



2016 Stakeholder engagement
and 2017 improvement objectives

LEGEND

[i] Links to internet

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Since 2007, Intesa Sanpaolo's attention to the quality of relations with internal and external stakeholders, in order to understand their different perspectives and needs and adapt its service model, has taken the shape of specific engagement initiatives. Their implementation follows the practices defined by the reference standard (AA1000SES Stakeholder Engagement Standard - 2015 version) by the use of operating tools that are essential to the success of the various phases of the process, such as stakeholder mapping and the selection of the engagement methods.

In this perspective, a structured engagement process of the Bank's stakeholders was also put in place in 2016, in order to gather the issues considered as priorities, the perception and level of satisfaction with regard to the Bank's work. The Corporate Social Responsibility Sub-department (CSR) organised surveys, forums and focus groups on social and environmental responsibility issues and collaborated to include sustainability matters in the surveys conducted by the other corporate structures that manage directly the relations with specific stakeholder categories (such as the Customer Experience Department, the Consumer Associations Relationship Office, the Investor Relations Sub-department, and the Industrial Relations Department).

Over the years, this way of working has led to consider sustainability matters as an area of relevance and involvement on a par with ordinary and institutionalised matters, with the goal of increasingly integrating them into the business strategies.

1 THE GROUP'S STAKEHOLDER MAP

The stakeholder map (see figure 1) summarises the framework of Intesa Sanpaolo's stakeholders representing different interests (economic, social, environmental) and the community in general, with whom the Group undertook specific commitments, considering needs and expectations, balancing and integrating them into company strategy.



Figure 1 - Intesa Sanpaolo stakeholder map

2 THE MATRIX OF MATERIAL ISSUES

The materiality matrix presents the issues that are relevant to Intesa Sanpaolo. The priority given is the outcome of an evaluation process presented in the Sustainability Report 2016 [i] (see the chapter “Materiality analysis” on page 21) which takes into account the relevance of the topic in relation to the business strategies and the representativeness thereof in terms of interests and expectations from stakeholders: these two aspects are then represented in the two axes of the Materiality Matrix.

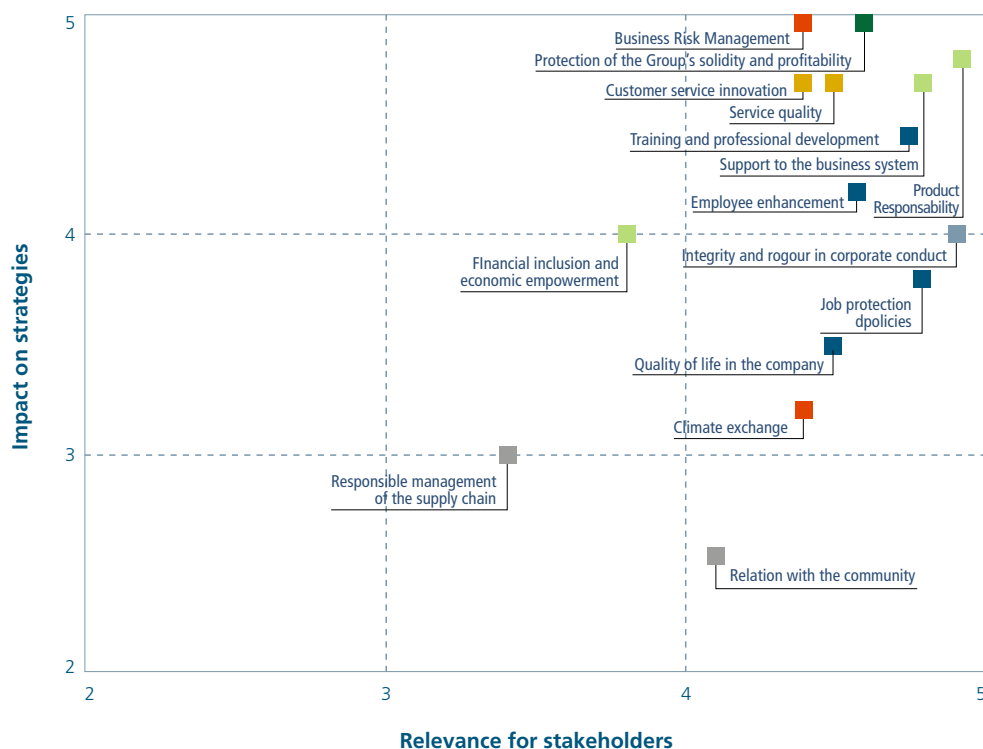


Figure 3 - 2016 Materiality Matrix

The priority areas for 2016, of which the Sustainability Report provides a detailed account on the management methods, projects and actions implemented, significant indicators and objectives, including in relation to the Business Plan, are:

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

Relations with suppliers and the community do not qualify as material issues, but Intesa Sanpaolo recognises their high social and environmental value and therefore provides detailed disclosures on the website (Suppliers [i] and Community [i]) and in single-theme papers.

3 STAKEHOLDER ENGAGEMENT INITIATIVES IMPLEMENTED IN 2016

The table below shows the initiatives implemented in 2016.

	Listening method	Issues discussed
EMPLOYEES		
Employees	<ul style="list-style-type: none"> • Climate survey Involving the professional areas, Italian middle managers, executives, international Banks (all professional categories); • 1 focus group with the area managers. 	<ul style="list-style-type: none"> • Group reputation, Brand value and perception of the Bank from the external environment and the customer base; • occupational health and safety; • responsible sales and transparency and clarity in communications with the customer; • quality of the products and services offered, competence and professionalism in the relationship between the customers and the Bank, innovation and multichannel integration; • employee development and professional training and development; • quality of life at the company: welfare and work-life balance; • diversity management and inclusion; • issues on the implementation of the principles and values of the Code of Ethics by international subsidiary Banks.
Trade unions	<ul style="list-style-type: none"> • 1 focus groups. 	
Collaboratori della Divisione Banche estere	<ul style="list-style-type: none"> • Web-focus on Intesa Sanpaolo's Code of Ethics. 	
CUSTOMERS		
SME Customers	<ul style="list-style-type: none"> • Calculation of the Net Promoter Score (NPS): 50,000 SME customers involved; • SME benchmark calculation: 8,000 telephone interviews with companies in Italy. 	<ul style="list-style-type: none"> • Analysis of the main promotion and attack issues, their relevance and impact on the NPS; • calculation of Intesa Sanpaolo's competitive positioning in terms of NPS and SME customer satisfaction in the different areas where the Bank operates; • quality and innovation of the service to SME customers.
Retail and Personal Customers and SME Customers	<ul style="list-style-type: none"> • Calculation of the Net Promoter Score (NPS): 3.9 million retail customers and SME customers involved; • customer experience surveys on the major touchpoints (around 20) used by customers to relate to the Bank: about 2 mln retail, personal and SME customers; • customer experience measurement on internal customers that involved nearly 40,000 colleagues; • analysis of the needs through surveys that involved the Bank's customers and prospects; • participation in thematic observatories; • Mystery shopping in 480 retail and personal branches and 475 on the Online Branch. 	

	Listening method	Issues discussed
Third Sector Customers	Customer Satisfaction Survey: <ul style="list-style-type: none"> • 8 Focus Groups and 5 interviews; • 2,000 telephone interviews. 	<ul style="list-style-type: none"> • Analysis of the satisfaction and experience of customers belonging to the third sector and identification of the drivers behind the satisfaction, with a view to improving the service offered.
Corporate Customers, Start-ups and Innovative SMEs	Two Multistakeholder Forums: <ul style="list-style-type: none"> • Banca dei Territori Lombardy Governance Centre: 21 participants; • Banca dei Territori Campania, Basilicata, Calabria and Puglia Governance Centre: 26 participants. 	<ul style="list-style-type: none"> • Adoption of creditworthiness assessment systems with elements of social and environmental sustainability; • support to the business system, in particular the strengthening of companies' competitive ability to foster innovation, the generational transition and the emergence of new entrepreneurship, dimensional growth and internationalisation, as well as the creation of networks and forms of business aggregation; • multichannel integration and innovative services to aid companies in networking. Provision of products and services to promote businesses and solutions with a low environmental impact.
Large companies	<ul style="list-style-type: none"> • 2 online surveys involving a total of 669 large companies. 	<ul style="list-style-type: none"> • Verification of counting, payment and procurement of valuables services; • Verification of Acquiring services¹
International Subsidiary Banks Customers	Telephone interviews: <ul style="list-style-type: none"> • Retail: 1,600 customers; • SMEs and large companies: 1,500 customers. 	<ul style="list-style-type: none"> • Retail: customer satisfaction survey on the customers of 6 Banks and benchmark analysis on a sample of the population and customers of 5 Banks; • SMEs and large companies: customer satisfaction analysis on the customers of CIB Bank and Banca Intesa Beograd.
SHAREHOLDERS		
Small Shareholders' association	<ul style="list-style-type: none"> • Interview with the small shareholders' association - E.di.Va. 	<ul style="list-style-type: none"> • Protecting the Group's soundness and profitability; • Business risk management; • Financial inclusion.
SRI investors	<ul style="list-style-type: none"> • Road show with investors on ESG topics. 	<ul style="list-style-type: none"> • Protecting the Group's soundness and profitability; • business risk management; • responsible sales practices; • issues related to personnel management and development; • integrity and rigour in corporate conduct; • quality of the service and customer satisfaction in the dialogue and interaction with the Bank; • climate change.

¹ Acquiring: it is the set of services that the credit card provider provides to a shopkeeper in order to enable the latter to accept payments with cards belonging to credit or debit circuits.

2016 STAKEHOLDER ENGAGEMENT RESULTS AND IMPROVEMENT OBJECTIVES

3.1 PROTECTION OF SOLIDITY AND PROFITABILITY

WHAT OUR STAKEHOLDERS SAID

From the 2016 engagement activities, the Group's solidity and profitability emerges as one of the most important issues not only for investors but also for the community in general as it is considered a key element for business sustainability in the short, medium and long term and as a guarantee for investors' savings in the light of the Group's institutional role.



WHAT WE HAD SAID AND WHAT WE DID

The consolidated results at the end of 2016 recorded a significant increase in profitability compared to 2015, with net income up to 3.1 billion euro, albeit with particularly conservative adjustments to loans that resulted in an increase in non-performing loans hedges. A very solid capitalisation was confirmed with ratios on levels far above regulatory requirements.

The implementation of the Business Plan objectives allowed Intesa Sanpaolo to generate value for all stakeholders, and in particular:

- to accelerate real economy growth with 56 billion euro in new medium-long term loans disbursed to households and businesses in 2016 (137 billion from 2014 to 2016). In Italy, approximately 24,000 companies were brought back to performing loan positions in 2016 (over 52,000 from 2014);
- distribute dividends for 3 billion (6.6 from 2014 to 2016);
- safeguard employment: in 2016, the Bank continued to pursue its commitment to retraining and requalifying 4,500 people as per the Business Plan's objective;
- provide new medium to long-term loans to social enterprises for 0.2 billion (0.6 billion from 2014 to 2016);
- distribute over 46.4 million euro in monetary contributions to the community (154.6 from 2014 to 2016).

(see Sustainability Report 2016 [i], page 51)



OUR OBJECTIVES FOR 2017

With the Business Plan, the Intesa Sanpaolo Group has set the 2014-2017 objective to pursue a new growth phase based on an innovative strategy which, focusing on the individuals and adopting a clear and effective business model, aims at increasing profitability in a sustainable manner, optimising capital and liquidity and generating value for all the Group's stakeholders. The objectives set out in the Plan for this purpose are:

- issue new medium to long-term loans to the real economy for 170 billion euro (from 2014 to 2017);
- distribute dividends for 10 billion euro (from 2014 to 2017);
- protect employment with the professional retraining and requalification of 4,500 people;
- support social entrepreneurship with the provision of new medium-long term loans for 1.2 billion (from 2014 to 2017).

3.2 BUSINESS RISKS MANAGEMENT

WHAT OUR STAKEHOLDERS SAID

The community and investors and SRI analysts have paid particular attention to the issues of reputation risk management, brand value, and the assessment and monitoring of social and environmental risks in lending activities and the selection of securities in the provision of investments.

In a context that is increasingly evolving towards information digitisation and dematerialisation, the interest in the management and monitoring of IT risks is ever increasing and in 2016 it was also subject to specific regulatory changes for the banking sector.

Investors and SRI analysts, customers and the community continued to be increasingly interested in considering social and environmental factors in the evaluation of loans, including by adopting internal policies regulating activities in sensitive or controversial business sectors.

The monitoring of health and safety risks remains a topic of great interest, especially for employees and customers with regard to the comfort and safety of work environments. The protection of business continuity in the event of an emergency is increasingly important also in relation to the strategies for the management of catastrophic environmental events.

In the context of a global campaign, numerous reports have been received contesting Intesa Sanpaolo's participation in a project finance by the pool of lending banks of the Dakota Access Pipeline (DAPL), a crude oil pipeline in the US which is strongly opposed to by the Standing Rock Sioux Tribe. The loan is subject to the Equator Principles and received an A risk rating or high risk (see website [\[i\]](#)).



WHAT WE HAD SAID AND WHAT WE DID

Business risk management

- A specific Credit Risk Appetite Framework (RAF) has been defined, which uses an approach based on ratings and other predictive statistical indicators;
- the control and management processes were further implemented for a proper ex-ante evaluation of potentially relevant transactions in terms of the Group's risk and stability;
- the Bank continued to develop a new generation corporate rating model dedicated to Italian companies for the enhancement of sectoral and competitive variables (including belonging to networks and production and supply chains).

Inclusion of social and environmental variables in the evaluation of loans

- Equator Principles: 14 projects worth 2.04 billion euro were screened (project finance and project-related corporate loans);
- inclusion of environmental criteria in the evaluation of customer financing: questionnaire preparation activities continued (customer pooling, economic sector and business size criteria);
- an agreement was signed for the inclusion of ESG qualitative variables in the credit rating of companies belonging to the Unione Cristiana Imprenditori Dirigenti (Christian Entrepreneurship Association);



OUR OBJECTIVES FOR 2017

Business risk management

- Most significant transactions: strengthen the monitoring, also in the light of the RAF changes, as well as the methodological and process refinements in the evaluation of specific transactions with a view to the integrated management of the various types of risk.

Inclusion of social and environmental variables in the evaluation of loans

- Equator Principles: update the internal operating guide; set up the activities designed to update the regulations for international subsidiary Banks; prepare the necessary activities for the internal dissemination of an online training course;
- issue sectoral policies for the management of social and environmental risks in the coal and oil & gas sectors;
- define a methodology and an internal process for issuing opinions on the social, environmental and reputational risk related to loans in sensitive and/or controversial sectors.

Management and monitoring of reputational risk

- Develop/consolidate the main "Reputational Clearing" processes;

- definition of self-regulatory policies: a benchmarking analysis was carried out on the self-regulation policies adopted by the main competitors and a round table was launched for the drafting of policies on coal, oil & gas sectors.

Management and monitoring of reputational risk

The Bank continued to pursue its activities aimed at building a comprehensive framework for the management of reputational risks, with particular reference to the definition of:

- “Reputational Clearing” component, i.e. the set of processes, tools and methods aimed at an ex-ante evaluation of potential reputational risk profiles related to the most significant business transactions, the main corporate investment projects and the Group's leading suppliers/partners;
- “Reputational Monitoring” component, i.e. the set of activities aimed at gathering and analysing useful evidence to compile the reputation profile - and the related risk - of the Intesa Sanpaolo Group.

Health and safety risk management and monitoring

- Assessment of work-related stress risk: more than 6,000 health inspections were carried out (in 98% of cases with a judgement of suitability to carry out the specific task); 11 focus groups and questionnaires were conducted in order to evaluate the perceived changes in relation to the solutions already adopted and for the employees of the Online Branches;
- “New Branch Layout”: the environmental impact of microclimate, lighting, noise and ergonomics of workstations continued to be assessed. The analysis allowed to identify proposals for improvement shared with the structure in charge of real estate design;
- business continuity: the solutions adopted enabled the continuity of services and the safeguarding of employees and customers for events related to natural disasters and crisis events.

IT risk management

- The monitoring of Internet Banking transactions allowed fraudulent transactions amounting to nearly 31 million euro to be blocked.

(see Sustainability Report 2016 [i] from page 53)

- consolidate the reputational risk monitoring process through the periodic analysis of the company's web reputation and of quantitative indicators capable of representing the trends associated with the Group's reputational dynamics.

Health and safety risk management and monitoring

- Electromagnetic fields: conduct a survey of the emission sources with an impact on the Group's sites and define and implement technical and organisational measures to prevent the limit values from being exceeded (in implementation of the 2016 Legislative Decree);
- biological risk (potential presence of pathogenic agents such as bacteria/viruses/fungi/allergens):
 - evaluate the health and safety of work environments with an environmental monitoring program (verification of the microbiological contamination indexes that correlate environmental bacterial charges to an air quality assessment) in all complex buildings and in a sample of 100 branches;
 - define a periodic check protocol (annual plan) of cooling towers and air treatment and humidification facilities for the evaluation of the presence of specific pathogens such as legionella.
- Seismic risk: conduct surveys on sites rated at greater risk for the assessment of the vulnerability of buildings;
- activate a round table for the definition of health and safety policies with particular reference to international subsidiaries and temporary or permanent staff abroad.

IT risk management

- Strengthen the skills of the Structures in order to mitigate the risk of cyber-attacks in line with the provisions of both the national cyber security framework and the NIS (Network and Information Security) Directive recently approved by the European Parliament.

3.3 INTEGRITY AND RIGOUR IN CORPORATE CONDUCT

WHAT OUR STAKEHOLDERS SAID

The evolution of the business model towards an increasingly widespread use of digital services has raised the level of attention of stakeholders, in particular the community and customers, to the protection of privacy which in 2016 was subject to regulatory scrutiny by the European Institutions (Regulation EU 2016/679). Compliance with anti-money laundering regulations has also become increasingly relevant

in the light of Directive 2015/849/EU and its transposition into the Italian legislative framework. In a context of significant growth of the terrorist threat that has led the international community to launch a number of initiatives aimed at strengthening the measures aimed at the prevention and contrast of terrorism financing, the sectoral supervisory authorities have highlighted the importance of the financial intermediaries' role.



WHAT WE HAD SAID AND WHAT WE DID



OUR OBJECTIVES FOR 2017

Corruption and money laundering prevention

- March 2017 marked the approval of the anti-corruption guidelines that identify the principles, sensitive areas and define the roles, responsibilities and macro-processes for managing the risk of corruption by the Group, further strengthening the already existing regulatory framework;
- the measures to counter the phenomena of money laundering and terrorist financing continued to be used: internal guidelines define the governance system, systematic and functional framework of activity;
- a whistleblowing system was introduced, which promotes the dissemination of a culture of legality.

Compliance with tax regulations

- All Parent Company's tax function offices have been upgraded: a dedicated Tax Compliance Office was set up, all existing controls were strengthened and specific controls were added in relation to international taxation and structured customer transactions (through training activities on the most impacted business units);
- the dialogue with the Italian tax authorities was strengthened.

Protection of privacy

- The online privacy policy was updated in terms of navigation data storage times and the handling of data through Apps for mobile devices. Guidelines on the use of profiling cookies were also prepared.

Protection of free competition

- The monitoring of the risk of compliance for the protection of free competition was strengthened further. The monitoring areas have been expanded and now include the European standards on State aid and the regulations in support of the competitiveness of the Italian system ("Salva Italia" and "Crescitalia" law decrees), which have significantly extended the scope of intervention of the Italian Competition Authority.

(see Sustainability Report 2016 [\[i\]](#) from page 81)

Corruption and money laundering prevention

- Corruption prevention: continue the activities with the aim of further strengthening internal monitoring processes;
- combating terrorism: strengthening internal monitoring processes with the aim of improving the skills and timeliness in detecting elements of suspected terrorism financing;
- audit activities: continue a multiannual "Quality Assurance and Improvement" plan, characterised by risk assessment logics across different business structures. The plan involves updating the risk analysis methodology, verifying compliance with internal rules and targeted training activities.

Compliance with tax regulations

- Formalise the documents related to the tax strategy that the Group pursues and put in place all the necessary actions to ensure the consistency of decisions regarding fiscal matters with the risk appetite defined in general terms;
- take all the steps required in order to be admitted to the so-called "collaborative fulfilment" regime.

Protection of privacy

- Develop the project for the purposes of adaptation to the New European Regulation;
- strengthen the verification and control activities on the Structures where significant customer personal data processing is carried out;
- continue with training activities on the subject of privacy addressed to all Group personnel.

Protection of free competition

- Strengthen the training programme on compliance with competition law;
- maintain active participation in the European debate on relevant competition issues, in a framework of dialogue and collaboration with national and international competition Authorities.

3.4 HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

WHAT OUR STAKEHOLDERS SAID

The quality of life in the Company

The engagement activities targeted at employees and trade unions have shown a high level of appreciation for the Group's commitment to the implementation of "Flexible Work" and "People Care" initiatives (for example, the services provided by ALI, the Intesa Sanpaolo Employees' Association) and towards new tools to support people who are experiencing family and/

or personal difficulties (including the "Time Bank"). In general, welfare is considered a strong point of the Group and a best practice at European level.

Employees hope for greater collaboration, "team spirit" among colleagues and the usability of internal communications.

Diversity management and employees' enhancement

From the climate surveys, Intesa Sanpaolo is perceived by its employees as being attentive to any form of discrimination, particularly in terms of gender and age. It is also regarded as an innovative bank in relation to its context.

The employees hope that intergenerational cooperation initiatives will be encouraged and developed with the aim of transferring skills and knowledge between senior employees and young people in order to enhance the experience of the former and for the latter to acquire new digital skills with "learning by doing" training methods and professional development through interchange.

Talent attractiveness and retention is an issue that emerges with particular relevance in 2016. The Bank is asked to develop more rapid professional growth paths, thus becoming more attractive to young people.

Finally, the incentive and pay system was a key topic of discussion for trade unions and employees.

Professional training and development

Training is highly appreciated by employees thanks to the quality of the offering, the implementation methods (classroom, e-learning, etc.) and the supporting tools. However, a more personalised approach to the employees' role, specific needs and career paths is requested in the planning of the programmes and in the choice of activities.



WHAT WE HAD SAID AND WHAT WE DID

Job protection policies

4,500 people were professionally trained and requalified between 2014 and 2016, a year ahead of the target set for 2017. New job opportunities (e.g. real estate sector, digitisation, etc.) were created and personnel selection and intragroup people mobility projects were launched.

Employee enhancement

- Performance evaluation system: The "Performer 2.0" platform was updated;
- professional management and development: activities on the OnAir platform (more than 19,200 applications) continued;
- strengthening of leadership styles: the "Feedback 180" project continued (455 participants). The "Excellence 360" project (159 participants) was activated for the international subsidiary Banks division and the first line managers of the international subsidiaries.



OUR OBJECTIVES FOR 2017

Job protection policies

- Intragroup mobility: refine current processes and study further ways to foster the match between supply and demand in the domestic labour market and skill enhancement;
- recruitment activities: enhance the LinkedIn channel with the extension of the editorial communication activity to the Group entities concerned.

Employee enhancement

- Incentive system: in line with the objectives of the Business Plan, further refine the variable results bonus with respect to the opportunities offered by the ever-evolving regulatory framework on welfare issues;
- talent management: launch talent initiatives (training, mentorship, job rotation planning, individual paths etc.) and monitor the effectiveness of the programme;

Professional training and development

- Training at the customer's service: the planning of a new digital training model was launched. The change management initiative "Insieme per la Crescita" (Together for growth) continued (38,000 colleagues involved);
- digital culture and multi-channel approach: over 1,000 hours of online training were provided to employees;
- leadership identity: the project "Dall'equilibrio di genere alla leadership della differenza" (From gender balance to difference leadership) was activated, involving the Divisions and the Group's main Structures; events for the promotion of female entrepreneurship were organised;
- health and safety: the project "tutti in Formazione" (Training for everybody) was activated for visually impaired and hearing-impaired colleagues (147 participants).

(see Sustainability Report 2016 [i] Human Capital from page 103)

The quality of life in the Company

Integrated company welfare system: it was made fully operational in all its components:

- pension: a single defined contribution pension fund was set up for over 60,000 participants;
- supplementary health care: the Supplementary Health Fund activated the project to ensure health coverage also for the personnel of international subsidiaries;
- Intesa Sanpaolo Employees' Association: an agreement was defined to implement welfare family services with affordable prices on parenting, caring for the elderly and non self-sufficient individuals;
- flexible work: the project that allows to work from home, from a business hub, or from a customer's premises (8 days a month) was confirmed. Over 5,700 colleagues joined the project;
- mobility management: an agreement was signed on territorial and professional mobility which favours closeness to the residence of colleagues working in distant places and with particular personal needs;
- "Time bank": employees donated 8,078 hours, doubled by a similar business contribution, in addition to the initial allocation of 50,000. All this made it possible to grant more than 2,000 days of leave in favour of colleagues in difficulty.

(see Sustainability Report 2016 [i] Social and Relational Capital from page 91)

- diversity management: develop initiatives for age management and intergenerational cooperation; new initiatives for the dissemination of female leadership models; carry out a qualitative-quantitative analysis of internal perception on the subject in order to structure improvement, dissemination and information actions.

Professional training and development

- Digitisation: set up the offering of digital, interactive and multichannel training modules on a new multi-channel Internet platform, accessible from any device and always available;
- manager development: release the "Managers' School" programme; implement the App to access training;
- development and empowerment of the "manager's job": integrate professional development initiatives and management models including with the support of a new training offer broken down into digital, interactive and multichannel modules in support of the business;
- health and safety: expand the "School-Work" programme to meet the students' training needs.

Dissemination of the sustainability culture

- Code of Ethics: plan and issue initiatives to provide tools of awareness and knowledge useful to translate ethical principles into behaviours to be held in day-to-day operations; training for international subsidiaries on the management of reports of non-compliance with the Code of Ethics will continue;
- corporate identity values: develop projects which, like the "Fiore dei valori" (Value Flower) in Intesa Sanpaolo Vita, are capable of disseminating best practices and nurturing a culture of responsibility.

The quality of life in the Company

- Internal communications: refine the quality of the services and tools with increased feedback collection;
- welfare: continue the process of reorganising supplementary pensions towards an ordinary working phase of the Group's defined contribution pension fund;
- supplementary health care: support the campaign against the risk of osteoporosis and extend territorially the network covered by the Supplementary Health Fund;
- flexible work: progressively expand the number of corporate structures that will be able to use this working method, making it even easier and more widespread;
- time bank and volunteering outside the Group: consolidate and extend the activities;
- Intesa Sanpaolo Employees' Association: activate specific training actions on the Code of Ethics; develop qualified child care services during school closure periods; activate e-commerce conventions in the ecologically sustainable product sector, with concierge companies and with structures specialised in sustainable tourism;
- mobility management (see Chap. 3.7 Climate Change page 17).

3.5 OFFERING A VALUED SERVICE TO CUSTOMERS

WHAT OUR STAKEHOLDERS SAID

Listening to the customers' voice

Customers' listening method innovations are particularly appreciated, enabling to gather ideas and suggestions for the development of the new commercial offer as well as the evolution of the service towards a more advisory approach. Listening to needs with the goal of responding in a more personal way to the customer's specific needs is one of the key issues.

Quality of the products and services offered

Given the increasing importance of the relational aspect with customers, the employees consider the relationship with the customer as a key element in establishing a trust-based relationship; an added value also in relation to the new digital tools.

Integrated Multi-channel project

Multichannel integration is perceived as a strength of Intesa Sanpaolo and is considered a necessary evolution to remain competitive on the market. In addition, the availability of virtual channels (website, Apps, online platforms, etc.) allows for an ongoing bank-customer dialogue, greater effectiveness and efficiency both in terms of communications and operations (appreciated especially by young people who are most likely to use digital channels) and to maintain close proximity to the customer, even in the absence of physical branches.

Finally, there is a general appreciation of the Group's commitment to the development and creation of innovative business tools targeted at business and services designed to facilitate the matching and networking between companies and local players with high potential for innovation (Tech-Marketplace is an example of this).



WHAT WE HAD SAID AND WHAT WE DID

Service quality

- Customer experience: the SeiOk quality monitoring system has been renewed; the Net Promoter Score, the index that represents the intensity of the relationship between the customer and the brand (relevant in the evaluation of Branch Excellence), is used as the main indicator to measure the quality perceived by customers and was included among the KPIs on which the performance assessment system of the branch network employees is based;
- "Online Branch": the commercial management (cards, loans and investments) and consultancy service was fully activated with approximately 26,000 products sold in 2016;
- digital culture: 13 meetings of "Vividigitale Day" were held with 150 customers on the development of new technologies, channels and offerings of the Bank.

(see Sustainability Report 2016 [i] Social and Relational Capital from page 84)

Innovation

- Multichannel: new multichannel processes were successfully launched, including 4.1 million Apps downloaded on a mobile device, 80% of the products is available through multichannel platforms;



OUR OBJECTIVES FOR 2017

Service quality

- Digital culture: continue the "Vividigitale" project which includes specific in-branch events and training workshops;
- "Advanced Consultancy": launch a project that represents an innovative approach to enhancing customer listening, providing personalised and continuous solutions for the satisfaction of different areas of need: asset and real estate management, safeguarding and protection areas, generational transition;
- "Dematerialisation project": complete the dematerialisation of contracts for the offer to individual retail customers and expand the range of products sold through remote offers. Start the dematerialisation of contracts for the products addressed to companies;
- customer experience:
 - Net Promoter Score: complete the plan of sharing the listening activity results with all the regional governance areas. The survey results, in collaboration with "Insieme per la Crescita", will help identify the behaviours that are useful to create an excellent relationship with the customer. Also monitor the impact on the relationship and the related economic value for the Bank;

- redesign of internal processes: with the “Digital Factory” initiative, 12 processes were managed, of which 4 were released on the network and fully operational;
- dematerialisation of contracts: the aim to eliminate the signature on paper in all retail and personal branches on priority products was achieved, with the customers’ exclusive use of the graphometric or digital signature (around 6.4 million transactions);
- loans to start-ups and tech SMEs: a new creditworthiness assessment tool (DATS) was introduced for loans secured by the Central Guarantee Fund.

(see *Sustainability Report 2016* [i] *Social and Relational Capital* from page 111)

- offline customer experience: continue customer experience survey activities on non-digital channels (e.g. branch, online branch, automated teller machines) to ensure they are the main listening element to review and improve business processes and deliver services of excellence. With the semantic analysis of the comments and technological developments of the Bank, the needs expressed by customers during the surveys may be handled individually and in a timely fashion. Expand the number of monitored services for which customer satisfaction survey is active (from approximately 20 at the present time);
- online customer experience: enable, both on the new version of the website and on the new App, listening points to measure customer satisfaction on the main online services. Approximately 150 points are expected to be activated on Internet Banking and approximately 50 on Apps;
- SEIOk portal: enrich the information related to the indicators used to measure the quality perceived and delivered to customers on the portal available to the network to monitor the quality of the service.

Innovation

Define and implement, as early as the current year, the Group’s multiannual Innovation Plan, shared with the competent Bank structures, which is structured around three main development guidelines related to:

- person: offering of high-value services and products aimed at meeting all customers’ needs, including through new distribution channels, facilitating access to banking services and customising the offer through targeted initiatives;
- company: be a specialised partner for companies, supporting their competitiveness and sustainability with industry-specific approaches in order to seize and stimulate current product-technology innovations;
- bank: act as an “agile company” reconsidering the traditional operating model and enhancing new professionalism and new collaboration models.

Redesign of internal processes

Continue the “Digital Factory” initiatives with the aim of completing the release of ongoing processes and initiating the redesign of further processes in line with the work plan and planned investments.

3.6 ACCESS TO CREDIT AND SAVINGS MANAGEMENT

WHAT OUR STAKEHOLDERS SAID

Financial inclusion

In a context where the effects of the economic and financial crisis are still evident, from more vulnerable stakeholders such as the elderly, young people and immigrants emerges the demand for affordable financial services and products that are more suited to their specific needs.

Support to the business system

A significant expectation from corporate customers is access to credit and the enhancement of specific sector expertise: understanding, knowing and evaluating the differentiation elements of each single market. In this respect, the role of the manager and the presence of a team of specialists within the branches continue to be key elements.

The support in the development of a managerial and entrepreneurial culture in the Italian production system emerges as a key element, especially for corporate customers, and as a drive of the "3 i's" (investment, internationalisation, innovation), namely the main underlying factors of business competitiveness. In terms of innovation, the consultancy activity addressed to new businesses and start-ups with a high rate of "innovation" that are not only after products dedicated to the development of business ideas but also consultancy (in particular for areas such as administrative and tax matters), training services and networking with investors and other companies to foster business interchange and entrepreneurship (enterprise networks, innovative hubs, etc.) is considered to be fundamentally important.



WHAT WE HAD SAID AND WHAT WE DID



OUR OBJECTIVES FOR 2017

Financial inclusion and economic empowerment

- Students: 13 new conventions (universities and highly specialised schools) were signed expanding the number of recipients of "PerTe Prestito Con Lode";
- products for young people: a full range of products was implemented including a youth loan, prepaid cards, ad hoc loans and supplementary pensions;
- microcredit initiatives: the "Prestito della Speranza" from March 2015 (launch of the new project phase) to December 2016 approved loans of around 26 million for more than 3,400 applications received.

Relations with the consumer associations

- "Sharing skills": seminars were held with national consumer associations (banking, financial, insurance and social security matters) and local middle managers in Piedmont and Lombardy (insight into credit products);
- technical discussions: meetings were held on credit, savings and digitisation, as well as the continuation of the "new products" site (presentation of Per Te Prestito Vitalizio to Consumer Associations before product marketing).

Banca Prossima: third sector customers

- New medium and long-term loans: approximately 200 million euro were disbursed and initiatives were implemented to produce subsidised loans (agreements with EIB, disbursements of the Terzo Valore platform, bond issues).

Financial inclusion and economic empowerment

- Students: propose the "PerTe Prestito Con Lode" loan as a corporate welfare programme to all Italian universities, the Italian Ministry of Education and Italian companies;
- offer for young people: strengthen the range of dedicated and specific offering;
- microcredit initiatives: "Prestito della Speranza" (Loan for Hope) pursues the objective of disbursing 100 million in loans secured by a guarantee fund of 25 million made up of resources from the Italian Episcopal Conference.

Relations with the consumer associations

- "Mettere in comune competenze" (Sharing expertise): provide continuity of the project at the national and territorial level;
- technical discussions: implement a round table on the new products with the highest impact for household customers.

Banca Prossima: third sector customers

- New medium and long-term loans: achieve a significant increase in loans compared to the average of the 2014-16 three-year period;
- evaluation of the value or social impact of borrowing customers: launch a specific project with data gathering and validation activities.

Insurance offer

- Protection in situations of social vulnerability: the proposal of products dedicated to the protection of the family in the event of the insured person's premature death ("Mi curo dei Miei") and to disabled and minors ("Tu dopo di noi" and "Base Sicura Tutelati") continued. The new "Vicino a te" (Close to you) offer was implemented to support customers and minors who lost their parents as a result of earthquakes in the cities of Rieti, Ascoli Piceno, Perugia, Macerata and Fermo.

Investments in ethical funds

- Eurizon Capital SGR: assets invested in ethical funds at the end of 2016 amounted to about 900 million euro (1.3% of the total Italian funds managed by the company);
- Fideuram: the sub-fund assets as at December 2016 amounted to approximately 40 million euro.

Support to the business system

- New medium to long-term loans to households and businesses in Italy: 48 billion (+16% vs 2015) were disbursed;
- young people and micro-enterprises: a new specific product "Enterprise microcredit financing" was launched (8.1 million euro disbursed);
- "Sviluppo Filiera" (Supply Chain Development): the project enabled the improvement of credit access conditions with investments in industrial chains and with a risk assessment more focused on qualitative factors;
- factoring: Mediocredito Italiano completed in 2016 the testing phase of an evolved form of indirect factoring for lead companies, made available to customers at the beginning of 2017. The "Confirming" product enables efficient management of trade payables and payments to the chains themselves, facilitating access to credit for suppliers, at particularly favourable conditions.

Insurance offer

- Welfare: develop a specific offering for businesses and workers;
- health care services and integrated insurance solutions: activate a new "Health Platform" to provide access to healthcare networks and subsequently to advanced services (telemedicine, medical wearables, etc.).

Investments in ethical funds

- Eurizon Capital SGR: strengthen the investment process in line with sustainability and social responsibility principles and launch a fund dedicated to investments that have as their main criteria environmental, social and governance characteristics.

Support to the business system

- Innovation, training, digitisation and internationalisation: bring the "AdottUp" project closer to Tech Market-Place with the expansion of the services of the platform dedicated to innovation;
- entrepreneurship of the new Italians: launch round tables to identify "tailored" offer solutions and training actions for the knowledge of the regulations required to do business in Italy;
- loans to innovative companies: implement project initiatives to facilitate credit access to innovative entities offering technology (startups and Tech SMEs) and corporate customers wishing to invest in innovation.

(see Sustainability Report 2016 [i] from page 60)

3.7 CLIMATE CHANGE

WHAT OUR STAKEHOLDERS SAID

In 2016, several international initiatives put the spotlight on environmental issues, calling for all players to make a concrete commitment to reducing the environmental impacts tied to emissions, use and management of resources and waste (COP21, Agenda 2030, SDGs, etc.).

Corporate customers consider the products offered by the Bank to be of key importance in order to encourage environmentally friendly solutions, particularly for energy efficiency and the consequent cost reduction. In this regard, the products and services that encourage initiatives aimed at improving the environmental performance of buildings have become particularly relevant in order to extend the focus also on real estate assets.

In terms of the Group's commitment to the development of a more sustainable economy, corporate customers wish for greater involvement in dedicated initiatives and events, in the development of products and services that combine the financial component with the environmental component and in the implementation of networking tools/initiatives to facilitate business exchange and meeting.

It should be recalled that Intesa Sanpaolo in Italy is equipped with an Environmental and Energy Management System that represents a best practice in the Italian and international landscape. In particular, the Environmental Management System has been adapted, one year ahead of the deadline, to the latest UNI EN ISO 14001:2015, including, inter alia, a thorough context analysis with the aim of fully understanding the reference scenario, defining stakeholder needs and expectations and identifying risks and opportunities. This activity was part of the wider materiality analysis process carried out for the Sustainability Report (see Sustainability Report 2016 from page 21) and was conducted taking into account:

- The impact on the strategies and the implementation of the material issues of the Materiality Tree;
- The stakeholders' point of view, identified from the results emerging from the stakeholder engagement process conducted by the CSR Sub-department and from a specific online survey addressed to all SGAE Delegates (197 respondents out of 250 Delegates) at the beginning of 2017.

The managers of some of Intesa Sanpaolo's corporate functions contributed to the results of the process: CSR, Operational and Reputational Risk, Loans Management Rules and Credit Instruments Offices, Investor Relations & Price-Sensitive Communication, Rating Agencies and Investor Coverage, Innovation.



WHAT WE HAD SAID AND WHAT WE DID

Greenhouse gas emissions

- Direct and indirect CO₂ emissions (Scope 1 + 2): they recorded a reduction of about 10%;
- electrical and thermal consumption: they recorded a net reduction in CO₂ equivalent emissions of 10.5%;
- scope 3 indirect emission reporting: widening of the reporting perimeter and an improvement in the evaluation methodologies.

Energy

- Reduction in energy consumption by 6.7% compared to 2015: actions were taken to optimise management and energy efficiency, including the increasingly widespread use of web-managed power consumption measurement systems, replacement of boilers with condensation plants, high-performance heat pumps and refrigeration units, modernisation of electrical systems and replacement of lighting systems with LED lamps.

Paper

- Reduction in paper consumption: about 500 tonnes (6.2%) compared to 2015;
- dematerialisation: the project aimed at the dematerialisation of contracts and numerous banking services continued;
- the commitment to buying environmentally friendly paper (whether recycled or from certified origin) in both Italy and at International Subsidiary Banks continued.

Waste

- A 2.2% reduction was achieved compared to 2015;
- training: a new in-branch waste management course was conducted within the e-learning platform "Ambientiamo".

Mobility

- Alternatives to the use of private and individual transport: an agreement was signed on territorial and professional mobility which favours closeness to the residence of colleagues working in distant places and with particular personal needs. Numerous conventions were also signed with local public transport companies (Florence, Milan, Naples, Padua, Turin and Venice, extending to Bologna and Rome in 2016).

Water

- A 2% consumption reduction was achieved compared to 2015. The Group continued to monitor water consumption in order to keep constant consumption compared to current levels.



OUR OBJECTIVES FOR 2017

Greenhouse gas emissions

- Adopt the new multiannual Climate Change Action Plan with the objective of setting new targets for CO₂ emission reduction in 2022. With regards to the reporting of Scope3 emissions, submit a new version of the home-work commuting survey questionnaires to colleagues so as to improve the reporting of such emissions.

Energy

- The Group continued with the replacement of refrigeration units containing R22, the replacement of lighting equipment with high efficiency equipment, the replacement of boilers and the actions aimed at increasing the operational efficiency of the systems already installed.

Paper

- Continue the dematerialisation actions with further expansion of the perimeter. The purchase of environmentally friendly paper (whether recycled or from certified origin) is expected to increase both in Italy and at International Subsidiary Banks.

Waste

- Develop a specific training initiative in "smart" mode.

Mobility

- Continue the development of mobility projects - in the sharing economy landscape - to promote alternative transport solutions with a low environmental impact;
- conduct a new questionnaire on home-work commuting in order to evaluate the effectiveness of the existing solutions and guide future projects;
- develop a new Internet platform that will make training more effective, modular, and even remotely accessible during flexible working days, without having to travel to ensure attendance in the classroom;
- in synergy with the Intesa Sanpaolo Employees' Association, implement a platform for the sale of public transport subscriptions at discounted prices for family members/pensioners;
- promote the development of common mobility services through synergies with other local companies.

Water

- Continue the monitoring of water consumption.

(see Sustainability Report 2016 [i] from page 119)

3.8 RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

WHAT OUR STAKEHOLDERS SAID

The issues of transparency, fairness in the management and stipulation of contracts and the adequacy of invoice payment times have emerged as relevant in the relationship with suppliers.

The perception of Intesa Sanpaolo's activities aimed at integrating social and environmental responsibility criteria in the selection and evaluation of suppliers is positive. A high

percentage of Intesa Sanpaolo suppliers declares to be in possession of certifications on their relevant raw materials, on the waste disposal systems and the health and safety of workers, as well as a corporate Code of Ethics.



WHAT WE HAD SAID AND WHAT WE DID



OUR OBJECTIVES FOR 2017

Supplier selection and evaluation criteria

- The new Portal Vendor Management module requires suppliers and potential subcontractors to compile a mandatory section dedicated to CSR themes and to update their position and compulsory documentation on an annual basis.

CSR training for an effective monitoring of the supply chain

- Training courses were held on "Responsabilità e pensiero sistemico" (Responsibility and systemic thinking), "Diffusione della cultura del rischio" (Spread of a culture of risk-awareness) and specific seminars on CSR issues and business sustainability.

Updating of contractual standards

- In the second half of 2016, contractual standards were revised in order to improve controls on specific issues and to align the relationship with all suppliers, including foreign suppliers, and subcontractors.

(see Sustainability Report 2016 [i] from page 96)

Supplier selection and evaluation criteria

Development of the "Suppliers' Portal":

- implement the "Vendor Management" module for the registration of all suppliers and subcontractors, which includes technical evaluation and CSR indicators for the monitoring of the whole supply chain of the Procurement Department in relation to the calculated risk types;
- intervene, where appropriate, with a social and environmental risk mitigation action plan to improve the position of any situation highlighted as being critical;
- extend the new "Suppliers' Portal" also to purchases made by the Real Estate and Logistics Department and gradually, in subsequent years, also to those of the other International Subsidiary Banks and companies of the Intesa Sanpaolo Group, according to the organisational model of the Group's Procurement Department in force from time to time.

Updating of contractual standards

- launch the pilot phase of the new "Contract Module" of the Suppliers' Portal (contract board) to align the contractual obligations of both Italian and foreign suppliers and subcontractors with the regulations that have been put into place (e.g. regulations on circulation and disposal of electrical and electronic equipment waste), providing for a specific obligation to document at any time - where required - the fulfilment of the commitments undertaken.

3.9 RELATIONS WITH THE COMMUNITY

WHAT OUR STAKEHOLDERS SAID

In addition to media analysis, the verification of the effectiveness of Intesa Sanpaolo's actions with regard to the community was conducted across customer stakeholders, third sector stakeholders (see the chapter "Credit access and asset management") and environmental stakeholders (see the chapters "Business risk management" and "Climate change"). In 2016 community stakeholders (in particular international organisations) and employees (in particular trade unions) in 2016 placed particular emphasis on the theme of "combating poverty and marginalisation", also in the context of the sustainable development targets set at international level (SDGs, 2030 European Agenda, etc.). Support to culture is considered a key contribution from the Bank for sustainable development, with an impact on the economic growth of the territories as well.



WHAT WE HAD SAID AND WHAT WE DID

Gallerie d'Italia and social initiatives

- The activities conducted with schools, universities, cultural institutions and associations continued. In particular, initiatives dedicated to disadvantaged and vulnerable social categories (e.g. people with disabilities in day care centres and asylum seekers, Alzheimer's sufferers, visually impaired, or people with emotional disorders) were proposed.

Donations through the Charity Fund

- Over 84% of central national donations of the Charity Fund went to support vulnerable categories;
- 68% of local donations, managed in a decentralised manner by the regional governance centres of the Banca dei Territori Division, was devoted to projects in favour of the weakest population groups.

Reporting

The London Benchmarking Group (LBG) methodology continued to be applied for the evaluation of community contributions and the submission of specific case studies presented with the related impact assessment.

(see *Sustainability Report 2016* [i] from page 98)



OUR OBJECTIVES FOR 2017

Progetto Cultura

- Restituzioni Project: consolidate the national and international dimension while at the same time enhancing its territorial value;
- exhibition projects: confirm the positioning of Gallerie d'Italia among the museums of excellence in the Italian landscape;
- artistic heritage: enhance and make available to the public a growing number of artwork; expand the network of collaborations with universities and centres of excellence in scientific research in the field of restoration, safeguarding, protection and enhancement of the archaeological, historical and artistic heritage through targeted partnerships and scholarship funding.

Donations through the Charity Fund

- Central donations: allocate a high share of resources (> 80%) to support projects in favour of the weaker sections of the population, operating according to an increasingly more stringent selection mechanism in relation to project and counterparty quality;
- local donations: address the choices of the regional governance centres towards a gradual increase in the shares allocated equal to or greater than 60% in support of projects in favour of vulnerable categories;
- IT platform for application management: launch a new method of monitoring large-scale projects with direct ownership of the Bodies in charge of implementation.

Business initiatives in the community

- Continue the commitment to ensuring a constant dialogue with local communities to strengthen synergies, intercept their needs and carry out extensive and continuous interventions aimed at safeguarding and enhancing the country's cultural heritage, sharing the Group's artistic heritage with the public, foster cultural and training opportunities for young people, promote development sustainability and enhance inclusion projects.

4 MULTI-STAKEHOLDER FORUMS

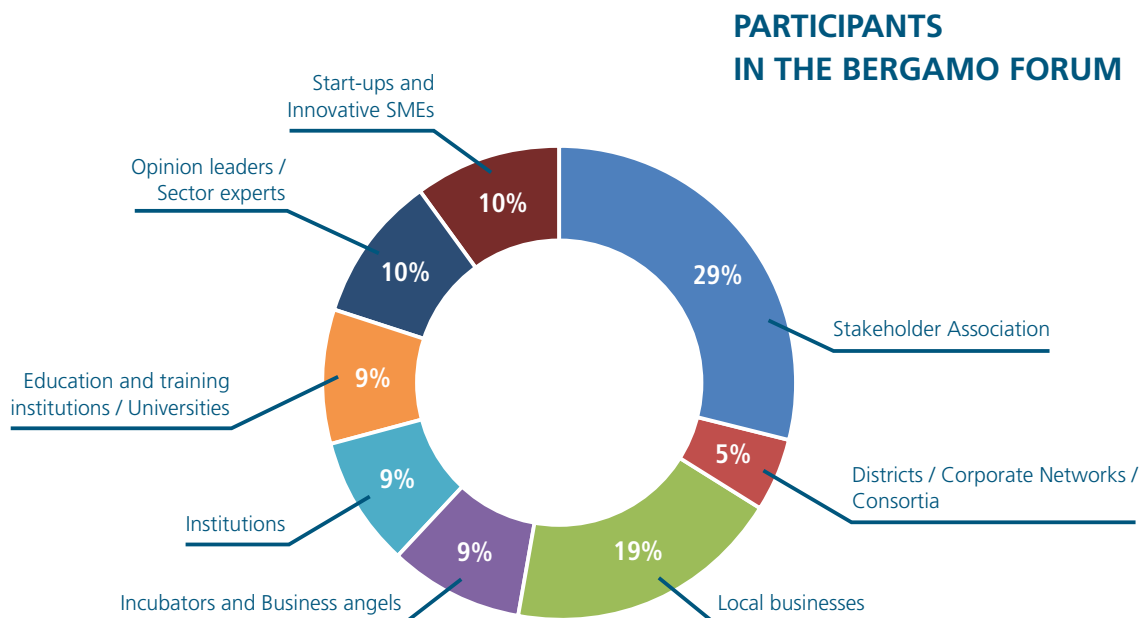
In 2016, Intesa Sanpaolo set up two local Multi-stakeholder forums in order to:

- gain a better understanding of the peculiarities and the most relevant issues of the territory;
- gather expectations with respect to the Bank's role and perceptions with respect to the value created on the territory;
- collect ideas for improvement actions from local stakeholders.

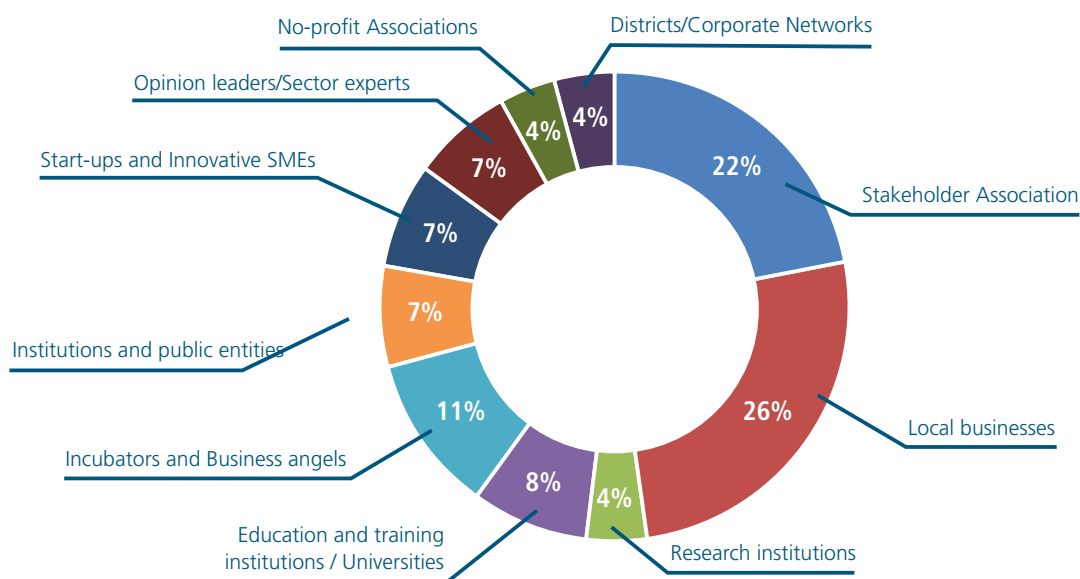
A Forum was set up in Naples in the regional governance centre of Campania, Basilicata, Calabria, Puglia and Sicilia, and one in Bergamo in the Lombardia regional governance centre. All activities were planned and organised in concert between the CSR Sub-Department and the regional governance centres, starting from the definition of the objectives and integrating information needs on social and environmental responsibility issues and on business issues.

Participants

The stakeholders involved were identified according to the relevant issues for the territory and as subjects with a direct and indirect interest in the Group's activities (customers, associations, stakeholders with specific interests, etc.) or those with specialist and technical-scientific expertise in the themes of reference (universities, research centres, etc.). There were 27 participants at the Naples Forum and 21 at the one in Bergamo, according to the categories shown below:



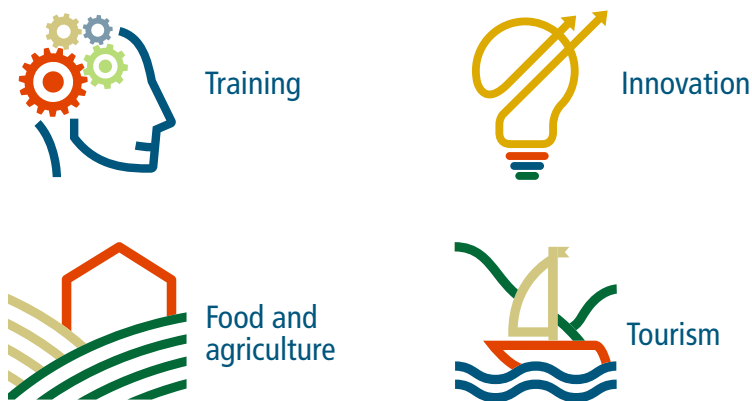
PARTICIPANTS IN THE NAPLES FORUM



The main findings from the multi-stakeholder forums: the territorial perspective

In both territories, four themes emerged as relevant and were discussed by stakeholders in thematic round tables, as shown below, defined following the analysis of the local context and the direct involvement of the internal functions within the regional governance centres.

Four thematic round tables



The first two round tables dealt with aspects linked to economic, social and environmental development: the theme of the development of entrepreneurial and managerial skills of local businesses and the community with focus on internationalisation, digitisation, environment, and the theme of technological, organisational-managerial and social innovation.

The other two round tables covered specific sectors, considered to be key to the development of the territories: the food and agriculture sector and tourism.

Below are the main findings that emerged for each thematic round table and the response from the competent regional governance centres.

PROFESSIONAL TRAINING, DEVELOPMENT OF ENTREPRENEURIAL SKILLS AND SUPPORT TO THE LOCAL COMMUNITY



Training

The increasing globalisation, the economic crisis and the digital transformation that have swept over Italy in recent years have led to structural changes in the Italian business system both in terms of business models and the needs for businesses to acquire the necessary tools and managerial skills to remain competitive on the markets. Said development is necessary to facilitate the generational transition, dimensional growth and internationalisation processes, as well as innovation, closely linked to digitalisation. Both in the north and south of Italy, these evolutionary changes are still finding businesses, especially small to medium sized ones, not always prepared from the technical and managerial point of view.

WHAT WE HAVE DONE

Implementation of training courses for the development of managerial skills:

- Intesa Sanpaolo Formazione implemented the “Skills4Business” training programme with modules addressed to SMEs, businesses and retail customers, including several areas: Digital Transformation, Think International and Think Green. Training sessions were organised for SMEs in the two regional governance centres. More specifically:
 - Digital Transformation, conducted in collaboration with the Business School of the “24 ore” Group, where companies can acquire the basic skills required for digitisation. The course involves an innovative check-up of the digital skills of the participating companies;
 - Think International, a training course where companies can gain an insight into the logics required for the internationalisation process of their business;
 - Think Green, a training course part of Intesa’s protocol “Diamo credito all’agroalimentare italiano” (Granting credit to the Italian food and agricultural industry) signed by the Intesa Sanpaolo Group with the Ministry of Agriculture, dedicated to companies operating in the food and agriculture sector. It is a course that aims to increase the skills of entrepreneurs in the food and agriculture industry to innovate their own company and seize the opportunities represented by the RDPs (Rural Development Plans).

Meetings and collaborations with local key players:

- The regional governance centre of Campania, Basilicata, Calabria, Puglia and Sicily held local meetings in concert with Intesa Formazione, to spread the knowledge of the new Patent box facilitated taxation scheme;
- The Lombardy regional governance centre initiated collaborations with the Galli Academy of Fine Arts in order to create a network of local businesses and schools with the aim of encouraging young people’s job placement and support to art and culture initiatives.

Local financial support:

- The Lombardy regional governance centre entered into “PerTe Prestito Con Lode” agreements with various technical institutes (Scuola di volo AIR Vergiate, T.P.S. Group di Gallarate, Fondazione ITS di Bergamo – Nuove tecnologie per il Made in Italy, IATH - Accademia Internazionale del Turismo e dell’Ospitalità) with the aim of fostering and developing a high level education. The agreements allow access to credit for students, vulnerable and young people with limited resources thus acting as a bridge for the transition from the world of education to work.

INNOVATION: SUPPORT TO BUSINESSES AND START-UPS



Innovation

Innovation is considered to be one of the development areas with the highest potential for business growth. A critical point in the South is the weak link between local managerial culture and companies' propensity to innovate due to the difficulty in creating a generational shift in a context of small to medium sized businesses characterised by a family-run structure. Lombardy is the most highly developed region in the Italian context, both in terms of the number of start-ups and innovative SMEs at the local level, as well as in terms of the presence of hubs and innovation centres.

Stakeholders believe that priority should be given to supporting innovative businesses and start-ups in the development of entrepreneurial skills, in strategic choices, such as the type of industry and the market to enter and in the creation of networking systems to facilitate contact with other businesses, investors and local key players to create "networking" opportunities. In today's context it is important to think about innovation as an element capable of developing a more sustainable business approach, one that is more socially and environmentally responsible in terms of impact reduction and risk management. In this sense, it is necessary to foster the development of skills and knowledge related to these issues, which are still little known and recognised within companies, especially among small and medium-sized enterprises. Finally, it is vital to encourage both public and private research and aid the Public Administration in the launching of innovative projects such as smart cities, in the definition of policies aimed at creating brain hubs and innovation-driven business networks, possibly organised according to clusters of development sectors and strategic chains.

WHAT WE HAVE DONE

Activation of synergies among local key players:

- Intesa Sanpaolo signed an agreement with Confindustria Piccola Industria to promote SME investment in research, innovation and training. The agreement "Progettare il futuro. Accelerazione, trasformazione digitale, competitività" (Planning the future. Acceleration, digital transformation, competitiveness) provides companies with a 90 billion credit limit and focuses on qualifying processes to finance growth, accelerating business investment, both through the use of a new rating model (capable of enhancing immaterial/intangible aspects along with purely financial and economic ones of the individual business realities) and with the proposal of targeted medium-long term financing solutions. The agreement also envisages the development of company employees through training activities and the creation of ecosystems or business networking. The regional governance centres conducted local road shows to meet corporate customers and present the opportunities offered by the agreement.

Business matching:

- Intesa Sanpaolo's digital platform "Tech-marketplace" which promotes the interaction between start-ups, tech SMEs and businesses, encouraging the meeting between technology innovation demand and supply, was made available. The goal is to create partnerships, trade agreements and acquisitions. With regard to businesses, it supports the exploration of technologies and new solutions for their business challenges. For start-ups and SMEs that supply technology, it facilitates the search for potential stakeholders within a select network.

Tools in support of local start-ups:

- A new start-up credit rating model called the Due Diligence Tool Scorecard (DATS) - already included in the Rules for credit-granting - was made official. This is the first "forward looking" valuation model adopted by a bank for debt financing, based on logics derived from the evaluation of investors in Venture Capital, borrowing the skills built over the past few years within the Intesa Sanpaolo Group. This new tool enables innovative companies and the Bank to best seize the opportunities offered by government measures and growth facilitations, recently extended to Industria 4.0 Plan. To date, the regional governance centre of Campania, Basilicata, Calabria and Puglia has adopted this new evaluation tool for over thirty new customers.

Internationalisation processes for Innovative Start-ups and SMEs

- A first event dedicated to the Automotive sector was held to foster the internationalisation process of Innovative Start-ups and SMEs in the Regional Governance Centre of Campania, Basilicata, Calabria and Puglia. 10 English and Italian start-ups with technologies applicable to the automotive industry participated in “Meet the right start up!”, the matchmaking event between early-stage companies and corporate customers that was held in London from 24 to 26 November within the Intesa Sanpaolo London HUB. The initiative offered to Start-ups selected by the Intesa Sanpaolo Innovation Observatory and SETSquared1 [i] the opportunity to present and discuss their project proposals during one-to-one meetings with investors. Customers were thus able to explore state-of-the-art solutions in their business segments and start industrial relations outside their home boundaries.

Agreements with incubators for start-up development:

- The Regional Governance Centre of Campania, Basilicata, Calabria, Puglia and Sicily, in order to strengthen the services tied to innovation, signed an agreement with Federico II University for the creation of an innovation hub at the university complex; the Lombardy Regional Governance Centre also entered into agreements with incubators for the development of local start-ups and SMEs.

Development of information portals:

- The Group implemented “Knowledgeshare”, a project born out of the collaboration between the Area Chief Innovation Officer of Intesa Sanpaolo, the Politecnico di Torino and Netval, the group that currently includes 56 Italian universities and 6 non-university public research institutes: the portal with information related to patents and technologies available to companies in which to find know-how and skills for the search of innovative solutions to specific business needs.

¹ collaboration between five leading universities in the Research field: Bath, Bristol, Exeter, Southampton and Surrey

SUPPORT TO THE AGRICULTURAL AND AGRO-FOOD SECTOR



Both in the North and in the South of Italy, the boost to technology, product and process innovation, especially in terms of production specialisation and the creation of chains and districts, emerges as a priority area for the agri-food sector. The boost to innovation goes hand in hand with the development of companies' managerial and entrepreneurial skills as a factor that favours the choice and proper management of investments.

Another important element for the sector is exports and the internationalisation of companies. To aid such a boost, it is necessary to encourage forms of association with the aim of creating supply concentration, cost and infrastructure sharing systems.

Given the numerous effects that the climate change and depletion of land and soil biodiversity have had on the sector's economy over recent years, greater attention has been paid to sustainable farming methods by both businesses and consumers.

The sustainability of the sector is also linked to the social sphere, especially in the South where the issue of human rights and labour protection remains critical.

WHAT WE HAVE DONE

Activation of synergies among local key players:

- Intesa Sanpaolo entered into a cooperation agreement with the Ministry of Food and Agriculture and Forestry Policies (Mipaf) aimed at providing concrete and specific responses to agribusinesses on access to credit. Through the agreement, the Banking Group has made a 6 billion euro credit limit available in three years to encourage investment in innovation, facilitate exports and internationalisation processes, aid generational turnover and resource training actions. The agreement provides to the agrifood sector 1.2 billion euro in three years to promote growth and employment opportunities in a strategic sector for the region's economy. The regional governance centres conducted local road shows to meet corporate customers and present the opportunities offered by the agreement;
- in order to access Intesa Sanpaolo's funding, agricultural and agri-food businesses can also rely on the "Programma Filiere", the project approved by the Bank to develop the production chains of excellence, enabling them to work in a logic that facilitates and improves access to credit.

Meetings and collaborations with local key players:

- The regional governance centre of Campania, Basilicata, Calabria, Puglia and Sicily organised a travelling tour across all the relevant Regions in collaboration with "Studi e Ricerche per il Mezzogiorno" (SRM) to give greater impetus to the dissemination of agricultural themes with the aim of promoting the development of the sector;
- the Lombardy regional governance centre acted as sponsor of the Food & Science Festival in Mantova, a three-day debate that followed on from Expo 2015, addressing the issue of nutrition in the light of the demographic explosion and the opportunities offered by science for agricultural productivity.

SUPPORT TO THE TOURISM SECTOR AND ENHANCEMENT OF THE LOCAL TERRITORY AS A LEVER FOR DEVELOPMENT



Tourism is a relevant sector for economic and social development both in the south and the north of Italy, however different specific characteristics emerged between the two territories.

The south, which possesses an environmental and landscaping, artistic, cultural and food and wine heritage and is also known for its hospitality culture, shows areas for improvement mainly linked to the management and enhancement of existing assets, structures and infrastructures.

Tourism in the Lombardy area (excluding the city of Milan) which has as its main elements the lakes areas (Lake Garda, Lake Como) and Valtellina, hence a tourism that is more closely linked to the natural and landscaping heritage, as well as the local food excellences, shows areas for improvement linked to the enhancement of the local tourism offering.

Very similar findings and requests emerge from stakeholders in both territories, such as more integrated and long-term planning, both in terms of tourism offering and communications, also linked to the need to develop coordination policies between the public and private sector. In particular, in Lombardy, the creation of an integrated supply capable of enhancing all the food and wine specificities is considered to be a key element for tourism development.

In addition, stakeholders highlighted the need to develop sector-specific training courses (hospitality, languages, hotels, etc.) with the aim of enhancing skills with a view to improving the level of customer service, and fostering innovation (e.g. use of new technologies). In particular, the south highlighted the need to develop more specialised expertise and professionalism at the local level thus giving rise to the request to align training with market needs.

WHAT WE HAVE DONE

Activation of synergies among local key players:

- Intesa Sanpaolo and "Movimento Turismo del Vino" (Wine Tourism Movement) signed a cooperation agreement to promote wine culture, supporting the growth of tourist flows in all areas of Italy with a strong vocation for wine, improving the quality of services offered to tourists and increasing the opportunities for growth and employment in vineyard areas. Intesa Sanpaolo makes available, on the one hand, its e-commerce portal "mercatometropolitano.it" devoted to the excellence of Italian companies and the quality of Made in Italy as a showcase for the development of online sales and, on the other hand, its own skills to support investments for the growth and requalification of the various wineries.

Meetings and collaborations with local key players:

- Support of the Lombardy Regional Movimento Turismo del Vino to "Lake Como Net", a corporate network of hoteliers in Lake Como born to promote the tourist offer and support projects related to the enhancement of the territory;
- The regional governance centre of Campania, Basilicata, Calabria, Puglia and Sicily, in collaboration with SRM, organised awareness-raising events on tourism related issues, considered one of the keys to the development of the south. The main ones were: "Il Turismo in Salento" (Tourism in Salento) in Lecce and "Il Turismo nella penisola Sorrentina" (Tourism in the Sorrento Peninsula) in Sorrento.

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Intesa Sanpaolo Spa

Registered office: Piazza San Carlo 156, 10121 Torino

Secondary Registered Office: Via Monte di Pietà 8, 20121 Milano

Share capital: Euro 8,731,984,115.92

Registration number on the Torino Company Register and Fiscal Code 00799960158

VAT number 10810700152

Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund

included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo" Group, included in the National Register of Banking Groups

