dismissals due to corruption	<ul style="list-style-type: none"> <li>0</li> </ul>
	Internal advice and clearing on transactions in the corruption highest risk areas	<ul style="list-style-type: none"> <li>191</li> </ul>

Macro-issue	Projects/Indicators	2018 Actions/Results
Protection of free competition	Training on free competition	<ul style="list-style-type: none"> <li>▪ 47,976 employees trained (52.4% of the total)</li> <li>▪ 72,938 hours provided</li> </ul>
	Internal requests for antitrust advice and clearing on Group projects	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>
Privacy protection	Training on Privacy protection	<ul style="list-style-type: none"> <li>▪ 51,896 employees trained (56.7% of the total)</li> <li>▪ 43,501 hours provided</li> </ul>
	Cases of customer data being lost or stolen	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>
Consumer protection	Training on consumer protection	<ul style="list-style-type: none"> <li>▪ 40,041 employees trained (43.7% of the total)</li> <li>▪ 1,223,201 hours provided</li> </ul>
Whistleblowing	Whistleblowing reports	<ul style="list-style-type: none"> <li>▪ 21 reports, of which 4 were found to be not pertinent and 17 were subject to specific investigations*</li> </ul>

\* 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<sup>1</sup> 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

<sup>1</sup> 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 comply, 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.) [\[i\]](#).