

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

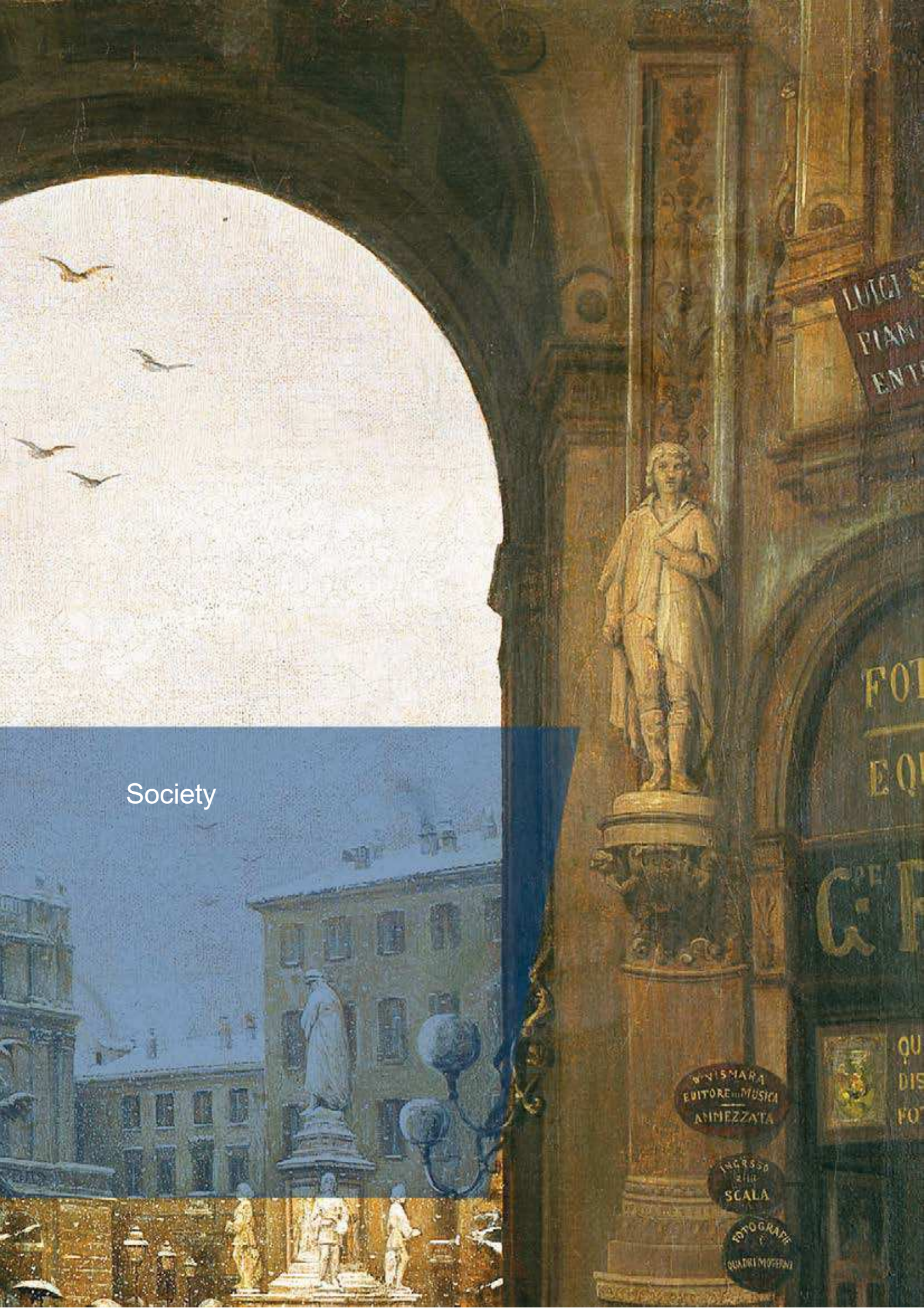
As at 31 December 2018, a total of about 18,000 disputes were pending for a total amount of 5,571 million euro. In further detail, the most important of these are:

- 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.) [\[i\]](#).



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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	<ul style="list-style-type: none"> <li>~ 60 billion</li> </ul>	<ul style="list-style-type: none"> <li>~ 250 billion (cumulative value 2018-2021)</li> </ul>
Quality and innovation in customer relations	Net Promoter Score	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the quality of service levels</li> </ul>
	Average response times to customer complaints and appeals (Parent Company) in line with reference regulations (RR)	<ul style="list-style-type: none"> <li>Investment products and services: 49 days (vs RR 60 days); Insurance products and services: 27 days (vs RR 45 days)</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining high performance levels in listening to customers</li> </ul>
	Expansion of the multichannel platform and digital transformation	<ul style="list-style-type: none"> <li>~ 8.3 million multichannel customers (7.3 million in 2017), equalling 70% of customers</li> <li>15.7 million digitised transactions and 18% of activities digitised (10% in 2017);</li> <li>3.2 million customers connected at least once to the new App</li> <li>17 Group companies already introduced into the Cybersecurity Model (40%)</li> </ul>	<ul style="list-style-type: none"> <li>70% of activities digitised</li> <li>100% of Group companies introduced into the Cybersecurity Model</li> </ul>
	Blocking of fraudulent transactions	<ul style="list-style-type: none"> <li>27 million fraudulent transactions blocked for retail customers and 47 million for corporate customers</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of cybersecurity</li> </ul>
	IT Security training for employees	<ul style="list-style-type: none"> <li>8,280 participants; 14,207 hours provided</li> </ul>	
	Number of robberies	<ul style="list-style-type: none"> <li>13 (23 in 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Continuous focus on the safety of customers and employees</li> </ul>
Access to credit and financial inclusion	Loans disbursed for initiatives with high social impact	<ul style="list-style-type: none"> <li>~ 4.5 billion</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcement of initiatives to foster financial inclusion and to support vulnerable groups</li> </ul>
	Microcredit and anti-usury loans disbursed	<ul style="list-style-type: none"> <li>~ 72 million euro</li> </ul>	
	Supporting people affected by natural disasters	<ul style="list-style-type: none"> <li>Over 15 million of mortgages relating to inaccessible property cancelled; some 200 million euro of subsidised loans disbursed (over 3,500)</li> <li>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</li> </ul>	
	Fund for Impact	<ul style="list-style-type: none"> <li>Launch of the Fund and of the first initiative - "per Merito" - for university students</li> </ul>	
			<ul style="list-style-type: none"> <li>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</li> </ul>

## 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	<ul style="list-style-type: none"> <li>~ 250 million euro</li> </ul>	<ul style="list-style-type: none"> <li>New medium and long-term loans of 700 million to support social enterprises (cumulative value 2018-2021)</li> </ul>
Sustainable investments and customer protection	Ethical/ESG Funds	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Consolidation of its leading role in sustainable investments</li> </ul>
	Engagement activities with issuers	<ul style="list-style-type: none"> <li>600 Eurizon engagements with issuers, almost 22% of which exclusively about ESG issues</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of engagement activities in line with the Stewardship Principles</li> </ul>
	Gross premiums non-motor insurance	<ul style="list-style-type: none"> <li>405 million (341 million in 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Development of insurance offer</li> </ul>
Contribution to the community	Monetary contribution to the community*	<ul style="list-style-type: none"> <li>61.7 mln (49.6 nel 2017)</li> </ul>	<ul style="list-style-type: none"> <li>Become an exemplary model for society in terms of social and cultural responsibility</li> </ul>
	Food and Shelter for the Needy project	<ul style="list-style-type: none"> <li>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)</li> </ul>	<ul style="list-style-type: none"> <li>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)</li> </ul>
	Culture project	<ul style="list-style-type: none"> <li>Monetary contribution of 30.9 million to art and culture</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Promotion and sharing of the Group's artistic and cultural heritage and promotion of the culture and awareness of the country's heritage</li> </ul>

\* 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<sup>1</sup> (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.

<sup>1</sup> 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 Sarmede 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.

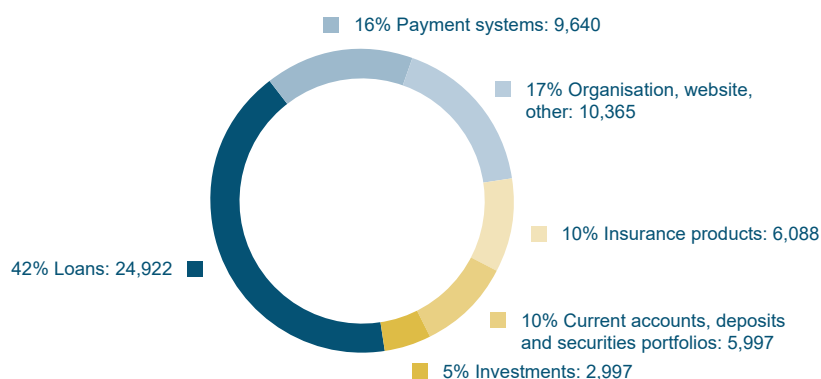
The new structure of the Complaints and Disclaimers structure, organised into two areas dedicated, respectively, to bank services and investment services, and loans and disclaimers (related to transactions made with cards and transactions involving payment systems), guarantees the necessary level of 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<sup>1</sup>, 60,009 complaints, appeals and protests were recorded in 2018, broken down as follows:

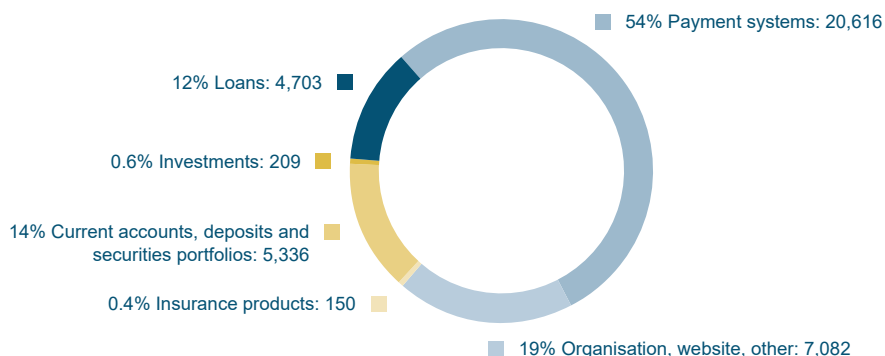


- Loans: account for 42% of the total, down 10%. This is mainly due to the reduction in complaints brought by former customers of Accedo<sup>2</sup> which, in relation to the early redemption of loans with assignment of one-fifth of salary, claim the pro-rata refund of fees and/or charges paid at the 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.

<sup>1</sup> 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.

<sup>2</sup> 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<sup>1</sup>, 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

<sup>1</sup> 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.

### DIGITAL

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<sup>1</sup>, 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.

<sup>1</sup> 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 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]).