

Stakeholder Engagement 2014 and Improvement Objectives 2015

Results of listening and dialogue initiatives with our stakeholders in 2014 and improvement objectives for 2015



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1. Executive summary

To identify areas of interest and expectations of stakeholders, the Intesa Sanpaolo Group has developed structured stakeholder engagement processes regarding social and environmental responsibility. The engagement initiatives implemented were launched by the Corporate Social Responsibility (CSR) Unit, in close collaboration with all Bank Departments that manage relations with stakeholders. In fact, synergies have been consolidated to share the results of listening and dialogue processes, with the objective of achieving interesting results for all the stakeholders.

These results – the expectations of stakeholders – contribute to defining the improvement objectives for each department, in line with the strategies of the Business Plan.

During 2014, in order to identify the main requests by employees, four focus groups with branch network personnel, one focus group with Branch managers, one focus group with the trade unions and four interviews with market coordinators were carried out. The results of climate surveys for employees and senior managers, conducted by the Internal Communication Department, were also analysed. To identify the requests of Corporate Customers, six telephone interviews were conducted with the major Italian sector associations, while as regards shareholders a number of interviews were conducted with SRI investors and small shareholders' associations.

In terms of the community, we interviewed Banktrack, an international non-governmental organisation (NGO), Fondazione Housing Sociale and Caritas. In terms of listening to suppliers, we sent a questionnaire to 300 suppliers.

We also surveyed household and corporate customers, an activity conducted directly by the Banca dei Territori Department, in order to examine customers' requirements with regard to the changes underway within the Bank as well as in the broader social context.

The following pages provide a summary of the main results that emerged with regard to issues identified as material in the Sustainability Report 2014, in which we describe the activities already conducted for each area (see Sustainability Report 2014, "Performance" chapter from page 54).

PROTECTION OF SOLIDITY AND PROFITABILITY

Among those interviewed, the issue of protection of solidity and profitability was mentioned many times as being at the basis of operations. In particular, there is a strong awareness, for example among the Group's market coordinators, SRI investors and small shareholders' associations, that the Group is solid and able to face the challenges of the future. Employees, sustainability analysts and small shareholders' associations underlined the Group's commitment in protecting employment during the restructuring phases. Therefore, the Business Plan has been widely welcomed as it clearly aims to protect employees and reassign people following organisational changes, after completing a training process.

BUSINESS RISK MANAGEMENT

Stakeholders interviewed focused their attention on the social and environmental risks in financing decisions: SRI analysts appreciate the Group's participation in the Equator Principles, but NGOs would like banks to adopt even stricter guidelines and standards to include social and environmental criteria in the financing decisions. Investors would like specific investment policies to be defined for certain sectors considered of particularly high social and environmental impact (such as the nuclear sector, coal, oil & gas, etc.).

INTEGRITY AND RIGOUR IN COMPANY CONDUCT

Employees seek more effective training on these issues. Investors and SRI analysts pay growing attention to the anti-corruption and anti-money laundering processes, in order to fully assess the risks arising from business relations with customers and with Public Administration. These risks may arise mainly in the area of infrastructure loans and tenders.

1. SRI is the acronym for Socially Responsible Investments.

DEVELOPMENT, MANAGEMENT AND ENHANCEMENT OF HUMAN RESOURCES

The central issue that emerged from the focus groups and from the climate surveys was the enhancement of merit in both the assessment systems and the individual development plans.

Even the value of diversity is not yet perceived as an integral part of corporate culture. The issue is not so much about gender equality but about intergenerationality.

Lastly, welfare is perceived by employees as one of Intesa Sanpaolo's strengths. Initiatives aimed at anti-robbery security are also perceived in a positive light thanks to the advanced technologies used.

OFFERING A VALUED SERVICE TO CUSTOMERS

The expectation by retail customers that the Bank consider the changing, flexible and interdependent nature of today's families and develop an offer that will ensure advantageous banking conditions for all household members has emerged.

A significant portion of companies expect the Bank to develop specific sector expertise in order to best support companies and customers' projects, also creating new consulting tools (e.g., analysis of environmental costs, definition of business plans, etc.). Also in demand are services identifying possible partners in production, logistics and distribution, especially innovation partners for research and development activities. In terms of new entrepreneurs, namely young people and/or entrepreneurs with a high level of "innovation", the main difficulties when creating business plans are linked to internal processes that are expected to be more streamlined. Young companies have demonstrated greater propensity towards internationalisation and would therefore like greater support from the Banks in this respect.

ACCESS TO CREDIT AND SAVINGS MANAGEMENT

The economic crisis and difficulty in accessing credit are the most limiting factors in the growth of companies.

In terms of households, the most vulnerable stakeholders, such as the elderly, youth or immigrants, require greater support from the Bank in terms of more accessible products and services geared towards their needs. Those with the greatest propensity to save are the elderly, who expect the Bank to develop investment products that protect capital (to support the plans of households, handle future retirement, invest employee severance indemnity). They seek targeted consulting on investments (even long-term), also covering the tax, insurance, real estate and inheritance areas.

CLIMATE CHANGE

Non-government organisations and SRI rating agencies criticise the Group's involvement in the coal sector (extraction and use for energy production). The Group is admired for its environmental policy and its environmental management systems adopted. As regards the environmental policy, it is recommended to include issues connected to the investments portfolio and to asset management activities. In terms of reduction in emissions, the Group is asked to identify, in addition to the targets regarding the direct environmental impacts of its activities, those targets connected to the impacts of the activities it finances. An area for improvement is the need for the Group to increase loans and products for the use of renewable energies, contributing to sustainable development of the planet.

2. Introduction

The 2014 stakeholder engagement process of Intesa Sanpaolo was developed during a particularly important moment for the Group: the Business Plan disclosed to the markets in March 2014 resulted in major changes with significant consequences for all Group stakeholders and for customers and employees in particular.

Moreover, the ongoing economic and financial crisis has directed the decisions of the Group, on the one hand supporting household and corporate customers seeking greater access to credit, and on the other protecting employment and encouraging the development of new professional skills in order to meet the new requirements. Within this context a listening process was designed and implemented by the Bank, as it is each year, using methods that comply with the guidelines and AA1000 principles of AccountAbility (for additional information see the document “Stakeholder Engagement in Intesa Sanpaolo. The methodological approach” [1]).

The decision to implement increasingly greater integration of the engagement activities with the strategic and operational ones in place by the various company departments has resulted in the definition of a virtuous process in which sustainability issues have acquired increasing relevance.

3. Materiality analysis

A key part of Intesa Sanpaolo's stakeholder engagement process is materiality analysis. Stakeholders are involved in issues considered as relevant, and their perception of said issues increases their understanding of emerging and significant issues, also with regard to business activities by the Group. For these issues, each Group Department defines a series of improvement objectives which must then be implemented and monitored and with regard to which the Bank will again consult stakeholders in order to assess the progress level (as illustrated in Figure 1).

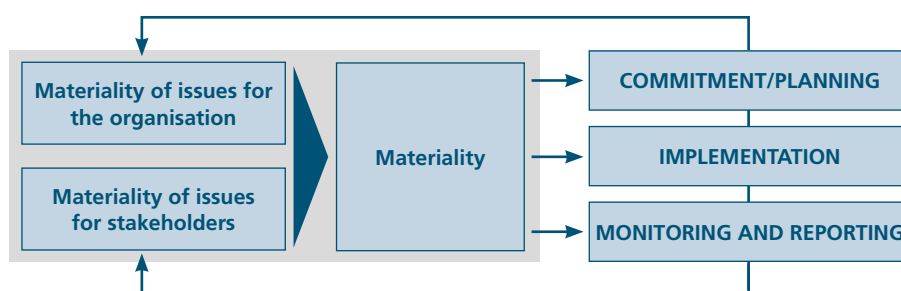


Figure 1

Issue identification was conducted through a structured process in accordance with the Global Reporting Initiative (GRI) guidelines, G4 edition. The materiality analysis led to the identification and summary of our priorities and those of our stakeholders. Intesa Sanpaolo has endorsed the definition of materiality under the GRI reporting standard: material aspects reflect the significant economic, social and environmental impacts of the organisation or have substantial influence over stakeholders' assessments and decisions. The process involves three steps: identification of issues, their prioritisation and validation, as illustrated in Figure 2.



Figure 2

3.1 IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

In 2014 we implemented a stakeholder map validation process defined in recent years according to AA1000SES principles. The identification of economic, environmental and social sustainability issues significant to the financial sector and significant to Group business and our stakeholders was carried out by analysing:

- sustainability aspects and topics identified by the GRI reporting standard;
- document sources within the Group, including for example top management communications, Shareholders' Meeting minutes, communications to shareholders, Sustainability Reports for the last three years, policies adopted by the Group and complaints to the Code of Ethics;
- external document sources, including the reference standards for reporting sustainability performance (GRI4, SASB), the questionnaires of ESG rating agencies, the Sustainability Reports of other national and international financial groups;
- press reviews and planning documents of Italian public entities and multilateral organisations.

The assessments of results emerging from these sources of information and from the stakeholder engagement process have taken into consideration the GRI principles of stakeholder inclusiveness and the context of sustainability.

The issues identified were set out into a tree diagram arranged into three increasing levels of detail: these issues were the subject of listening and dialogue with our key stakeholders.

3.2 PRIORITISATION AND DEFINITION OF THE MATERIALITY MATRIX

To prioritise the issues identified, for each issue we first assessed its significance compared to corporate strategies and commitments defined in the Business Plan, and then the degree to which it represents the interests and expectations of stakeholders (therefore assessing the principles of materiality and stakeholder inclusiveness): these two aspects are indicated by the two axes of the materiality matrix, illustrated below (Figure 3).

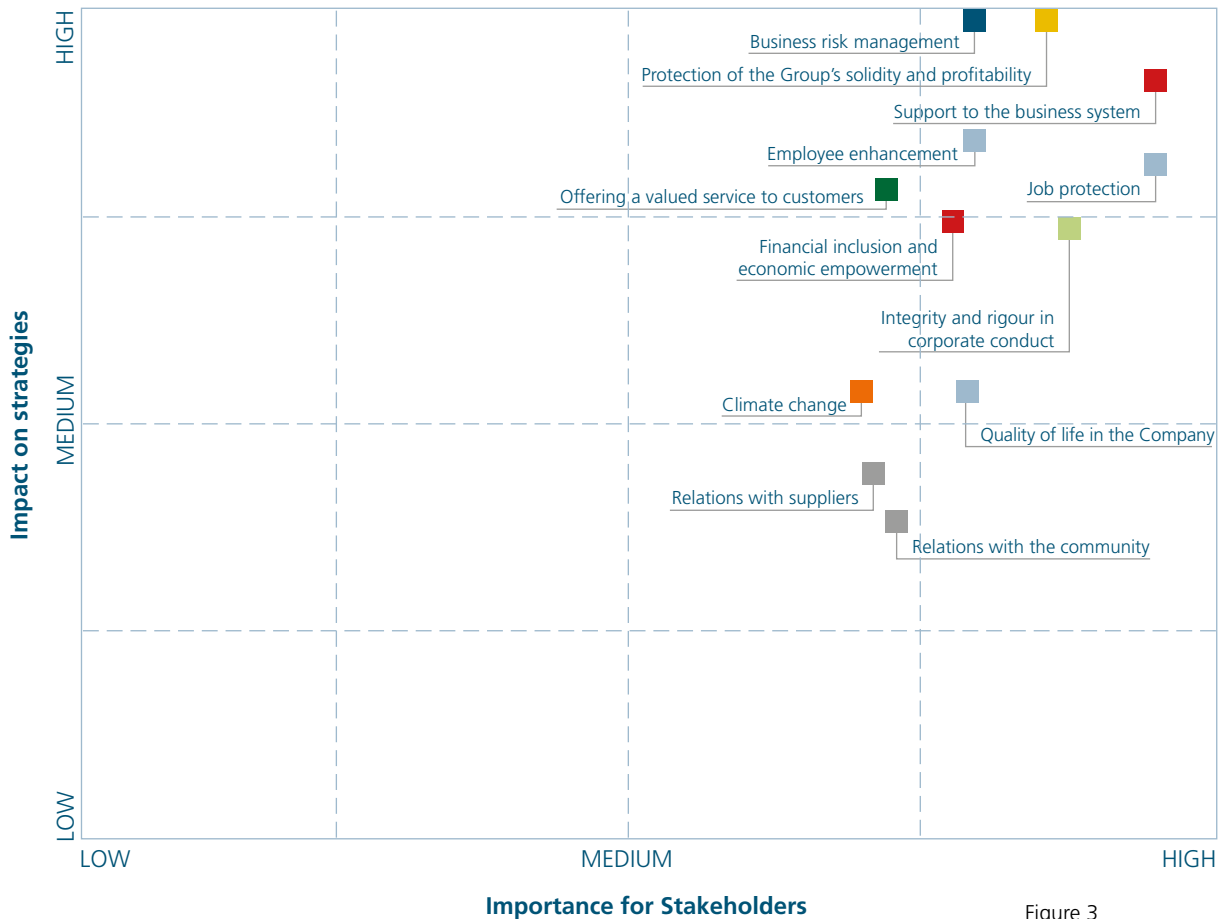


Figure 3

Among all the issues identified, those in the quadrant of high significance on both axes are recognised as priorities for 2014. Therefore, the Sustainability Report comments on the related issues in detail, their management methods, significant indicators and the status of issues compared to progress in the Business Plan and on which this document focuses. These issues are covered by the following seven macro-areas:

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

Relations with suppliers and the community do not qualify as highly significant issues for corporate strategies, but Intesa Sanpaolo recognises their high social and environmental value and they will therefore be discussed in this report. A brief summary is provided in the Sustainability Report 2014.

The main differences compared to the 2013 materiality matrix refer to issues of strong significance in the 2014-2017 Business Plan: support to the business system becomes an even more strategic success factor for the Bank and fundamental leverage for Italy's growth. Innovation, both from a Service Model viewpoint and from that of new business on which the Bank will focus its efforts, has made the issue of offering value to customers crucial.

3.3 VALIDATION OF THE MATERIALITY MATRIX

The last step is validation. To define the scope of the issues identified, all impacts – positive and negative – the issue might have on stakeholders or in the reference context of its value chain were considered. In particular, the risks and opportunities arising from the issue and its potential influence over long-term Group strategy were considered with a view to assessing the wider context of sustainability.

Application of the GRI principles of stakeholder completeness and inclusiveness enabled us to assess the impact of each material issue within and outside the Bank in order to offer stakeholders a complete overview of our performance in the Sustainability Report 2014 (see the table “Impact boundaries”).

The assessments were discussed with Delegates from the Chief Risk Officer, Chief Financial Officer and Chief Operating Officer Governance Areas, identifying the reporting structure and management disclosures associated with each issue.

Impact Boundaries

“MATERIAL” ASPECTS IDENTIFIED	Within the Bank	Outside the Bank
PROTECTION OF SOLIDITY AND PROFITABILITY	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
BUSINESS RISKS MANAGEMENT	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
INTEGRITY AND RIGOUR IN COMPANY CONDUCT	Intesa Sanpaolo Group	Shareholders, Customers, Suppliers, Environment, Community
HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT	Intesa Sanpaolo Group	Shareholders, Customers, Community
OFFERING A VALUED SERVICE TO CUSTOMERS	Business Units, Operations Department, Compliance Department, IT Department, Innovation Area, External Relations	Customers, Community
ACCESS TO CREDIT AND SAVINGS MANAGEMENT	Business Units, Risk Management Department, Credit Department, Innovation Area, Compliance Department	Shareholders, Customers, Environment, Community
CLIMATE CHANGE	Intesa Sanpaolo Group	Environment, Customers, Community

3.4 ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

The assessment of stakeholder perception with regard to material issues must be evaluated based on the organisation’s performance within the wider context of sustainability, or rather based on the organisation’s contribution to the improvement or deterioration of social, economic and environmental conditions in a local, regional or global framework.

To clarify these concepts, we created a concentric chart that shows the seven most significant issues (as per the materiality matrix), the risks and the opportunities associated with each issue and the long-term impacts, i.e. the long-term results that the Group may achieve in terms of positive impact for the country, for the environment and for society in general (see Figure 4).

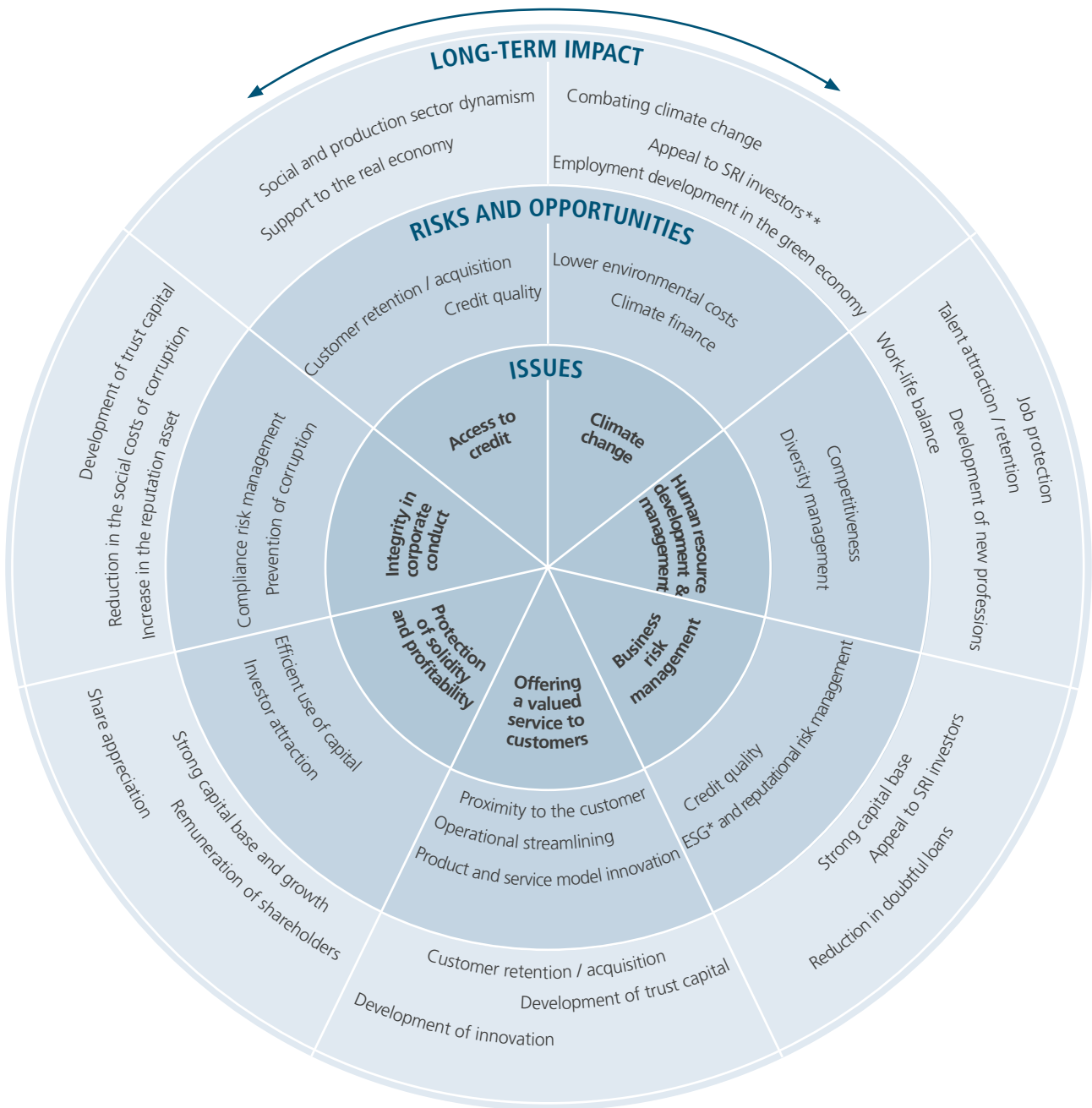


Figure 4

* ESG refers to Environmental Social and Governance Risks.

** SRI (Social Responsible Investments) investors: investors that not only assess the financial performance of businesses, but also their commitment to society and the environment.

4. Stakeholder engagement

To identify areas of interest and the expectations of stakeholders, the CSR Unit has developed a structured stakeholder engagement process that actively engages all Bank Departments that manage relations with stakeholders. Synergies have been consolidated to define areas of collaboration and identify listening and dialogue activities that can lead to interesting results for all the stakeholders. These results come from the requests and expectations of stakeholders and contribute to defining the improvement objectives for each department, in line with the strategies of the Business Plan.

Provided below are the stakeholder requests, a summary of the 2014 commitments outlined in the publication "Stakeholder Engagement and Improvement Objectives 2013" and of what was implemented and, lastly, an overview of the improvement objectives for 2015.

4.1 STAKEHOLDER MAP

The stakeholder map represents the Bank's relations: based on changes introduced in the Business Plan and with the new Service Model, the map was revised in 2014 in order to better represent the Group's new scenario (see Figure 5).



Figure 5

4.2 DEFINITION OF THE STAKEHOLDER ENGAGEMENT PROCESS

The engagement initiatives for 2014 were defined in close partnership with the Departments that institutionally manage the report, in accordance with the following process (see Figure 6):

- **Phase 1** - Analysis and assessment: analysis of engagement activities completed in the last three years and assessment of the results obtained; analysis of the Business Plan 2014-2017 to understand the key elements of future development; analysis of the level of consolidation and monitoring of the various Departments on sustainability issues.
- **Phase 2** - Planning: preliminary analysis to identify the issues covered by the engagement; planning of internal engagement activities in order to make the engagement activities to be implemented consistent with the development plans of each Department.
- **Phase 3** - Internal engagement: sharing the analyses conducted with the Departments concerned; planning and design of stakeholder engagement activities, in cooperation with the Departments and CSR delegates.
- **Phase 4** - Engagement implementation: implementation of the engagement activities planned for 2014, through the methods defined in phases 2 and 3.
- **Phase 5** - Reporting and sharing: reporting of the results emerging from the engagement activities through detailed reports; sharing of the engagement results with the Departments and Delegates; drafting of a full summary report on the engagement activities implemented and related results.



Figure 6

4.3 ENGAGEMENT INITIATIVES IMPLEMENTED

The year 2014 marked a significant change for the Group, which started a number of surveys in order to identify the needs and expectations of stakeholders also in relation to the development plans for the Business Plan. The table below summarises all of the initiatives implemented by the CSR Unit in collaboration with the other Departments or by the individual Departments: all reports on the activities indicated in the table were examined to draw up the summary of requests presented in this document.

Stakeholders	Listening method	Issues discussed
EMPLOYEES		
Branch network employees of the pilot regional areas of "Insieme per la crescita" (Together for growth) Trade unions	<ul style="list-style-type: none"> ▪ 4 Focus Groups with branch employees and 1 Focus Group with branch Managers ▪ 1 Focus Group 	<ul style="list-style-type: none"> ▪ Enhancement of employees (training, incentive policies, diversity) ▪ Quality of life in the Company (welfare, work-life balance, health and safety)
Market coordinators	<ul style="list-style-type: none"> ▪ 4 face-to-face interviews 	<ul style="list-style-type: none"> ▪ Service Model development
Employees and Senior Managers	<ul style="list-style-type: none"> ▪ Climate survey 	<ul style="list-style-type: none"> ▪ Employee satisfaction level ▪ Perception of one's role in the Bank ▪ Manager-employee relationship

Stakeholders	Listening method	Issues discussed
CUSTOMERS		
Sector associations	<ul style="list-style-type: none"> Telephone interviews to the major Italian professional associations¹ 	<ul style="list-style-type: none"> Strengthening of companies' competition Assistance to companies in accessing financing channels Support to strategic business projects Support to the green economy
Household, Personal and Senior customers	<ul style="list-style-type: none"> 2 workshops, 10 focus groups, 1500 CATI interviews 	<ul style="list-style-type: none"> Expectations and perceptions with regard to new business to be developed in the Banca Estesa branches
Household customers	<ul style="list-style-type: none"> 12 focus groups 24 ethnographic interviews 120 experiential homework assignments 	<ul style="list-style-type: none"> Needs and expectations of households in relations with the Bank Development of new products and services
New entrepreneurs	<ul style="list-style-type: none"> Desk survey and CATI survey involving 1,400 young businesses 	<ul style="list-style-type: none"> Expectations of young and/or highly technological entrepreneurs on specific banking and non-banking support services with respect to their requirements
Corporate Customers	<ul style="list-style-type: none"> 5 focus groups 2,100 CATI interviews 210 CAWI interviews 21 face-to-face interviews 	<ul style="list-style-type: none"> Support from the Bank, particularly on the issues of innovation and business internationalisation
SHAREHOLDERS		
Small shareholders' associations	<ul style="list-style-type: none"> Telephone interviews with A.D.B.I., E.d.I.V.A., Associazione Azione Intesa Sanpaolo 	<ul style="list-style-type: none"> Social and environmental issues impacting all stakeholders
SRI investors and rating agencies	<ul style="list-style-type: none"> Telephone interviews with OEKOM, Sustainalytics, Banque Postale and J. Safra Sarasin 	<ul style="list-style-type: none"> Analysis methods of rating companies and SRI investors Strengths and areas of improvement for the Intesa Sanpaolo Group
SUPPLIERS		
Suppliers	<ul style="list-style-type: none"> Online questionnaire to a sample of 300 suppliers 	<ul style="list-style-type: none"> Quality of relations with suppliers Development of sustainability elements in the supply chain
COMMUNITY AND ENVIRONMENT		
Civil society associations	<ul style="list-style-type: none"> Interview with Banktrack Fondazione Housing Sociale interview Caritas interview 	<ul style="list-style-type: none"> Social and environmental risks in financing decisions Ideas for improvement for the Intesa Sanpaolo Group Social housing demand Areas for development and possible role of the Bank in meeting the demand for social housing Social exclusion and needs of people in difficult situations Areas for development and possible role of the Bank in supporting people in difficult situations
MULTI-STAKEHOLDERS		
	<ul style="list-style-type: none"> 1,023 online CAWI interviews of a sample of the Italian population Focus Groups with Corporate Customers, Third Sector and Start-ups 	<ul style="list-style-type: none"> Priority areas of intervention for the banking sector Definition of the value created by Banks

1. Confindustria, RetImpresa Confindustria, Ance, Federturismo, Confcommercio, Confagricoltura.

Other sources analysed in order to identify stakeholder requests include press reviews on the key issues of sustainability for the Group and complaints with regard to principles of the Code of Ethics.

4.4 TECHNICAL QUALITY OF INITIATIVES IMPLEMENTED

The technical quality of the engagement initiatives implemented is measured through a series of parameters:

- **Interactivity of the initiative:** it measures the level of active involvement of participants, which varies significantly also based on the involvement method used (for example, focus groups are by definition more interactive than on online questionnaire).
- **Cyclic nature of the initiative:** it represents the frequency with which a type of initiative is repeated at each reporting cycle (customer satisfaction is a consolidated activity repeated at defined intervals; conversely, some interviews are only conducted once).
- **Representativeness of the sample:** it is necessary to evaluate to what extent the individuals involved truly represent the interests of the Group's key stakeholders.
- **Materiality of issues covered:** this parameter is defined based on requests collected from stakeholders and is assessed after the initiative: the level of perceived materiality of the issues covered during the engagement is a very significant parameter to evaluate the overall quality of initiatives.

The initiatives index is calculated as a weighted average of the four parameters, where the cyclic nature and the materiality of topics covered have a greater weight than interactivity and representativeness of the sample.

As illustrated in the table, the engagement initiatives implemented during 2014 are all of medium-high quality: on a scale of 1 to 5, they all obtained a score of over 3 and therefore satisfactory.

Initiative	Interactivity	Cyclic nature	Representativeness of the sample	Materiality of topics covered	Initiative quality index
Focus groups with employees and Trade Unions	5	5	4	5	4.8
Climate surveys of Senior Managers and employees	2	5	5	5	4.4
Interviews with Trade associations	5	2	5	5	4.1
Surveys of household, retail and senior customers	4	3	4	4	3.7
Surveys of corporate customers	4	3	4	4	3.7
Interviews with Shareholders' associations and SRI investors	5	4	5	5	4.7
Questionnaire to a sample of suppliers	2	3	4	5	3.6
Interviews with civil society associations	5	3	4	3	3.6
Multi-stakeholder survey	3	2	4	4	3.2

5. Results of the engagement and improvement objectives

The main ideas, organised by issue, that emerged from the listening and dialogue initiatives with Group stakeholders are described below.

5.1 REFERENCE CONTEXT AND BUSINESS PLAN

WHAT OUR STAKEHOLDERS SAID

As part of the research project “Creation of shared value - Quantification of the social and environmental impact of banking activities”, carried out by the Italian Banking Association (ABI) in collaboration with participating Banks, a representative sample of Italians was interviewed in order to identify the priority areas of intervention for a Bank according to the perception of those interviewed (see Chart 1).

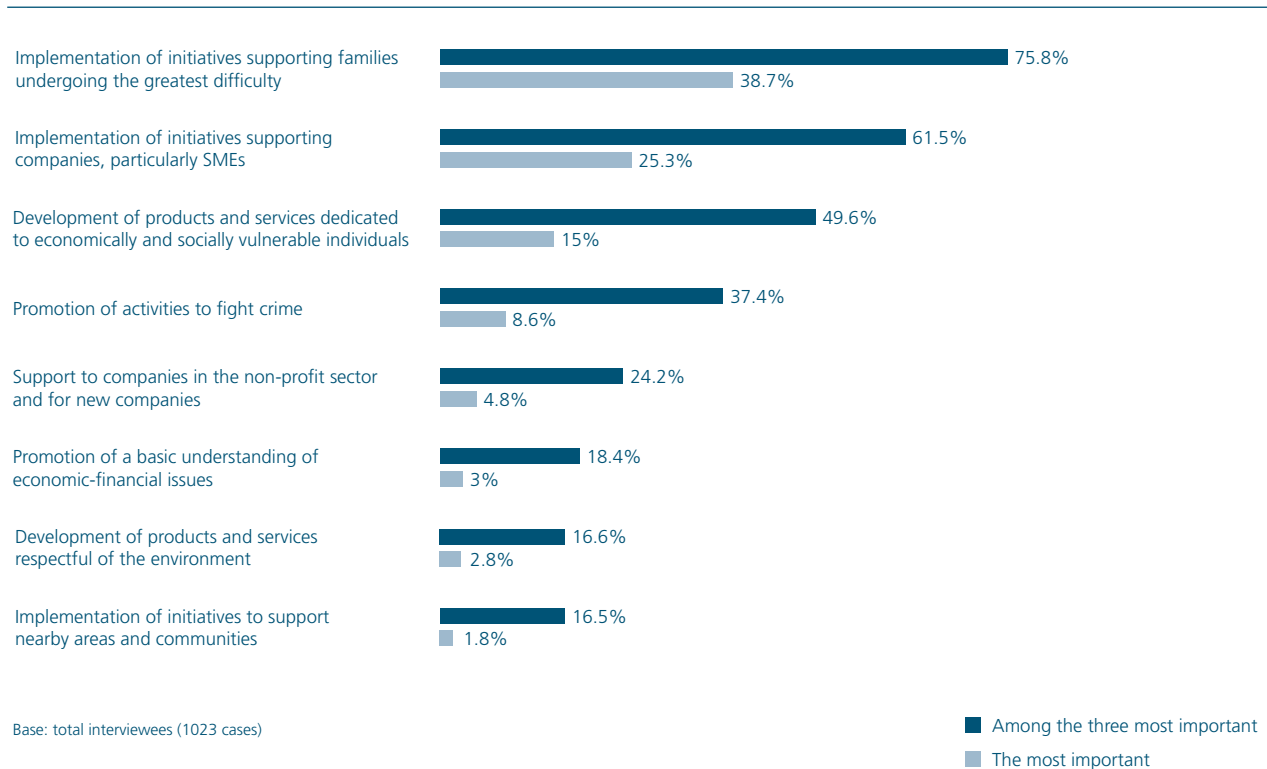


Chart 1

Given the current socio-economic scenario, Italians perceive the fundamental priority of banks to be the creation **of initiatives to support families undergoing difficulty**. The second priority is the implementation of initiatives to support SMEs, confirming expectations of the vast social role of the Banks, touching two key areas for Italians: households and the business system. As further confirmation of these strong social expectations, the third priority of intervention is **the support to economically and socially vulnerable individuals**.

In this scenario, the Business Plan has defined objectives that are in line with the expectations of Italians and identified among the intervention priorities those areas deemed to be most urgent from listening to stakeholders.

Both sustainability analysts and small shareholders' associations underlined the Group's commitment in **protecting employment during the restructuring phases**, despite the objective difficulties of the context. We therefore deduce satisfaction with the Business Plan, which presents the clear intention of protecting employees and reassigning resources in other areas after completion of a training programme; management of human capital is therefore an element evaluated positively in relation to the changes underway.

Achievement of the corporate objectives of the Business Plan will lead to significant changes in the professional life of all Group employees. The climate survey **examined the perception of employees with regard to the imagined scenarios for their jobs under the Business Plan**. We saw that 32% of employees expect a transformation, in terms of organisation of work as well as methods of working with colleagues, and 27% expect to receive new stimuli in terms of professional opportunities as well as new professions. In 18% of cases, employees fear impacts on turnover, while 15% of individuals believe that working by business segment will enable Banca dei Territori Division to better meet customer requirements.

The focus groups with branch network personnel highlighted that employees, particularly those holding the positions of Branch Manager and Market Coordinator, are aware that **a change in the way the Bank operates has become necessary** and that responses to the current trends must be prepared in advance in order to remain competitive on the market (also through the offer of new non-banking services). Once again, the Bank's efforts to **protect jobs and create new professions** are highly appreciated, although the hiring of young people should also be encouraged. The most important challenges for the future are connected to the increase in cooperation between branches of different segments and to the capacity to assist customers in change, enhancing the benefits and advantages of the new Model through greater specialisation and knowledge of customer requirements and a multi-channel platform that is truly integrated.

5.2 PROTECTION OF SOLIDITY AND PROFITABILITY

WHAT OUR STAKEHOLDERS SAID

Among those interviewed, the issue of protection of solidity and profitability was mentioned many times as being at the basis of operations. In particular, **there is a strong awareness, for example among the Group's market coordinators, SRI investors and small shareholders' associations, that the Group is solid and able to face the challenges of the future**. Employees expressed satisfaction with regard to the Business Plan, given its clear intention to protect employment and reassign people following organisational changes, after completing a training process.

WHAT WE HAD SAID AND WHAT WE DID: THE 2014-2017 BUSINESS PLAN

These are some of the objectives of the Business Plan and the relative progress status in 2014:

Commitments made	2014 results	2017 objectives	Notes
Net income in 2017 (Bn)	1.25*	4.5 in 2017	The results were extremely positive in 2014
Growth in revenues	+4% vs. 2013	+4% (2013-2017 average)	The results were extremely positive in 2014
around 4,500 people involved in professional reassignment and requalification initiatives to support the development of the new business initiatives under the Plan	2.600	4.500**	Around 60% of the excess resources were involved in priority initiatives during the first year of the Plan

* Net result including 443 million euro of non-recurring items for the increase in the taxation on the benefit deriving from the stake in the Bank of Italy.

** Cumulative value 2014-2017.

OUR OBJECTIVES

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

5.3 BUSINESS RISK MANAGEMENT

WHAT OUR STAKEHOLDERS SAID

The stakeholders interviewed confirmed the **importance of including social and environmental criteria in assessing creditworthiness**. OEKOM and Sustainalytics (sustainability analysis company) view the Group's participation in the Equator Principles in a positive light, while BankTrack (international NGO network that monitors investments of private sector banks and their impact on people and on the environment) calls for the application of increasingly strict principles in the selection of loans. Investors would like the **Bank to define financing policies that outline the critical elements to be considered in the financing decisions for certain sectors considered to be of high social and environmental impact** (such as the nuclear sector, coal, oil & gas, etc.). In particular, Sustainalytics notes that the policy on the Bank's involvement in the arms sector could be strengthened under a number of aspects. Sustainalytics and OEKOM believe that one project with high social and environmental risk in which the Group is involved is PNG LNG in Papua New Guinea, where the construction of a gas pipeline violated the rights of local population, exposing the Bank to a high reputational risk as well.

WHAT WE HAD SAID AND WHAT WE DID IN 2014

Management of social and environmental risks in loans

Among the improvement objectives declared in 2014, the Group is committed to implementing **stricter assessment criteria and more effective operating methods in the management of environmental risks connected to the granting of loans**, through preparation of a questionnaire that improves customer knowledge with regard to environmental issues and measures the possible risks. In 2014, a working table was promoted, with the participation of all bank departments involved, preparing an analytical questionnaire with the objective of assessing the potential environmental risks connected to the activities of our customers. A pilot project to test its validity on a sample of significant companies is currently in progress. In 2014, the new internal Guidelines for implementation of the Equator Principles were also issued, with the new version expanding the scope of application from only project finance to project-related corporate loans.

Management of health and safety risks

Monitoring of over 1,000 organisational units was constant, with in-depth site inspections allowing the **"Risk Assessment Document"** to be kept up to date and available to all employees. The management process for risks at Group offices has been finalised, achieving a reduction in greater risk factors of more than 78% compared to 2013. Furthermore, the preliminary assessment of the work-related stress risk was updated, taking into consideration new homogeneous groups based on analysis of branches operating with extended working hours. Analysis of indicators shows no significant presence of work-related stress.

Intesa Sanpaolo has continued to be actively committed to protecting employees and customers by taking action to prevent **branch robberies** and to manage its staff in emergency situations, through: training, enhancement of safety technology measures and consolidation of security services. Significant results were achieved in 2014 with regard to the reduction in number of robberies committed and, above all, to more effective protection of individuals at branches: since 2007, year in which 451 robberies of Group branches were recorded, the number decreased extraordinarily to 60 in 2014 (-43% compared to 2013).

Performance indicators and objectives achieved

Indicators	2014 progress status
Total value of loans granted for projects subject to the Equator Principles screening and relative percentage of total project financing	830 million euro (7.7%)
N. of projects under the Equator Principles screening	19
Number of specialists trained on the Equator Principles and hours of training provided	30 specialists 450 training hours
Extension of the scope of application of the Equator Principles to project-related corporate loans	<ul style="list-style-type: none"> ▪ Guidelines issued on the implementation of Equator Principles according to the new scope
Investments for the Safety Management System and number of accidents	<ul style="list-style-type: none"> ▪ Accidents 775 (812 in 2013 in Italy) ▪ Investments in Health and Safety training for 689,000 euro

OUR OBJECTIVES FOR 2015

Analysis of product sectors

Intesa Sanpaolo will also launch a process to develop an analysis of the product sectors into which the Bank's loans portfolio is divided, to assign an environmental risk rating – low, medium or high – according to their potential negative impact on the environment. This rating will allow an initial assessment of businesses in each sector and implementation of a suitable risk analysis process. A working table will also be activated, to which Risk Management will be called upon to collaborate with the other departments involved in order to prepare the relevant sector policies.

Rating models (also see the chapter Support to the Business System)

Implementation of a project with Confindustria Piccola Industria for the enhancement, within rating models, of qualitative information such as success factors for SMEs (sector, certifications, patents, brands, etc.), their competitive positioning (performance, trend in sales, etc.), aspects connected to the presence of risks, investment policies adopted and forecasts, and membership in networks and supply chains.

Management of health and safety risks

The Prevention and Protection Department will collaborate with the Real Estate Department and other Group departments in **planning the new layout of the branch, to ensure compliance with workplace health and safety regulations** and avoid introducing new risks for employees. Moreover, **with regard to the reception desk in the branches, a plan will be implemented in 2015 to replace all desks still lacking the latest ergonomic improvements.**

The programme to support branches that **have undergone a robbery or theft attempt** will continue: in particular, a detailed analysis will be introduced not only on the branches that have experienced crimes, but also on the individuals impacted by these events, in order to **plan support measures dedicated to colleagues robbed more than once.**

5.4 INTEGRITY AND RIGOUR IN COMPANY CONDUCT

WHAT OUR STAKEHOLDERS SAID

The aforementioned ABI survey highlighted that the priority of Banks, after support to households and businesses, should be the promotion of activities to combat crime. The collaboration of Banks in fighting tax evasion by customers is also important, in accordance with the regulations on tax havens. The involvement of employees highlighted the demand for classroom training and not only distance courses for significant issues such as anti-money laundering.

WHAT WE HAD SAID AND WHAT WE DID IN 2014

With regard to issues connected to anti-corruption, the relative monitoring has been further enhanced, aligning company regulations with the control and conduct principles envisaged by the 231 Model, now even stricter as a result of the provisions of Italian Law (Law 190/2012).

The Group has worked to strengthen its commitment to fight against activities in tax havens, particularly with regard to defining a structured programme for the systematic identification of said legal systems (first and foremost, under the tax and anti-money laundering standpoint), outlining a set of guidelines to be adopted by the Group. In 2014, initiatives aimed at strengthening the commitment to combat assets in tax havens were implemented, envisaging the introduction of specific supervisory measures upon entry of the Group into new markets, with assessment of the money laundering and tax risks connected to operations in legal systems with little transparency and/or through particularly complex corporate structures with limited transparency in terms of ownership structures. Moreover, new rules for the management and monitoring of tax risks connected to customer transactions were also defined.

Performance indicators and objectives achieved:

Indicators	2014 progress status
Specialist training to prevent corruption and money laundering	<ul style="list-style-type: none"> ▪ 53,504 employees trained (Italy 43,495; other countries 10,009) ▪ % of employees trained (Italy 67.2; other countries 41.4)

OUR OBJECTIVES FOR 2015

In December 2014, the new crime of “self-laundering” was introduced into Italian law. Therefore, the necessity to adapt the 231/01 Model will be assessed in 2015, identifying any processes “at risk” and envisaging, if applicable, specific control and conduct principles valid for all employees.

On the tax issue, we have set the following objectives:

- to strengthen our commitment to contrasting activities in tax havens;
- to establish new rules for the management and monitoring of tax risks connected to customer transactions.

5.5 HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT

WHAT OUR STAKEHOLDERS SAID

The climate survey indicates that **67% of employees in Italy (and 80% of senior managers) are satisfied with working at Intesa Sanpaolo**, with a significant increase - with regard to non-managers - compared to prior years. The relationship with colleagues is the area of greatest satisfaction and, particularly in response to the question of how much spirit of collaboration there was in the various areas, the responses highlighted a growing level of satisfaction within Intesa Sanpaolo overall and within the individual working groups.

During the focus groups, it emerged that development of the service model is perceived as necessary in order to maintain competitiveness in the future: this model will allow market coordinators to maintain the same leading role in achieving results, with more available time and better quality relationships, as fewer branches will be followed. In this context, **the challenges perceived as the most important are linked to the need to increase cooperation with the branches of different segments and the need to support customers in changes, enhancing the benefits and advantages of the new Model.**

The issue identified as most significant in all of the surveys conducted is merit, as regards professional development paths as well as the assessment and incentive systems, which are expected to be merit-based and transparent. The most critical aspects, identified in the survey of Senior Managers as well as Network personnel, are connected to the requirement of clarity and transparency in terms of objectives assigned and incentives based on the greater required commitment (working hours, commercial motivation, etc.).

As far as incentives are concerned, network colleagues recommend that the assessment system take into consideration the sale of certain products and, above all, **the expected behaviour in relations with customers** (including the indispensable ones of the “Insieme per la Crescita” programme). The possibility of devising **total reward systems** that envisage different forms of incentives, among which satisfaction of employee interests in terms of cultural events, sports, etc., was also evaluated positively. Lastly, the SRI rating companies believe that, in order to be recognised as a bank at the top of the sustainability rankings, **Intesa Sanpaolo should integrate the ESG (Environmental Social and Governance) criteria in the assessments of performance of top management.**

With regard to the **free allocation of Intesa Sanpaolo shares** to employees, with the option for them to participate in investment plans (LECOIP: Leveraged Employee Co-Investment Plan), employees demonstrated appreciation, although the information provided on the structure of the Investment Plan was not entirely clear. Banque Postale values the initiative and underlines the importance of aligning the interests of employees and those of shareholders. The Azione Intesa Sanpaolo Association positively assesses the increased involvement of employees in the Group’s ownership structure, as well as the offer of an investment protected from any stock losses, although the Lecoip does not allow employees to exercise their share rights, making it a low-cost investment tool (which partly replaces other types of incentives) rather than a tool involving employees.

In terms of **career paths**, the trends have changed significantly compared to past years, where promotions were automatic but did not reflect actual merit: the new Service Model opens up new opportunities according to merit-based criteria. ON AIR - the platform for professional management and development - is a project that has received substantial appreciation although no significant developments have been recorded as at the measurement date (October 2014).

“**Diversity Management**” is not yet an evocative phrase for participants of the focus groups and the perception on this issue differs based on the various factors (different gender, age, etc.). According to the majority of participants, there has been an inversion in trend: the Bank is proving to be increasingly sensitive to the issue and the **initial results in this respect are emerging (women holding management positions and enhancement of women’s skills to equate those of men)**. The Bank is perceived to have always demonstrated its acceptance

of disabled individuals, as emerging from the layout of the branch. According to some, the attitude of colleagues and the propensity of individuals are fundamental in creating a truly inclusive environment. As far as the issue of age diversity is concerned, **the employees request that the Bank evaluates more consistently the roles for seniors**, who are sometimes assigned activities that do not enhance their experience or given roles that they are not able to hold properly, such as that of teller. A critical factor identified is the remuneration difference among seniors, with seniority-based increases that do not always correspond to roles with greater responsibility. In this respect, OEKOM has observed that responsibilities are not defined clearly and that **there are no improvement objectives as regards the diversity inclusion**.

The Group's commitment on training is perceived in a positive light. The only critical aspect remains that of online training for employees who work directly with customers and have less time available to attend online courses. In terms of **coaching, support and sharing of activities at branches**, the "Insieme per la crescita" project has created new training opportunities. In particular, from the point of view of Branch Managers, the project enabled the structuring of engagement events that were deemed to be of significant assistance in carrying out the branch activities.

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Job protection

The Business Plan identified development and motivation of the Group's people as a fundamental driver for achieving its strategic objectives. With a view to protecting jobs, **requalification of the excess production capacity** has been envisaged for 2017, involving approximately 4,500 individuals who can be moved to new initiatives that generate value. With this in mind, the "Banca 5" growth initiative was launched, which involved the creation of a commercial chain dedicated to the development of around 5 million customers, expected to employ around 3,000 people from other departments. In 2014, some 2,600 people were already reabsorbed into priority initiatives.

Employees' enhancement

- In terms of assessment systems, in 2014 we had set the objective of developing the "Performer" assessment system, based on principles of tangibility, consistency and innovation. Its evolution, Performer 2.0, developed in 2014 and presented to the trade unions, is based on assessment indicators and a matrix of correlation between performance (final summary judgment) and leadership styles dedicated to the managers, with the aim of helping them in their managerial activities.
- The "On Air" platform for the professional management and development of the Group has been extended to all employees in the Parent Company Head Office Departments and Banca dei Territori Division. In 2014, in response to evolution of the context and the appearance of new roles, and thanks to the mapping of the expertise, skills, motivation and attitudes voluntarily made available by people in On Air, a new process, "**Direct Job Offering**", was launched, which made it possible to carry out targeted job search campaigns based on the profiles of open positions and the expertise required in the company. According to a "corporate job market" logic, it was possible to create cross-department growth opportunities for interested and motivated employees. In 2014, the OnAir assessment activities involved over 2,400 people, with the launch of 574 development plans.
- The aim of the "Feedback 180" project launched in the Banca dei Territori Division is to **strengthen manager leadership styles** to make them more consistent and effective with regard to the business challenges. The strategies for managing and motivating employees were redefined, focusing on greater flexibility, innovation and engagement and support for the growth of all members of the team.
- **Professional acceleration paths** were designed, aimed at enhancing and developing the technical skills within the company and simultaneously supporting internal mobility in response to the changing requirements of the market and of the organisation (e.g., accelerated recruitment for Risk Management and Control positions).

Incentive and remuneration system

- The free **allocation of Intesa Sanpaolo shares to employees who also have the option of participating in investment plans** (LECOIP: Leveraged Employee Co-Investment Plan) was carried out. At the end of the Plan, employees obtain a higher capital sum than the original investment, even if the stock drops in value, and have the chance to earn even more if the stock increases in value. By allocating shares, the Bank rewards its employees in advance for their greater level of commitment to meeting the goals of the Business Plan.
- The new **incentive system of the Banca dei Territori Division** was implemented in 2014. Seven criteria shape the incentive plan: profitability, credit quality, acquisition of new customers, sustainable growth in volumes, service quality, co-responsibility among local areas, integrated multi-channel approach.

Diversity management

- Signing of the **Framework agreement on inclusion and equal opportunities** with the Trade Unions, aimed not only at eliminating discrimination but also at promoting measures to enhance diversity. In this context, the “Sexual orientation and identity diversity regulations” were issued, through which Intesa Sanpaolo agrees, through the relevant Departments, to adopt human resource management methods that are increasingly based on fair conduct, ensuring equal opportunities throughout all phases of professional life and in the non-work related initiatives and services provided by the Bank, and defining operating procedures to extend to same-sex unions the benefits envisaged by company regulations, such as extraordinary paid leave for marriage abroad by cohabitating partners.
- The activities of the interdepartmental workgroup to identify good practices and innovative solutions for the inclusion of employees continued. The work of this group led to the collaboration with Fondazione LIA (Libri Italiani Accessibili - Accessible Italian Books), to expand accessibility to company documents by the visually impaired and the blind. The initial documents made accessible are the Code of Ethics and the Sustainability Report.

Training

- In 2014, the Bank continued to invest in custom training initiatives dedicated to enhancing the skills of all Group employees, providing constant support for the evolution of the roles in the various professional areas and to improving the ability of our people to adapt to continuous changes and to the new service requirements.
- The approach to ongoing training (before, during and after classroom courses) was consolidated with application of the LED protocol as the standard for planning all new courses included in the permanent and ad hoc training catalogue (credit, behavioural-managerial, finance and commercial development).
- Alongside classroom training, integration among the various didactic methods involved ongoing monitoring of the management and development of **social learning platforms** supporting the various “learning” communities – managerial and professional.
- Numerous projects in 2014 accompanied business development and innovation in the Group Divisions and Companies, encouraging a sharing of visions and the exchange of internal skills. These include: The training and change management programme “**Insieme per la crescita**” for the spread of excellent service practices in the Banca dei Territori Division which can improve both customer satisfaction and the satisfaction of the employees directly involved.

Performance indicators and objectives achieved

Indicator	2014 progress status	2017 objectives
Personnel expenses	5.1 billion	Approx. 21 billion euro
Human resources reabsorbed in the professional reallocation	2,600, of which 120 already involved in training activities	4,500
Technical and management training for professional development	1,169,569 training days	5 million training days
Employee share ownership contributing to the share capital increase	n. employees subscribed: 50,298 % subscribed: 79% Value: 150,112,726	
Development: career advancement paths for employees to be assigned to coordination duties:	OnAir: 2,466 assessments. 574 individual development plans then activated on the Consequence Management Platform	Enhancement of talent potential and adoption of systems that reward professionalism and leadership
<ul style="list-style-type: none"> ▪ OnAir: n. assessments and development plans activated ▪ Feedback 180: n. employees involved 	Direct Job Offering: 1760 contacts for 170 positions Master Class: 40 Risk Management Department employees involved Feedback 180: 37 managers involved	

OUR OBJECTIVES FOR 2015

Job protection

- The activities envisaged for requalification of the excess production capacity will continue, involving approximately 4,500 people between 2014 and 2017 who will be moved to new initiatives that generate value.
- The objective of employing some 3,000 people dedicated to Banca 5 customers (see previous point) is confirmed for 2015 as well.

Employees' enhancement

- Implementation of Performer 2.0 as an evolution of the previous performance appraisal system, more oriented towards objective criteria for measurement and assessment of individual performance.
- Gradual extension of the employee enhancement principles and processes characterising the OnAir management and development platform. For Banca dei Territori, reopening of the professional development platform for the Division and for the product companies included within the relative scope.
- Implementation of performance appraisal systems in the Banca dei Territori Division which, in line with development of the service model, promote the achievement of profit and growth objectives, sustainability of results, and implementation of conduct consistent with the commercial method and with the integrated multi-channel and synergy objectives for the local areas.
- Initiatives to support and develop the leadership of managers will continue.
- The Corporate & IB Division will continue its personnel enhancement and motivation initiatives to ensure an excellent customer service. Other initiatives include "Compass", involving professional assessment with distinctive performance.
- The Banca dei Territori Division will continue with the "Insieme per la crescita" initiatives, a change management and employee motivation programme.
- Introduction for the Banca dei Territori Division of a 180-degree assessment system dedicated to the first 4 managers of the Division, 7 Regional Managers, and 28 Area Heads, with progressive expansion to the remaining management personnel.

Diversity management

- During 2015 a new project "Leader development school" will be launched, envisaging for colleagues – without gender or age etc. limits – who have passed the phase of assessment by their heads of department as well as self-assessment, access to a course of accelerated growth that will lead them to take on responsible roles.
- Recruiting systems will continue through the social network channels in order to optimise the search and identify the best candidates from among young talents.
- The Corporate & IB Division will continue the activities of the "Imagine" project for the development of the youth in the Division.
- The interdepartmental workgroups are expected to continue their activities in identifying, with a 360-degree vision, the projects and services that include disabled employees. In particular, during the year, any specific requirements of disabled personnel at Group offices will be assessed in detail through targeted intervention and dedicated tools, analysing both the workplaces and processes as well as involving the employees themselves in the activity, along with the Heads of the Business Units.

Training

- Enhancement of didactic tools and models based on the expected roles and skills for specific communities and professional roles, also with a view to qualification for new jobs.
- Consolidation of the ongoing training approach (before, during and after the classroom courses) and continuous strengthening of the integration among the various didactic models.
- Assistance in the change of organisational models connected to business growth, by sharing the internal skills already present, organising targeted training initiatives and experimenting innovative ways of collaborating and sharing expertise.
- Training of and provision of information to all employees, in accordance with the regulations on employee health and safety and for widespread disclosure of the relative culture, as well as for implementation of the health and safety management system at each level of the organisation, also in relation to the available company tools and processes. In addition to the ongoing initiatives already underway, new training and information programmes will be implemented, dedicated to specific topics or positions, such as branch network heads, building managers, workers and managers for whom training updates are required every five years, as well as all colleagues working on a "flexible" basis.

5.6 THE QUALITY OF LIFE IN THE COMPANY

WHAT OUR STAKEHOLDERS SAID

The **Banca Estesa project** was perceived by employees participating in the focus groups as an important change and viewed in a positive light, despite the fact that the **new hours have made it necessary for employees to reorganise their personal lives**: the most common perception in this regard is a greater complexity regarding work life balance, while in other cases, people appreciate the fact of having time to focus on their interests, such as when they have a free morning. Another critical point of branches with extended hours is the **organisation of shifts** in cases where the number of part-time employees is high and, therefore, management of work across several shifts is not applicable to all personnel. Another key issue is the distance between home and place of work which, according to employees, should be increasingly taken into consideration in organising the shifts within the branch.

The corporate welfare system is perceived by employees as one of the Intesa Sanpaolo's strengths, an issue to which the company pays particular attention. The Health Fund is highly appreciated, although it would be desirable to align the limits of liability in the health policy. In terms of initiatives and special agreements, the local coverage is not uniform and tends to favour larger cities which have a higher number of partner healthcare facilities. Employees therefore request an **expansion of the agreements across the local areas**, also to areas not purely health-related (such as crèches, assistance for elderly parents, summer camps for children, etc.). The most significant aspect is support in caring for children and elderly parents through special conditions with crèches or rest homes or registries of qualified personnel at special rates. The issue of support in handling administrative paperwork is also considered a high value added service by employees.

There are high expectations with regard to ALI (Associazione Lavoratori Intesa Sanpaolo), and the importance of enhancing the Association's presence across all regions in which the Group operates is highlighted. According to A.D.B.I., as regards the issue of welfare, the Group has given greater importance to leisure and recreational organisations rather than to the Health Fund, which should be improved and more focused on the principles of solidarity, particularly with regard to former employees.

In terms of health and safety, the **highest positive change was perceived with regard to anti-robbery security**, particularly thanks to the technologies used (e.g., cash-in, cash-out). However, some employees remarked that the recent changes to the tills, which no longer have a dividing barrier between operators and customers, reduce the security of the role. With regard to the new workstations, there are cases where a computer not directly in front of the employee is bad for posture and it would be advisable to involve branch personnel in defining the layout, in order to create more ergonomic workstations. **The most critical aspect is cleaning of the branches, which is often insufficient.**

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Corporate welfare

In 2014 the Labour/Management Relations Protocol was renewed, envisaging the establishment of a mixed company-trade union entity, the **Welfare, Safety and Sustainable Development Committee**, with the objective of drawing up solutions to reconcile the requirements connected to families, welfare, assistance and a better time balance.

As part of the integrated company welfare system, the ALI (**Associazione Lavoratori Intesa Sanpaolo**) - new cultural, recreational and sports association for Intesa Sanpaolo Group employees established through a trade union agreement on 7 February 2013 - has been operative since January 2014. The Group's only association, bringing together the pre-existing ones, has optimised the operating synergies and expanded its operations to the offering of socially useful services for individuals. In 2014, more than 100,000 members were registered, of which 61,604 ordinary members (in service and retired) and 17,998 households, with over 600 initiatives promoted at the national and regional level and 100% territorial coverage of the offerings promoted.

Health

The Intesa Sanpaolo Group Health Fund allocated 2 million euro in 2014 for an initiative to protect against cardiovascular risk, intended for members and their families who are beneficiaries of the Fund's benefits. The initiative will be implemented in 2015. The benefits paid in 2014 are estimated to amount to 135 million euro, a figure to be verified in the financial statements.

Time

At year end, as part of the trade union discussions, the foundations were laid for the beginning of an experimentation period on **Flexible Work** within the Group. It is a new working method that differs from telecommuting, where the

work is performed in a place other than that in which it is assigned and which, taking advantage of the potential aspects offered by IT technology and work organisation developments, combines the company's productivity needs with personal/family needs, for a better life balance. This project is based on the relationship of trust and collaboration between employee and manager, which is an essential component. Alongside this flexible work experimentation, Intesa Sanpaolo participated in the "Giornata del Lavoro Agile" (Flexible Work Day) initiative by the Municipality of Milan. Approximately 70 employees participated (with a potential pool of about 700 employees in the 2015 edition).

Mobility

The commitment for implementation of the **Home-work commuting plans** continued, with a number of measures implemented for organisational and management improvement with regard to mobility of company personnel: agreements for the instalment-based payment of public transport travel passes, launch of the Car2go agreement, and continuation of the Business Travel project are just a few key examples.

OUR OBJECTIVES FOR 2015

- Enhancement of corporate welfare with a view to integrating the various components.
- Consolidation of the activities of the new cultural, recreational and sports association for Intesa Sanpaolo Group employees (ALI), implementing the range of services offered at the national and regional level across all areas of interest in the field of services for individuals (special conditions for crèches-senior services), tourism, culture and sports, offering real support for the purchasing power of families through agreements, acquisition of shopping vouchers and activation of purchasing groups for items at discounted prices.

Health and Welfare

As part of the Group Health Fund, the implementation of prevention/early diagnostic initiatives is envisaged for 2015, aimed at specific diseases, specifically cardiovascular ones, and at specific categories of members. Alongside the diagnostic initiative, the Health Fund will promote a communications campaign on proper lifestyles, aimed at improving knowledge by members and their families of the most effective conduct to preserve/improve cardiovascular health.

The project to combine and rationalise the Pension Funds of the Intesa Group will begin in 2015, starting from the defined contribution plans.

Time

Innovative solutions able to meet flexibility requirements in the workplace (e.g., part-time and flexible work) will be identified.

Mobility

Commitment towards mobility issues as declared in the Home-Work Commuting Plans will continue.

Work-life balance

The PERmano project (initiative to assist employees who have been absent from the Bank for a long period of time) will continue, envisaging the creation of a distance training programme lasting 6 months from the return to work, with a focus on reception, contact, balance, resilience and empowerment.

5.7 OFFERING A VALUED SERVICE TO CUSTOMERS

WHAT OUR STAKEHOLDERS SAID

In a survey conducted by Intesa Sanpaolo on the needs of companies in order to understand customers' expectations with regard to the Bank's services, **the path undertaken with the new service model was observed to be a winning move**. In fact, companies would like to be assisted based on the complexity of their requirements. In such a scenario, the role of the manager as single, qualified and reliable contact is fundamental, acting as a hub between the requirements of the company and the solutions offered by the Bank. Alongside this manager, the activities of a team of high-level specialists are fundamental, providing their expertise based on the complexity of the company's needs. However, colleagues participating in the focus groups fear that specialisation of the branches by customer type may create dysfunctions, losing the opportunity to provide an integrated service to customers (such as the case of a personal customer and corporate customer being represented by the same party). According to market coordinators, the new service model will allow them to maintain the same leading role in the achievement of results, but with greater focus, thanks to a more targeted scope of customers to be followed. The new service model and Network specialisation will make it fundamental to increase the opportunities for involvement and sharing, in order

to **create synergies among branches** that may create a real advantage for customers.

A quali-quantitative survey on **Banca Estesa** and the new opening hours of some of the Group's branches indicates good awareness and a positive perception of the initiative by customers: the Bank meets the needs of working individuals and greater flexibility and availability by branch personnel is perceived. The service is considered to have improved because personnel have more time at their disposal. While the extension of branch hours is a positive step for everyone in terms of innovation, **better communication with regard to the services offered and the relative times during which they are available** is requested. Organisation of employee shifts is also expected to improve, in order to avoid lines and waits during the lunch hour and in the evenings.

The same survey also assessed the perceptions of customers with regard to the **proposal of new services** (real estate, travel agency, ticketing, etc.), which was positive: the opening to new business – as well as to the extension of hours – is part of the positive impact of the bank's innovation and modernity, and of greater proximity and attention to customers. The aspects with the greatest approval are the concentration on "a single point of reference" for important and "high-level" services (finance, home purchase, insurance, public services) and the perception of "selective exclusivity" of proposals (because they are services dedicated solely to Intesa Sanpaolo customers).

During the focus groups with employees working in contact with customers, elements in the customer world were examined as well. The multi-channel system is perceived as a positive development, consistent with the current possibilities offered by technology. However, the targets must be differentiated: while young people view the multi-channel system as a way to shorten distances, simplify transactions and even save, some of the "older" customers show reluctance/difficulty in dealing with the new instruments. Although the company is pressing for the use of said instruments, the pressure must be measured in order to avoid losing this type of customers.

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Listening and dialogue initiatives

New methods of inquiry into products and services were also developed in 2014, involving customers directly and taking advantage of the potential of new technologies: **with regard to Banca Estesa**, the expectations and perceptions on the new jobs that could be created in the branches with extended business hours were examined, with a focus on the home issue and on savings consulting. With regard to **corporate customers**, their perception of the current market situation and competitive scenario was analysed, along with their growth expectations and, above all, their needs for support by the banking system, with particular regard to growth and internationalisation. Lastly, families were involved in order to collect information on modern households, define the current and emerging requirements, understand the relationship with the bank and identify challenges and opportunities.

Service excellence and customer protection

- To ensure excellence in the quality of products sold and a high degree of customer protection, Intesa Sanpaolo has adopted a **commercial model centred on consultancy**, targeting the offer on customers' needs, making its business proposal easier and more effective and fostering purchase awareness. This model is recognised by the European Directive on markets and financial instruments (MiFID) as the one having the highest level of protection for customers.
- In terms of **investments**, the Bank proposes customised consultancy based on knowledge of the customer in terms of investment needs, risk appetite and financial knowledge and experience. The offering is made starting from an initial interview that aims to define the asset management methods by the customer in terms of current expenditure, reserve, medium or long-term investment and pension over different time frames. The Bank then provides assistance in allocating financial resources, draws up a customised proposal and ensures constant monitoring and adaptation of the portfolio to market conditions and to the needs of customers.
- The "**Insieme per la Crescita**" (Together for Growth) project was implemented with initiatives for management change and new methods of employee participation in order to increase, through greater attention to relations, satisfaction of customers and employees. Some of the measures envisaged are: assistance to customers upon entering the branch, directing customers to the fastest and most appropriate service based on their requirements, planning of regular meetings, and 360-degree consulting in order to consolidate the relations. The project was launched in June 2014, involving 16 branches and approximately 400 employees, and grew to 1,400 branches and 65% of the employees of the Division in December 2014. In 2015, it was implemented in all local areas according to the various segmentations (Retail, Personal and Corporate).

Proximity

- In 2014, Intesa Sanpaolo continued the **Banca Estesa** project, to make its customer services and consultancy available to customers during extended branch business hours as well as on direct channels. There are now 551

Group branches open in the early evenings, on Saturdays or during the lunch break, adapting the business hours to the modern lifestyles of customers.

- Intesa Sanpaolo also wanted to focus on the physical reception of customers **by designing a new retail branch layout** with more spacious and illuminated areas, a dedicated desk for the reception employee who assists customers in using the automated service points, the web queue monitor (device that manages customer wait times in an intelligent manner) and the Internet Banking points for customers to log on to their accounts within the branch.
- Another initiative aimed at meeting customer requirements more effectively is the “**Offerta Fuori Sede**” (out-of-branch offering) project, which envisages extension of the consulting services and sales development at customers’ homes or workplaces.
- Starting from the second half of 2014, thanks to the gradual integration of the physical and digital channel, all Intesa Sanpaolo customers enabled to use the multi-channel services may purchase various services offered by the Bank online, through the appropriate applications, fully autonomously (Self mode) or with telephone or internet support by the reference manager or a consultant (“**Offerta a Distanza**” - Remote Offering). Both methods speed up the procedures and provide access to services based on specific needs.

Performance indicators and objectives achieved:

Indicators	2014 progress status
Maintenance of the average response times to customer complaints and claims (Parent Company) in line with reference regulations	45 days for service and investment-related complaints vs. 90 days envisaged in reference regulations 20 days for ordinary complaints (banking and financial products and services) vs. 30 days envisaged in reference regulations 22 days for customer claims vs. 30 days envisaged in internal regulations
Customer Experience systematic surveys	E-mail surveys on Branch sales (cards, accounts, mortgages, loans and small business loans) and Advisory Services to Retail Customers. <ul style="list-style-type: none"> ▪ 656,000 target customers ▪ 83,000 opinions expressed ▪ 6,400 customers contacted by Contact Unit ▪ Net satisfaction index: 38
Integrated multichannel development	4.923 million multichannel customers (approx. +500,000 compared to 2013)

OUR OBJECTIVES FOR 2015

Service quality

- A broad training programme aimed at all managers has been launched and will continue, aimed at improving their technical, social and consulting skills.
- In accordance with the Business Plan, implementation of the new service model for companies will continue, envisaging a central key role of the manager, who will be accompanied in the corporate support and consulting activities by the expertise of dedicated professionals.
- Mediocredito Italiano will adopt the new service model envisaged by the Business Plan, aimed at strengthening the presence of Business Finance specialists throughout the local areas, offering a more widespread and specialised service to Businesses.

5.8 SUPPORT TO THE BUSINESS SYSTEM

WHAT OUR STAKEHOLDERS SAID

Interviews with Sector Associations indicate that **the possibility to access credit, apart from the merit of the individual companies, is closely tied to the capacity of the banking sector to comprehend, be informed on and evaluate the elements differentiating each individual market/sector**. The associations aim to work alongside the Banks in acquiring the specific skills necessary to learn the unique aspects of each business. The implementation of a new rating model, through the search for a standard that combines the “quantitative” modules with more qualitative elements, is a central issue for the sector associations, particularly for Confindustria Piccola Industria.

Even two Small Shareholders’ Associations – A.D.B.I. and E.Di.Va – hope for greater investment by the Bank in the country’s real economy, through the study of a new customer creditworthiness rating, which includes CSR elements, together with requirements of profitability, capital and financial solidity. Companies that invest in social and environmental responsibility should be rewarded in terms of rating as well as target pricing. In fact, the Sector Associations would like banks to go back to being “**experts of the future**”, identifying success factors and merit criteria. For example, Confindustria Piccola Industria hypothesises the following elements: investment in innovation, degree of internationalisation, level of managerialisation and investment in training. Another significant aspect is timing in the credit assessment and granting processes: Confagricoltura in particular highlights that the necessary time is excessive with respect to the credit requirements, which are often contingent.

The survey on the need for services to support innovation and internationalisation indicates that the unfavourable economic scenario and the difficulties in accessing credit are the most limiting factors for business growth. In many cases, businesses consider support by the Bank to be very useful, with a series of **consultancy services on bureaucratic, administrative and fiscal requirements, the drafting of business plans or business networks** and, in some cases, human resource management. A highly significant expectation is the Bank’s role as reliable intermediary in identifying **possible partners** in production, logistics and distribution, but above all in the search for innovation partners for research and development activities. With regard to internationalisation, businesses value the possibility of the Bank having a role of intermediary in identifying reliable partners abroad, in the expectation that the Bank also provide training on countries with foreign locations.

With regard to support for the implementation of innovation processes within companies, also through specific consulting activities, Intesa Sanpaolo is perceived by the sector associations as an attentive and active partner, with a good capacity for listening and equipped with a structure and tools dedicated to achievement of the corporate objectives. The associations identify two primary needs with regard to internationalisation: the presence of **tools dedicated to export**, with respect to which the Group performs good monitoring activities, and the capacity of Intesa Sanpaolo to work alongside corporate customers even in countries in which it doesn’t have subsidiaries.

Even with regard to new entrepreneurs, namely young people and/or entrepreneurs with a high level of “innovation”, the main difficulties when creating business plans are linked to excessive **bureaucracy**, with regard to which customers would **appreciate the Bank providing services in this respect (bureaucratic, administrative and fiscal)**. Young companies have demonstrated greater propensity towards internationalisation and would therefore like greater support from the Banks in this regard.

Lastly, with regard to the Business Networks, the Bank’s ability to encourage the meeting and combination of several companies to enable synergies of scale and greater competitiveness is highly appreciated.

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Access to credit

- **Access to credit is a central issue of the Business Plan**, with the allocation of funds totalling 140 billion euro between 2014 and 2017. In 2014, it allocated 34 billion euro to businesses and households.
- Another objective of the Business Plan is **proactive management of credit**, a model that envisages full activation of the dedicated chain and the creation of new support tools. It was launched in 2014 to manage customers in potential difficulty, with the aim of recognising the first signs of problems and acting promptly with the most appropriate and effective management initiatives, avoiding deterioration of the basic credit fundamentals of the borrower.

Mortgage renegotiation

Mortgage renegotiation is another highly important issue for the production system. For this reason, since 2013 we have adopted specific processes and procedures facilitating the sustainability of loans by extending the duration of the repayment plan for the residual debt, in order to adjust the commitment to the actual available

cash flows of the customer. During 2014 mortgages with payment arrears were renegotiated for 656 corporate customers and 911 small business customers. In addition, 791 lease agreements were reviewed for corporate customers and 427 for small business customers.

Agreements and solutions for business growth

The many agreements include the one with **Confindustria Piccola Industria** (with a credit line of 10 billion euro envisaged); the **ABI Credit Agreement** was also extended to 31 December 2014, with suspension and extension measures for loans and two credit lines aimed at SMEs and Public Administration. Also in 2014, **Intesa Sanpaolo and European Investment Bank (EIB)** signed the first joint loan in Italy dedicated to creating new jobs for young people in SMEs, mid-caps and innovative start-ups (credit line of 240 million euro).

The collaboration with the major **Confidi** organisations that facilitate businesses' access to loans by issuing guarantees in favour of the Bank also permitted the granting of approximately 22,000 loans for a total of over 1.6 billion euro granted.

Specialisation in serving companies

The **Business Finance Hub** is designed as a centre of excellence, innovation and specialisation that supports business investment as well as growth and change processes, and offers a wide range of consultancy and specialist credit for companies. In fact, the mid- to long-term financing solutions were supplemented with lease operations, with business finance activities dedicated to SMEs, the financing of current assets, and the factoring of receivables.

In terms of large companies, during 2014 Intesa Sanpaolo adopted a **service model highly focused on the complexity of customers and their specific sectors and supply chains**. The key role is held by relationship managers in charge of overall coordination of the offering. They are specialised by sector and by sub-supply chain, offering a high quality consulting service. The objective is proximity to customers not only as financial partner, but also as industrial partner, sharing challenges and opportunities along a common growth path.

Support to innovation

In 2014, Intesa Sanpaolo dedicated to the innovation issue a structure directly reporting to the Managing Director: the **Chief Innovation Officer Area**. Fully aware of the high social value that innovation is able to express in terms of creating progress and shared value, the structure's objective is to develop the technological innovation mix in favour of businesses in synergy with the relevant Group Departments. With regard to commercial offering, the **Nova+ loans** programme continued to support Italian companies investing in research and innovation (from 2011 to 2014, 958 projects were financed for over 1.3 billion euro). Among the initiatives worthy of mention is the "**Intesa Sanpaolo StartUp Initiative**", the accelerated path for growing businesses that maps out a structured and continuous process of research, training, selection and presentation to investors of high-tech start-ups.

Selection of the main performance indicators and objectives achieved:

Indicators	2014 progress status
Households and businesses: New medium/long-term credit granted to the real economy	34 billion euro granted
Nova+ loans for innovation	108 million euro 90 projects financed

OUR OBJECTIVES FOR 2015

Access to credit

- Objective of the Business Plan up to 2017: total allocation of funds for households and businesses of 140 billion euro from 2014 to 2017.
- Development of a project within the Business Finance Hub aimed at optimising the loan granting times, covering all product lines (MLT Loans, Leasing and Factoring).

Agreements and solutions for business growth

- Continuation of strong relations with sector associations to improve and deepen knowledge of companies, looking at the future and at the development prospects of the individual company.
- Continued development of products related to the current partnerships with the Regional Financial Corporations, as part of investment programmes developed by SMEs in the Industrial, Energy and Innovation/Environment sectors.

Rating models (also see the chapter Business risk management)

- Implementation of a project with Confindustria Piccola Industria for the enhancement, within rating models, of qualitative information such as success factors for SMEs (sector, certifications, patents, brands, etc.), their competitive positioning (performance, trend in sales, etc.), aspects connected to the presence of risks, investment policies adopted and forecasts, and membership in networks and supply chains.

Innovation

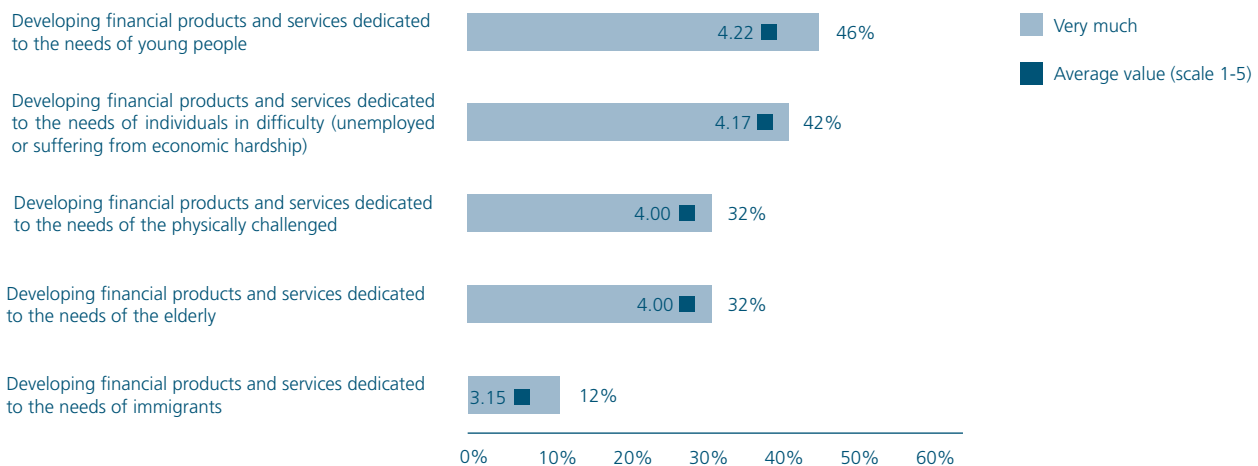
The “Chief Innovation Officer” Governance Area will be committed to initiatives (projects and studies) mainly regarding differentiation of business and the creation of new professions, digitalisation and the reaction to disintermediation, and access to new solutions, services and technologies. An intensive training plan is simultaneously envisaged, with events aimed at achieving three main objectives: involvement, awareness-raising actions and transfer of specialised skills to design and create innovation. The plan for gradual activation of branches nationally and abroad will also be consolidated.

5.9 FINANCIAL INCLUSION AND ECONOMIC EMPOWERMENT

WHAT OUR STAKEHOLDERS SAID

In the survey of a representative sample of Italians to identify the intervention priorities in the banking sector, the third top priority identified was the development of services dedicated to economically and socially vulnerable parties: the emphasis in particular was on the needs of **young people, the unemployed or individuals undergoing significant economic hardship**; these are followed by individuals who are physically challenged and the elderly (see Chart 2).

What our stakeholders said



Base: total interviewees (1023 cases).

Chart 2

Research on the requirements of households indicates that the characteristics of change, flexibility and interdependence of members of households in the current economic crisis scenario have not been incorporated by banks, failing to develop an offer where “unity is strength”, namely one that guarantees **advantageous banking terms extended to all household members**. In fact, the creation of value now takes place by recognising the interdependence of members of the “extended household”, creating transversal opportunities for the various members, shared advantages, economies of scale, and services bridging the generations. **The bank is asked to become a “family planning consultant”**.

With regard to household customers, the elderly have the **greatest propensity to save**. They expect the Bank to develop investment products that protect capital (to support the plans of households, handle future retirement, invest employee severance pay). They seek targeted consulting on investments (even long-term), covering the tax, insurance, real estate and inheritance areas.

Among SRI investors, J Safra Sarasin assesses the products of the Group positively, in terms of financial inclusion of both senior and young people.

The issue of access to home was discussed in an interview with Fondazione Housing Sociale. The Foundation works to resolve the housing problem, paying attention to situations of economic and social disadvantage and supporting private social housing initiatives. In March 2012, the first period of underwriting of Fondo Investimenti per l’Abitare (Investment Fund for Living) ended, and all loans must be terminated by 2015. Therefore, entities to once again invest in social housing as an area of strong social impact must be identified. An additional area of possible intervention is that of the “future purchase agreement”, an intermediate formula for the gradual purchase at ceiling prices. The intervention formulas are often difficult to implement and the Bank may develop services in this regard.

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Households and home mortgages

In 2014 new solutions were created to help households in difficulty: “**Rata Leggera**” allows customers who have contracted mortgage loans for which the repayment period has begun at least twelve months prior and who are up to three months behind with their payments can suspend the principal portion for a maximum period of twelve months. There were almost 2,000 renegotiations in 2014, for a total residual debt of more than 167 million euro. Additional 1,700 suspensions were activated under the **ABI memorandum of understanding**, in collaboration with the Government and Consumer Associations.

Young customers

The **Superflash product**, an “umbrella” brand characterising products, services and solutions for young people from 18 to 35 years of age, continued. Superflash is made up of a dedicated product line with extremely limited costs, designed to meet the main needs of young people. Nearly 303 million euro were granted to over 27,000 young customers through the Superflash Loan. In terms of mortgages, a total of 840 million euro was granted to 8,700 young customers. With the **Bridge loan**, aimed at students registered in one of the partner universities, 289 loans were granted, for a total of 3.1 million euro.

Senior customers

The offering of products and services dedicated to this type of customers was consolidated. In 2014, “Conto Facile”, with no opening or closing costs and with a discounted fee, included 90,000 customers at the end of the year, 3,400 Pension Cards (Carta Pensione) and 20,800 Pension Books (Libretto Pensione). Moreover, “Conto Base” is also dedicated to this customer segment, to comply with regulations introduced in 2012 for financial inclusion purposes. At the end of December 2014, there were over 8,500 such accounts.

The offer of non-banking services has seen the consolidation of the “Riconoscimento Salute Senior” health service, which permits access to health facilities at special conditions for diagnostic clinic tests and admission to hospital with and without surgery. More than 508,000 customers accessed this programme.

Remittance management

Offering of the money transfer services continued: during the year, the three supplementary services offered by Intesa Sanpaolo managed nearly 11,000 remittances for over 57 million euro.

Microcredit solutions

Our willingness to play a part in the social growth of the communities where we operate has resulted in numerous microcredit projects and initiatives aimed at the prevention of usury, which involved us as partners of local players, shareholders’ foundations and local Onlus associations. The Intesa Group granted over 40.4 million euro in 2014 for the recipients of these initiatives in the local area.

Support to the Third Sector

Banca Prossima creates positive social impact through its lending activities. Its greater and more targeted credit with lower costs once again in 2014 supported the Third Sector in terms of inflows-outflows balancing, job creation and capacity to reach the ultimate beneficiaries. Banca Prossima has achieved some significant results over the past few years: at the end of 2014 it had over 51,800 customers, with approximately 6.7 billion euro deposits (of which 2.5 billion euro direct) and around 1.5 billion euro loans. In 2014 the company reported revenues of 53 million euro (+16.7% on 2013).

Selection of the main performance indicators and objectives achieved

Indicators	2014 progress status
Households and businesses: New medium/long-term credit granted to the real economy	34 billion euro granted
Third sector: New medium/long-term credit granted to social enterprises	0.20 billion euro granted
Financial inclusion: Credit granted to the vulnerable social groups in 2014	More than 3.6 billion euro: 12.9% of the total loans granted by the Intesa Sanpaolo Group

OUR OBJECTIVES FOR 2015

Microcredit initiatives

- The microcredit activities developed in Italy over the years will continue in 2015, demonstrating Intesa Sanpaolo's strong local roots.
- Active participation by the Bank in working groups in the insurance and banking areas to assess the best structure and effectiveness of tools envisaged, especially in terms of use by the beneficiaries.

Offering for vulnerable social groups

- The existing initiatives will continue and, in terms of the offering for young people, employees with increasing protection employment contracts will be included as well.

Subsidies for home purchase

- Existing initiatives will continue, with further development of the "Casa Insieme" offering.

Third Sector

By March 2016, Banca Prossima's objective is to grant 100 million euro in loans to socially vulnerable individuals and households and to micro-enterprises just starting up or in the development phase.

Moreover, Banca Prossima has never ceased to develop its lending activity, even if demand is limited. Future developments are expected as a result of revision of the applicant assessment systems and continuation of the **low-cost funding programmes (social bonds), which enable the granting of loans at special conditions**. Due to their timing, these projects depend on market conditions.

5.10 CLIMATE CHANGE

WHAT OUR STAKEHOLDERS SAID

Interviews with the trade associations indicate that the issue of **energy efficiency and reduction of energy consumption** is very important for companies, first and foremost as a result of the costs they sustain, generally higher than those of their international competitors. Therefore, the initial issue of cost reduction becomes, particularly for some companies, a strategic issue and key marketing tool to be used on the market. RetImpresa considers the environmental issue of significant importance under two aspects:

- "Green" Business Networks: there are business networks that deal with the design, production and installation of overall solutions to increase environmental performance.
- Energy savings measures: **network companies may benefit from economies of scale** and reduce costs for services such as energy audits, common programmes for energy performance analysis, etc.

Confagricoltura highlights an additional area of collaboration for the reduction of environmental impacts: companies within the same area could collaborate and contribute to building a small system (e.g., biogas generator) making them independent in terms of energy.

FederTurismo has supported a number of environmental projects, separate waste collection, energy savings measures among hotel facilities, etc., but these projects have not been backed by institutions in the area, which have not provided the necessary services for their implementation. The Bank could facilitate access to community funds, although Public Administrations maintain a leading role.

ANCE has underlined that the Italian real estate portfolio is very old and **initiatives aimed at improving the environmental performance of the buildings** are recommended, as these would provide benefits for both households, which would reduce their expenses, and banks, which would achieve higher return on capital as a result of these investments. Confcommercio considers the environmental strategy to be an area that has acquired growing importance over recent years, also following the creation of the free energy market. Competition among the various energy suppliers has made the relationship between companies and providers increasingly complex; such complexity has gradually reduced the amount of time available for business activities. In this regard, Confcommercio is expanding its expertise with the objective of becoming a trusted consultant for its members (for example, in the interpretation of invoices), a path that could also be undertaken through a partnership with the Bank.

Banktrack and Sustainalytics criticise the Group's involvement in the coal sector (extraction and use for energy production): in fact, according to a recent Banktrack report, Intesa Sanpaolo ranks 32nd among Banks financing this sector. The Group is admired by Sustainalytics for its environmental policy and its environmental management systems. **Intesa Sanpaolo collects complete and exhaustive environmental data with regard to all of the main areas of consumption of resources and emissions:** in fact, data on GHG emissions are properly calculated and summarised in a detailed manner, with information on the calculation methods. According to OEKOM, Intesa Sanpaolo's environmental policy does not refer to the Group's investment portfolio and asset management activities and, therefore, it is considered to be partial. The environmental management system is assessed in a positive light because it covers over ten core elements, but less than 20% of employees are covered by the Environmental Management System. Good assessment with regard to the three-year "2013-2016 Sustainable Energy Action Plan": the Group has identified a number of targets for reduction of CO₂ emissions with regard to the impacts of its activities, but not with regard to the activities it finances and in which the company invests. An area for improvement is the necessity for the Group to motivate the sale of "green" products in order to contribute to sustainable development of the planet.

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Loans and services for the green economy

Despite the reduction in incentives, the offer of loans targeting the corporate, small business and retail customer segments wishing to invest in energy savings and renewable sources continued in 2014. Over 2.3% of all Intesa Sanpaolo loans regarded the renewable energy sector, agriculture and environmental protection, for a total of around 643 million euro.

Reduction of atmospheric emissions by Intesa Sanpaolo

A notable reduction in CO₂ equivalent emissions deriving from electricity and heat consumption was recorded in 2014 as well. This reduction – of around 16.8% – was largely due to management saving and plant efficiency actions carried out during the year, and the favourable climate trend, with milder temperatures at the end of the year, for heat consumption.

Use of renewable sources

Committed to gradually reducing its dependence on fossil sources, the Intesa Sanpaolo Group has consolidated its purchase of electricity in Italy from sources certified as renewable (Guarantee of Origin) at all sites where this is possible. Moreover, expansion of the photovoltaic facilities for the self-generation of electricity continued in 2014. These facilities, along with the purchase of electricity from renewable sources, with coverage exceeding 95% of electricity consumption, are estimated to have avoided over 140,000 tons of CO₂ emissions in 2014.

Containment of energy consumption

Management optimisation and energy efficiency measures have generated an important consumption reduction trend: the consumption of electricity, the energy most widely used by the Group in Italy, fell by a further 6.8% compared to the previous year, potentially corresponding to around 10,000 tons of CO₂ emissions avoided. Also worthy of mention is that electricity consumption in Italy decreased by approximately 15% during the period 2012-2014.

Paper, waste and water

Environmentally-friendly paper now accounts for the majority (around 93%) of all paper purchased. The commitment to encouraging the replacement of paper communications with electronic reporting has made it possible to further consolidate the results it has achieved in the last few years, containing the use of paper and limiting its waste wherever possible.

In 2014 the amount of waste produced in Italy rose by 8% compared to 2013; this increase is associated on the one hand with the streamlining of the network of bank branches and, on the other, with the centralisation of Head Office activities at some Milan and Turin locations, with the consequent abandonment of the original properties. The disposal of office equipment that began in 2013, for which a special preservation order had been in place whilst investigations were completed by the US Government, also continued. Under the same conditions, the quantity of waste disposed would have been essentially stable.

In 2014 the amount of water consumed by the Group fell by an average of 13.7% compared to 2013. The consumption rate per employee is around 23 m³.

Performance indicators and objectives achieved

Indicator	2014 progress status	2017 objectives*
Environmental loans: Loans granted in 2014 to finance the renewable energies, agriculture and environmental protection sectors	643 million euro: more than 2.3% of the total loans granted by the Intesa Sanpaolo Group	Continued support for the renewable energies and energy efficiency sector through dedicated loans
Reduction in electricity consumption in Italy compared to 2012	15% reduction in electricity consumption	17% reduction in electricity consumption
Purchase of paper in Italy	Environment-friendly or recycled paper accounts for 93% of purchases	Environment-friendly or recycled paper to account for 98% of purchases
Reduction in "indirect emissions" potentially generated in Italy - Scope 2	13% reduction in indirect emissions potentially generated (Scope 2)	13% reduction in "indirect emissions" potentially generated (Scope 2), in line with the reduction in electricity consumption
Extension of "other indirect emissions" reporting (Scope 3)	Scope 3 reporting includes, in addition to indirect emissions from the purchase of paper, emissions relating to waste and office equipment	Gradual expansion of the scope and improvement in reporting
Environmental certification	UNI EN ISO 14001, UNI CEI EN ISO 50001 and UNI EN ISO 14064 certification on a significant sample of sites was already achieved several years ago	Maintaining environmental certifications on a significant sample of locations, implementing all of the required regulatory updates

*The SEAP (multi-year Sustainable Energy Action Plan) was prepared for the period 2012-2016.

OUR OBJECTIVES FOR 2015

Loans for the green economy

- Continued offer of loans targeting the corporate, retail business and retail customer segments wishing to invest in energy savings and renewable sources.
- Improvement in social and environmental reporting with regard to loans provided to Corporate customers (large businesses) that contribute to improving environmental impact or to energy producers.

Reduction of climate-altering emissions

The purchase of electricity with Guarantee of Origin certification from renewable sources will continue in all Italian sites where possible. The reduction in emissions will also be connected to the management optimisation and energy efficiency measures implemented by the Group. Intesa Sanpaolo aims to expand reporting of other indirect emissions (Scope 3). Extension of certification will continue as well, in accordance with the provisions of ISO 14064 on the greenhouse gas emissions of sites that will be part of the Environment and Energy System.

Reduction of energy consumption

Commitment to reduce electricity consumption regarding 96% of the Italian scope of the Intesa Sanpaolo Group. Indicators (envisaged by the 2013-2016 Sustainable Environment Action Plan): 17% reduction in electricity consumption in Italy compared to 2012 consumption.

Paper

The purchase of environmentally-friendly paper (recycled or of certified origin) used throughout the Group will continue, both in Italy and in the International Subsidiary Banks, in order to achieve the 2016 SEAP objectives. Actions aimed at the digitisation of paper will continue and may involve print types currently not included under the monitoring scope in order to minimise consumption, promote efficient paper management and raise users' awareness of low environmental impact conduct.

Waste

The contract for the disposal of used ink ribbons and toners that began in 2014 will be signed in 2015. New multi-media tools will be implemented in order to raise awareness among employees with regard to separate waste collection and correct disposal of special non-hazardous waste.

5.11 RELATIONS WITH THE SUPPLY CHAIN

WHAT OUR STAKEHOLDERS SAID

The online questionnaire indicates that **the level of satisfaction of suppliers with regard to relations with the Bank is positive and extremely positive for 71% of suppliers** and does not change much from the 2012 results, with a slight increase in negative opinions mainly in areas regarding listening and dialogue for suppliers with annual turnover of less than 2 million euro and those with less than three years of collaboration with the Group.

The aspects that mainly impact the assessment of quality of the relationship are listening capacity and the fact that the relationship must be based on trust. Fairness in managing and concluding contracts and adequacy of invoice payment times are another two key elements impacting the quality of the relationship according to the questionnaire responses.

The Group's commitment in its policies to raise suppliers' awareness as regards the adoption of social responsibility practices are highly appreciated, although the public disclosure of said policies could be further improved. In particular, suppliers positively assess some initiatives implemented by the Bank, such as the request to sign and subscribe to the principles of the Code of Ethics and publication of the Sustainability Report (higher assessment than in 2011).

With regard to the social and environmental responsibility of suppliers in relation to **management of environmental impacts**, a high percentage of suppliers declare to use certified raw materials and systems for waste disposal, **and the health and safety of workers is a particularly monitored area**. With regard to sustainability instruments, 65% of suppliers have a code of ethics, while only 16% have drawn up a sustainability report.

Performance indicators and objectives achieved

Indicators	2014 results	
Suppliers in Italy	32,207	
Suppliers registered in the Portal	Approx. 6,400, up 21% compared to 5,300 in 2013. Of these, around 3,500 completed their registration in 2014	
Answers by suppliers on their social and environmental responsibility activities (% change 2014 versus 2013)	Publication of a Social Report	+34.4
	SA8000 certification	+44.0
	Code of Ethics	+35.6
	Environmental certification	+27.2
	Environmental policy	+35.5

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Qualification of suppliers on the basis of social and environmental responsibility criteria

The Bank has undertaken a process of supplier qualification also on the basis of environmental and social requirements: the Procurement Department adopted the EcoVadis platform, launching a pilot project involving 57 suppliers from various product sectors. This project aims to assess the suppliers' performance in terms of social and environmental responsibility. None of the suppliers assessed were found to be at "high risk" according to the EcoVadis criteria.

Training of procurement managers

In 2014, the basis was set to add social responsibility issues to the training programme for buyers, through establishment of a workgroup formed by the Procurement Department, Training Department and Corporate Social Responsibility Unit.

This intervention is part of a dedicated training programme that began in November 2013 and which aims to include the issue of responsible interaction with suppliers, through the capacity to understand complex situations and have an overview of the system that highlights the long-term advantages for all participants. This capacity also helps reduce the company's reputational risk.

Service quality and dialogue with suppliers

Another objective we had set in 2014 regarded the increase in "market analyses" – acquisition of goods and services through the appropriate tender procedures – with regard to IT procurement. Thanks to the Sourcing Masterplan activity conducted by the ICT Systems Department, in collaboration with the IT Procurement Office of the Procurement Department, approximately 140 tenders (or market analyses) were activated in 2014, compared to 41 in 2013, involving a total of over 120 suppliers, of which 20% new. Technical assessment of performance in the area of ICT supplies of the ICT Systems Department is based on a survey conducted internally within said Department, through an electronic questionnaire. The panel of suppliers assessed by colleagues in 2014 represented approximately 86% of the orders by the ICT Systems Department, for a total of 280 suppliers assessed. 148 colleagues were interviewed, and 2,200 questionnaires were filled out.

If evidence of non-compliance with of the agreed service levels is found, the survey requires specific notification letters to be sent to suppliers, in order to ensure excellent service. 47 notifications were sent in 2014.

OUR OBJECTIVES FOR 2015

Qualification of suppliers on the basis of social and environmental responsibility criteria

In line with the measures implemented in 2014, the EcoVadis platform is expected to be fully operational from 2015 and on a wider group of suppliers, thereby enabling the structured planning of monitoring measures based on scores obtained by suppliers during the assessment phase. Improvement measures to be undertaken shall be defined for any suppliers that obtain an unsatisfactory assessment (average risk) at the end of the EcoVadis pilot project.

Training of procurement managers

With regard to the training of Procurement Managers on the issues of sustainability, the structure of the training course will be shared with the heads of the Procurement Department and training sessions will be launched.

Service quality and dialogue with suppliers

With regard to IT procurement, the technical performance assessment questionnaire will be developed further in 2015.

5.12 RELATIONS WITH THE COMMUNITY

In 2014, the stakeholder engagement activities to assess the effectiveness of Intesa Sanpaolo's actions with regard to the community were conducted across customer stakeholders, Third Sector stakeholders (see the chapter "Financial inclusion and economic empowerment") and Environmental stakeholders (see the chapters "Business risk management" and "Climate change"). On average, the analysis identified a continuing fragile social situation, confirming the results of the engagement activities conducted. An additional element that emerged is the emphasis on priorities over the short-term: income support for the poor and unemployed, followed by access to high-quality public services, particularly education.

In terms of culture, analysis of the media highlights not only the value it creates as a significant contribution to the strength of civil society and sustainable development, but also its impact on economic development and employment (the European Commission believes the sector has a direct impact on GDP, providing jobs to 6.7 million people at the European level).

WHAT WE HAD PROMISED AND WHAT WE DID IN 2014

Culture

Gallerie di Italia – a network of museums owned by the Bank, including the Piazza Scala Galleries in Milan, Palazzo Leoni Montanari in Vicenza and Palazzo Zevallos Stigliano in Naples – offered numerous exhibitions to the public, as well as educational tours and laboratories. Numerous initiatives were implemented to support the most fragile individuals, by offering laboratories and art therapy sessions for immigrants, the visually impaired and the blind, senior residents of rest homes, Alzheimer's patients, visitors with cognitive and sensory disabilities, and individuals with mental and physical disabilities.

With regard to activities to protect and promote Italy's artistic and cultural heritage, the XVII edition of "Restituzioni" was launched, the decades-long restoration programme for public works of art.

Also of significant cultural importance was the activity to increase physical and digital access to the documentation in the Historical Archive, as well as for the protection, acquisition and enhancement of the archives in the communities in which the Bank operates. Just as significant was the work in the publishing and musical field, for dissemination of the book heritage and of the various musical genres, also through targeted initiatives at the educational level.

Donations and commercial initiatives with community benefit

In terms of donations from the Intesa Sanpaolo Charity Fund, the 2014 Plan confirmed the strategic focus on national and local projects with a significant social impact in favour of more fragile individuals, hit hardest by the economic crisis. In 2014, net of the international measures in favour of poor countries, 85% of the national central donations were directed towards this objective (up compared to 83% in 2013 and 77% in 2012), a priority in the Group's strategy at the philanthropic level. Even at the local donations level, there is a consolidated focus on supporting the more fragile individuals, which in 2014 benefited from 60% of local contributions.

Within the scope of the commercial initiatives with community benefit, the Group's interventions in 2014 continued to be in line with prior years, aimed at promotion of culture, social solidarity and development of the community.

Among the donations qualifying as investments in the community, the international cooperation project known as Project Malawi came to an end in 2014, after 9 years. The project was implemented by Intesa Sanpaolo and Fondazione Cariplo, in collaboration with four partners that operated in various areas: healthcare (Comunità di Sant'Egidio with the DREAM protocol), local development and micro-finance (CISP), care for orphans and vulnerable children (Save the Children) and education and prevention (Malawi MAGGA and SAM Scouts).

Over the last three years, upon strong pressure by the Bank and the Foundation, the associations worked to obtain an even higher level of involvement among communities and local authorities so as to allow the population to take full control of Malawi and to encourage autonomous continuation of the initiative following the end of the partnership.

Performance indicators and objectives achieved

Indicators	2014 results	
Overall contributions to the community, measured based on the London Benchmarking Group model	60.2 million euro (up 3.6% compared to the prior year)	
Contributions to the community by type of intervention (thousands of euro)	Cash contributions	55,116
	Goods and services donated	3
	Time contributions	1,522
	Operating costs	3,603
Project Malawi: Contributions (/000 euro):	2,126	
Project Malawi: Beneficiaries	63,067	

OUR OBJECTIVES FOR 2015

Culture

In terms of enhancement of artistic and cultural heritage, the objective is to enhance Gallerie d'Italia through initiatives aimed at facilitating access by young people, the elderly and those who are in social and economic difficulties. The Group also aims to facilitate the connection between scientific research, innovation and social needs, offering young graduates training and expression opportunities: collaboration with public and private institutions of excellence and financing of scholarships. Lastly, there is a desire to continue the "Restituzioni" initiative, with possible expansion of the relevant Italian government departments responsible for architectural, archaeological and historical-artistic heritage.

Contributions to the community

- Confirmed maintenance of the high level of resources (>80%) allocated by the Charity Fund to support projects in favour of the weakest individuals, in the case of central donations, and commitment to direct the choices, independently from the Regional Departments, towards an increase of the quotas with regard to local donations (equal to or greater than 60%).
- Gradual expansion of the impact assessments (with specific in-depth inspections with regard to the reporting already provided by the beneficiaries) for the major and consolidated donations based on the LBG model; implementation of the new international cooperation programmes following conclusion of Project Malawi.

6. Stakeholder engagement in the International Subsidiary Banks

In 2014 a stakeholder engagement activity map was drawn up with regard to our International Subsidiary Banks, aiming at identifying not only points of contact but also specificity in approach and at understanding which stakeholders were mostly involved and which methods were implemented in different situations. Customers and Employees appeared to be the stakeholders involved in the greater part of engagement activities.

The main engagement activities regarded direct surveys to measure customer satisfaction, covering issues such as customer satisfaction in dialogue and interaction with the Bank and the perception of quality of products and services offered. The main objective shared by the International Subsidiary Banks that conducted these activities is the collection of information to improve future processes and activities. These activities gave excellent results, highlighting high satisfaction by customers with regard to the communication channels and quality of services offered by the Group. Banka Koper and Cib Bank for example promoted particularly successful engagement activities, such as: organisation of "Business Breakfasts" and days dedicated to listening and interaction with SME customers. These initiatives aim to support the business system in order to strengthen the competitive capacity of companies. They dealt with specific topics of interest to individual customers, simultaneously strengthening the network of relations among participating customers.

As for employees, the main engagement initiatives were climate surveys and focus groups, on the topics of employee enhancement and quality of life in the company, with particular focus on the involvement of employees in the corporate life. The objectives were optimisation of the internal company communication channels and collection of information on the opinion of the Group's employees. The results of these surveys highlighted growing employee satisfaction with company life and with their respective positions; a marked increase in levels of participation in the survey; opinions and ideas on the development of internal communication channels and on how to facilitate greater corporate involvement were also collected.

With regard to internal communications, many banks actively used company Intranet portals and other channels to involve employees and encourage them to share ideas and opinions on the quality of work in the company, optimizing processes, products and services, achieving a fair amount of success and feedback useful for improvement of relations with employees.

Banca Intesa Beograd was also active in responsible management of the supply chain, promoting sustainability in the supply chain via surveys and focus groups that involved suppliers. The bank also improved its listening and communication channels with suppliers, in order to resolve any problems more efficiently. This resulted in a better understanding of the procurement process by suppliers, which translated into a lower number of complaints by the same.

CIB Bank is among the International Subsidiary Bank most active in the promotion of financial education activities, participating in the "Financial Compass" programme, an initiative sponsored by the Hungarian National Bank, with the aim of promoting financial education and increasing the overall level of financial awareness in the population. CIB Bank was one of the most active sponsors, focusing attention on the importance of daily financial management, systems to help borrowers in difficulty and savings.

GALLERIE D'ITALIA.

THREE MUSEUM CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

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

In an architectural complex of great value, the **Gallerie di Piazza Scala** in Milan host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The **Gallerie di Palazzo Leoni Montanari** in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the **Gallerie di Palazzo Zevallos Stigliano** present the *Martyrdom of Saint Ursula*, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo



Apulian red-figure volute krater

depicting: *Maidens at the Fountain and Amazonomachy*

Workshop of the Baltimore Painter

330-310 BC

h. max. 73 cm, diam. rim 35.5 cm

Intesa Sanpaolo Collection

This Apulian red-figure volute krater belongs to the Intesa Sanpaolo collection of ceramics from Attica and Magna Graecia. It was made around 330-310 BC in the Workshop of the Baltimore Painter – one of the most important late Apulian workshops which operated between Canosa and Ruvo and was specialised in vases of large proportions.

The main side is decorated with a scene of Amazonomachy – a battle between Greeks and Amazons – while the neck of the krater is adorned with a figurative scene portraying a group of maidens at a fountain. The damsels are posed around a double-spouted fountain gushing forth within a *naiskos* (small temple). They collect and carry the water using the large recipients designed for this purpose, known as *hydriae*.

In Ancient Greece, as in all cultures in different parts of the world and in different periods, water has a very strong symbolic significance. It generates life and evokes the concept of birth, and also of rebirth and transformation: it is a dynamic element, representing the flow of becoming. It represents purifying energy and a means of regeneration. Water has always been a vital element, a common good to be shared, a precious and inestimable resource to be defended as the source and guarantee of life and wellbeing.

