



Governance and risk management

# Governance structure

Intesa Sanpaolo adopts the "one-tier" management and control model, in which the management and control functions are exercised, respectively, by the Board of Directors and the Management Control Committee set up within it, both appointed by the Shareholders' Meeting.

Detailed information on the corporate governance system and remuneration – including references to diversity in the Board of Directors – is provided in the "Report on Corporate Governance and Ownership Structures" and in the "Report on the remuneration policy and the remuneration paid" published on the Bank's website, to which reference should be made. In particular, the model of attributions and responsibilities of the Bodies on ESG risks and the diversity profiles of the composition of the same Bodies are specifically represented in the Report on Corporate Governance and Ownership Structures.

## THE BOARD OF DIRECTORS

The Board of Directors is tasked with corporate management and may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, both of an ordinary and extraordinary nature. It performs strategic guidance and supervision functions for the Company and resolves on all the most important corporate deeds.

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

Within the Board there is a Management Control Committee, appointed by the shareholders' meeting, which is made up of five independent directors pursuant to the Articles of Association and exercises the control functions also as an internal control and audit committee (pursuant to Italian Legislative Decree no. 39/2010). The Ordinary Shareholders' Meeting of 30 April 2019 set the number of members of the Board of Directors at 19, appointing directors for the three-year term of office on the basis of the lists submitted by shareholders. The ordinary Shareholders' Meeting of 27 April 2020 confirmed the appointment of a director co-opted by the Board of Directors on 2 December 2019, following the resignation of another director in November 2019; in addition, it appointed a new director within the Management Control Committee, in replacement of an outgoing member. All directors are non-executive, with the exception of the Managing Director and CEO; 14 directors are independent. Minority shareholders are adequately represented (5 members) and present in all Board Committees with the chairmanship of the Management Control Committee and the Committee for Transactions with Related Parties. The Directors meet the requirements of fitness for office required by the regulations of reference and the provisions of the Articles of Association.

The Board Committees are indicated below, which are appointed by the Board of Directors from among its members, and support the same Board with its duties of performing investigations, providing advice and making proposals:

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

The Committees are composed of five non-executive Directors, the majority of which are independent, with the exception of the Committee for Transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, which is entirely composed of independent Directors. All the Committees are chaired by independent directors.

## RESPONSIBILITIES AND DIVERSITY OF THE MANAGEMENT AND CONTROL BODIES

According to Intesa Sanpaolo's Articles of Association, the Board shall adopt the necessary measures to ensure that each Director, and the Board as a whole, have a continually adequate level of diversification, including in terms of experience, age, gender and international orientation, in addition to competence, fairness, reputation, independence of mind, and time commitment.

In the document on the qualitative and quantitative composition of the Board of Directors published on the Bank's website in February 2019, in view of the renewal of the Corporate Bodies which took place with ordinary Shareholders' Meeting of 30 April 2019, the shareholders were asked to ensure that the new Board of Directors had the broadest gender diversity with adequate professional skills, as well as a diversity of age brackets amongst Directors, in addition to a comprehensive level of knowledge and experience.

With particular reference to the adequacy and diversity of the professional profiles required, a "Skills Directory"

has been drawn up in the document cited outlining the set of experiences, knowledge and skills – very good or distinctive, with a very broad, intermediate or limited dissemination – that are considered appropriate to achieve the optimal qualitative composition of the Board of Directors of Intesa Sanpaolo. The skills and expertise were subsequently strengthened and supplemented on the basis of training programs as well as of the intensive induction plan for both the new directors (onboarding) and the entire Board.

For further information on the skills declared by the individual directors at a distinctive level, reference is made to the Report on Corporate Governance and Ownership Structures (page 13).

The less-represented gender must be reserved a share of at least one third of the total members (7 members out of 19), as established by currently applicable laws on the matter of equal access to the administrative and control bodies of listed companies. Furthermore, in the current structure of the Board, the female gender is represented within all the Board Committees, reaches the majority of the members of the Committee for Transactions with Related Parties and has the chairmanship of the Risks Committee and the Nomination Committee.

The Board of Directors, also following the appointment of two new members in April 2020, assessed its composition as adequate, including in terms of diversity, and suitable for a properly balanced composition of the Board Committees. Senior officers of the subsidiaries are appointed by the Board of Directors, which operates according to uniform policies and principles at Group level and in compliance with the regulations and best practices applicable to each subsidiary, with specific importance given to the level of diversity, including in terms of age, gender, seniority of service, geographical origin and international orientation. In establishing the composition of the Bodies, the most adequate and effective mix of personal and professional profiles is sought for each subsidiary in terms of its nature, the structure of its activities and the risks taken. To this end, any indication made by the Management Body of each subsidiary during the annual self-assessment process is taken into account.

## TRAINING AND UPDATING OF THE DIRECTORS

With the support of the Nomination Committee, the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the Board. In this context, following the Chairman's indications, Board Members are encouraged to participate in initiatives meant to enhance the degree of knowledge of the operating sectors of the Bank and the Group companies, company dynamics and their development, principles of sound risk management and regulatory and self-regulatory environment of reference, also through formal and informal meetings aimed at further review of strategic matters.

Specific induction sessions were held during 2020 (6 sessions) which concerned, among others: the evolution of ESG issues and the Intesa Sanpaolo Group's commitment as part of a dedicated programme (with the participation of 16 directors); the application of European legislation on the processing of personal data (EU Regulation 2016/679, so-called GDPR); the regulatory aspects on anti-money laundering and related penalties (with the participation of 17 directors); the evolution of Cyber Risk; the evolution of the relevant US law (Dodd Frank Act/Volcker Rule); Product Oversight Governance.

In addition, a number of onboarding sessions were held in 2020 aimed at the directors appointed by the Shareholders' Meeting of 27 April 2020.

To promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, accounting positions and any additional documentation conducive to the performance of their duties is available to Board Members via a dedicated electronic platform and regularly updated.

The Board of Directors receives periodic reports from the corporate control functions on their activities, which illustrate the checks carried out, the results achieved, the weaknesses found and the proposals for action to be taken to eliminate them within the various company areas. These reports shall also cover anti-corruption issues.

Several Directors also hold positions on the Boards of Directors of leading Italian universities as well as on the Boards of foundations and third sector bodies active in the fields of art and culture, health, support to poverty and the circular economy and support to nutrition policies. In particular, a member of the Board of Directors, as well as Chairman of the Risks Committee, is a member of the Creares Scientific Council, a Centre for Research in Business Ethics and Social Responsibility which aims, among other things, to enhance research on business ethics, ethical finance, corporate governance and social reporting.

## REMUNERATION

Full information, both in qualitative and quantitative terms, is provided in the Report on the remuneration policy and the remuneration paid ("Report on Remuneration"), available on the website [\[i\]](#). The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined by

the Shareholders' Meeting in a fixed amount for the entire period of their office. The Shareholders' Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson. Pursuant to the Articles of Association, the Shareholders' Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of this Committee, consisting of an equal amount for each Member, but with a special addition for the Chairman.

Pursuant to the Articles of Association, the Managing Director is entitled to receive a fixed and variable remuneration tied to the position of General Manager, determined by the Board of Directors in line with the Remuneration and Incentive Policies approved by the Shareholders' Meeting.

As required by the Supervisory Provisions, in accordance with the principle of external competitiveness and in order to support the achievement of the ambitious strategic objectives, in 2017 the Shareholders' Meeting resolved to increase the incidence of variable remuneration to fixed remuneration up to a maximum of 2:1 for Group Risk Takers, including the Managing Director and General Manager.

Following the profound and sudden change in the macroeconomic context originating from the COVID-19 pandemic, as well as the ECB's invitation (with communications of 20 May 2020 and 28 July 2020) to banks to adopt the utmost prudence in the allocation of bonuses pertaining to 2020, with particular reference to Risk Takers, the Intesa Sanpaolo Group has provided for the reduction in the bonus pool of the Incentive System for the year 2020 with a consequent reduction in the bonuses to be paid to this cluster.

The variable component of remuneration, bound to the achievement of specific performance objectives linked to the creation of value for shareholders and adjusted for the risks assumed, is composed of the Annual Incentive System linked to the Managers' Performance Accountability assessment system and the 2018-2021 POP (Performance-based Option Plan) Long-Term Incentive Plan. In accordance with the Supervisory Provisions and the Group's Remuneration and Incentive Policies, both the short- and long-term variable components are subject to deferral and partly assigned in financial instruments subject to holding periods after the vesting period.

Specifically, under the Annual Incentive System, if the bonus accrued is equal to or less than 100% of the fixed remuneration, 55% is paid in shares and the remainder in cash. On the other hand, if the bonus accrued is more than 100% of the fixed remuneration, 60% is paid in shares and 40% in cash. Furthermore, the disbursement of 60% of the bonus is deferred for 5 years. The payment of the deferred amounts is subject to the verification of the malus conditions each year. Finally, the company reserves the right to activate claw-back mechanisms on bonuses already paid in the 5 years following their payment in the event of disciplinary measures against fraudulent or grossly negligent conduct and in the event of conduct that does not comply with the provisions of the law, regulations, articles of association or any codes of ethics or conduct resulting in a "significant loss" for the Bank or for customers.

The ESG (Environmental, Social and Governance) issue has become increasingly important in recent years in the context of remuneration policies. This phenomenon is due not only to growing pressure from the Regulator and the consequent evolution of the sector regulations, but also to the increasing awareness of the issue on the part of Proxy Advisors and international Shareholders.

Therefore, the Intesa Sanpaolo Group has included in the CEO's Performance Scorecard, among the non-financial KPIs, two specific indicators aimed at monitoring the issue from different perspectives. In particular:

- in continuity with the past, the "Diversity and Inclusion" KPI (weight equal to 10%) was confirmed, assessed on the basis of the presence and positioning of Intesa Sanpaolo in international indices of specialised companies and relevant, within the scope of the related internal parameters, among others, to the enhancement of female talent and the gender pay gap, as well as the dissemination and promotion of Smart Working initiatives;
- the KPI "Impact and ESG" (weight equal to 10%) was introduced in 2020. This KPI was evaluated according to specific drivers aimed at monitoring, among other things, the Group's inclusion in the sustainability indices of specialist companies, support for the Green and Circular Economy, the Group's commitment to impact financing to foster inclusion and support for youth employability (see the Report on the remuneration policy and the remuneration paid), as well as the promotion of art and culture.

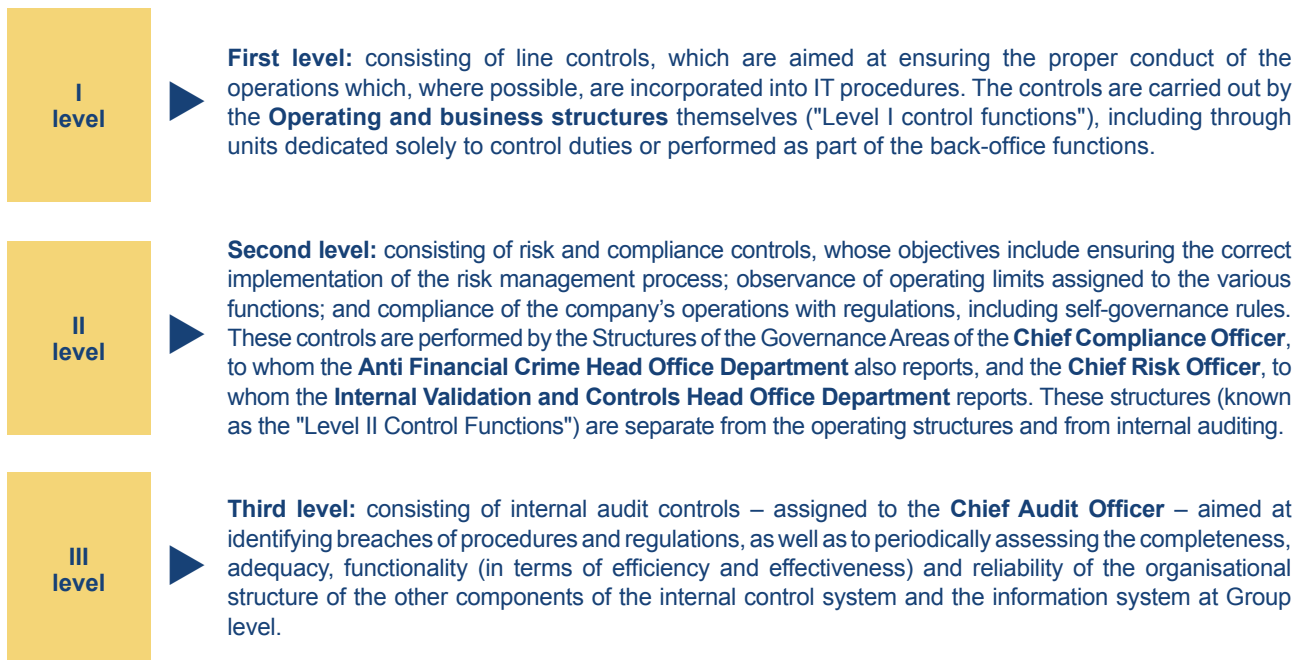
It should be noted that the "Diversity and Inclusion" KPI has also been assigned to all managers since 2018. With regards to the KPI "Impact & ESG", it is noted that the objective was structured, beginning with the CEO's first line, on the basis of the levers used and, in particular, it was assigned to 4 top managers and 35 managers involved in the sustainability projects to varying degrees.



## THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

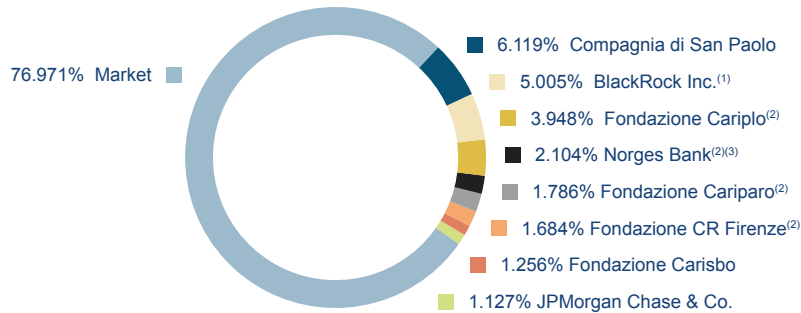
To ensure sound and prudent management, which combines business profitability with informed risk taking and operating conduct underpinned by fairness, the Bank has adopted the Integrated Internal Control System Regulation.

The internal control system has been designed to achieve constant monitoring of the identification, governance and control of the risks involved in our activities and is based on three levels:



## SHAREHOLDER BASE

The share capital of Intesa Sanpaolo is equal to 10,084,445,147.92 euro, divided into no. 19,430,463,305 ordinary shares. In February 2021, Intesa Sanpaolo's shareholder base was composed as follows (holders of shares with voting rights exceeding 1%\*):



(\*) Italian regulations (Article 120 of the Consolidated Law on Finance) provide for the obligation to notify the investee company and Consob of the threshold of 3% of the share capital with voting rights held in a listed company being exceeded, as well as (Article 19 of the Consolidation Law on Banking) the prior authorisation of the European Central Bank to acquire a significant shareholding in a bank or that entails the possibility of exercising significant influence over the bank itself or the acquisition of a shareholding that attributes a share of the voting rights or of the capital at least equal to 10%. Due to the persistent uncertainty regarding the evolution of the economic and financial situation generated by the COVID-19 epidemic, Consob, with Resolution dated 13 January 2021, extended for a further three months (from 14 January to 13 April 2021) the additional provisional threshold of 1%, upon exceeding which it becomes necessary to fulfil the disclosure obligations laid down by Article 120 of the Consolidated Law on Finance (the so-called "transitional enhanced transparency regime"), most recently introduced with Resolution dated 7 October 2020. Anyone who, on the date of entry into force of the Resolution, holds a share above the 1% threshold and below the 3% threshold is required to disclose this within 10 business days from the aforementioned date.

Furthermore, shareholders that are fund management companies may be exempted from disclosure up to the 5% threshold.

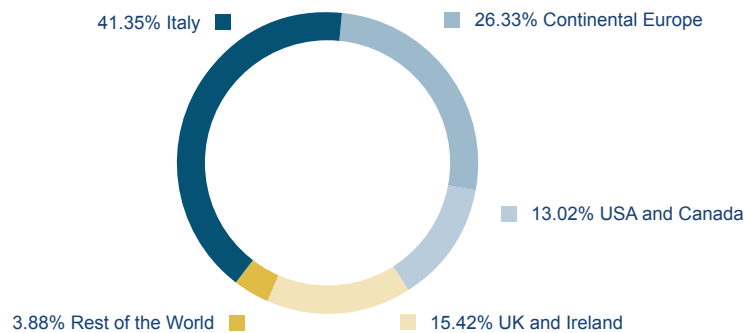
(1) BlackRock Inc. owns, as assets under management, aggregate investment equal to 5.066% as per form 120 B dated 4 December 2020.

(2) The percentage of equity investment was recalculated as a result of the changes in share capital that occurred following capital increases on 5 August 2020, 17 September 2020 and 5 October 2020, serving, respectively, the Public Purchase and Exchange Offer on UBI Banca shares, the consequent Procedure for the Fulfilment of the Purchase Obligation pursuant to Art. 108, sub-paragraph 2 of the Consolidated Law on Finance (TUF) and the subsequent Joint Procedure for the exercise of the Right of Squeeze-Out pursuant to Art. 111 of the Consolidated Law on Finance (TUF) and fulfil the Compulsory Squeeze-Out pursuant to Art. 108, sub-paragraph 1 of the Consolidated Law on Finance (TUF).

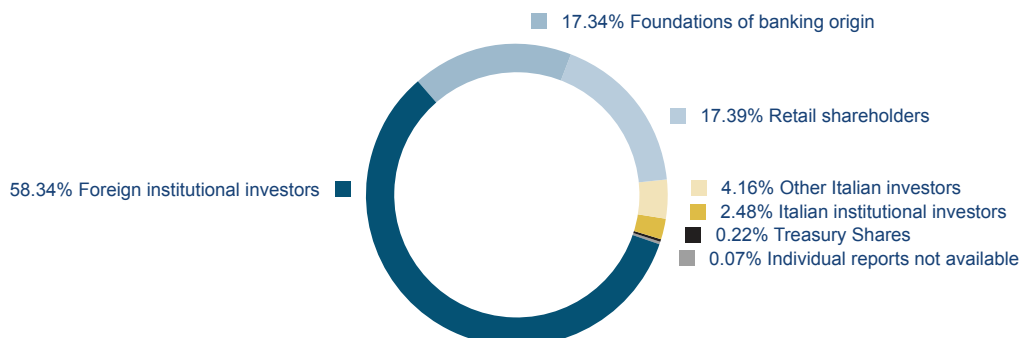
(3) Including on behalf of Government of Norway.

The estimate of shareholder composition by geographical area and by type of shareholders is provided below, based on the latest available survey of Intesa Sanpaolo's total shareholder base (May 2019) and integrated with the evidence of subscriptions to the Public Purchase and Exchange Offer on UBI Banca shares.

## SHAREHOLDER COMPOSITION BY GEOGRAPHICAL AREA



## SHAREHOLDER COMPOSITION BY TYPE OF SHAREHOLDERS



## RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on fair and timely communication.

During 2020, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a firm point of reference for stakeholders. To guarantee access to all, again in 2020 this information was made available quickly, easily and economically through a number of channels like Internet and conference calls via a freephone number. The Investor Relations section of the website [\[1\]](#) boasts well-organised content and updates on topics, always providing stakeholders with extensive, systematic information. In order to contribute to the creation of sustainable value over time, regular and frequent meetings were held with the financial community that consolidated long-term relations based on mutual trust.

Special attention was also paid to SRI (Socially Responsible Investment) investors and analysts, with dedicated events and road-shows.

## INTESA SANPAOLO STOCK PERFORMANCE

The performance of Intesa Sanpaolo ordinary shares in 2020 mirrored that of the banking sector indices, showing a substantially stagnant trend in January, an upward trend in February, up to the third week, when they reached a peak, followed by a sharply downward trend until April, when the stock price reached its low, followed by a recovery until early June, a fluctuation until mid-September, a downward trend until the end of October and a recovery in the last two-month period, which brought the share price to end the year down 18.6% on the end of 2019.

Intesa Sanpaolo's capitalisation dropped to 37.2 billion euro at the end of 2020, from 41.1 billion euro at the end of 2019.

## SHAREHOLDERS' MEETING

For Intesa Sanpaolo, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.

Intesa Sanpaolo has always strived to encourage the broadest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.

The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate, or upon request by Shareholders representing at least one twentieth of the share capital.

The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman of the Board of Directors.

In 2020, the ordinary and extraordinary Shareholders' Meeting was held on 27 April.

## RIGHT TO ATTEND AND VOTE

Each share gives the right to attend and vote at Ordinary and Extraordinary Shareholders' Meetings (each share carries one voting right).

# Sustainability Governance

The strategic guidelines and policies on sustainability (ESG – Environmental, Social, Governance) are approved by the Board of Directors with the support of the Risks Committee, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders.

In its 2018-2021 Business Plan, Intesa Sanpaolo committed to strengthening its leadership in corporate social responsibility, aiming to become a model of reference in terms of sustainability and social and cultural responsibility. The main ESG responsibilities of the Intesa Sanpaolo Bodies and Structures are specified below.

<b>Board of Directors</b>	With the support of the Risks Committee, the Board of Directors approves the Code of Ethics and its updates as well as the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders. With the support of the Risks Committee it also approves the CNFS, ensuring that it is drafted and published in compliance with applicable regulations.
<b>Risks Committee</b>	The Risks Committee supports the Board in assessing and analysing sustainability issues (ESG) related to the Bank's operations and in approving the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, helping to ensure the best possible risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders. It also supports the Board in the approval of the Code of Ethics and the CNFS, in particular by examining the contents of the materiality matrix, which identifies the most potentially relevant issues in the area of sustainability.
<b>Management Control Committee</b>	With the support of the functions responsible for sustainability (ESG) and internal auditing, the Management Control Committee monitors compliance with the principles and values contained in the Code of Ethics. With regard to the CNFS, it monitors compliance with the provisions set out in Italian Legislative Decree no. 254/2016 and reports on this in its annual report to the Shareholders' Meeting.
<b>Managing Director and CEO</b>	The Managing Director and CEO governs the sustainability performances and has the power to submit proposals to the Board for the adoption of resolutions within its remit.
<b>Steering Committee</b>	The Committee collaborates in the identification of sustainability issues (ESG) that are potentially relevant for the definition and updating of the materiality matrix. Taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders, it collaborates in the definition of strategic guidelines and sustainability policies (ESG), including the model of social and cultural responsibility and the fight against climate change, which the Managing Director and CEO submits to the relevant Board Committees and the Board of Directors. It also examines the CNFS prior to its presentation to the Board. In order to review these issues, the Committee meets at least quarterly as part of the Business and Sustainability Plan (ESG) session. It is also tasked with guiding the consistency of technological development, with specific reference to artificial intelligence/machine learning, with the Group's ethical principles.
<b>ESG Control Room</b>	The ESG Control Room supports the Steering Committee - Business Plan and Sustainability (ESG) Session - in the strategic proposition relating to ESG issues; it takes care of the operational coordination for the implementation of the most relevant ESG initiatives and assesses the opportunity and solidity of any new initiatives in this area. The ESG Control Room relies on the Sustainability Managers, identified in each Area and Division, who guarantee an overall and integrated supervision of ESG initiatives for the relevant scope and contribute to the Group's strategic proposition on these issues.
<b>Corporate Social Responsibility</b>	Within the Financial Market Coverage Department of the Chief Financial Officer Governance Area, Corporate Social Responsibility oversees the process of defining, approving and updating the guidelines on sustainability, in accordance with the company's strategies and objectives. It also updates the Code of Ethics and monitors its application with the support of the function responsible for internal audits. It draws up the CNFS. It oversees relations with the financial community with respect to sustainability issues. It oversees the promotion and implementation of sustainability aspects in the Group's strategies and operations, including climate change issues, also in collaboration with other structures. It is responsible for the Group's communication and training activities on sustainability. It oversees stakeholder involvement with respect to sustainability issues.

The sustainability governance system is based on the strong involvement of the Risks Committee, established within the Board of Directors to offer support, including in the assessment and analysis of ESG issues. To this end, Corporate Social Responsibility (CSR) periodically meets with the Committee to agree upon the approach and report on the progress of processes and activities related to sustainability and non-financial reporting. In



2020 it took part in four meetings with the Risks Committee (with the Management Control Committee invited to three of them) to provide information on the 2019 Consolidated Non-financial Statement, on the Consolidated Non-financial Statement as at 30 June 2020, drawn up on a voluntary basis and published in September, on Intesa Sanpaolo's positioning in the main sustainability/ESG indices and rankings and on the Guidelines for the governance of environmental, social and governance risks in lending activities and Rules for lending transactions in the coal sector.

In addition, it presented the Annual Report on the implementation and governance of the Code of Ethics to the Management Control Committee together with the Surveillance Body pursuant to Italian Legislative Decree 231/2001.

In these activities, CSR is supported by a network of about 60 CSR Contacts appointed in the main structures and by the CSR Delegates identified in each of the Banks that are part of the International Subsidiary Banks Division.

During 2020, CSR promoted specific initiatives, including responding to 15 assessments from investors and analysts on ESG and climate change issues, and holding 36 meetings with 54 parties including investors and analysts focusing on sustainability, in collaboration with Investor Relations and Investor Coverage.

The ISP4ESG internal Project launched in 2019 to consolidate the Group's leadership in sustainability was able to achieve important developments in the year just ended. This project, to be considered as a wide-ranging and high-impact initiative, promoted by the CFO in coordination with the Strategic Support Department, involves all the different Group structures and aims to integrate ESG logics into the Bank's business model and strategy.

The main activities carried out in 2020 were as follows:

- Preparation of a sector mapping of the Group's loan portfolio from an ESG perspective. This activity saw the involvement of the Chief Financial Officer, Strategic Support Head Office Department, Chief Risk Officer, Chief Lending Officer areas, as well as the participation of the BdT, IMI-CIB and ISBD Divisions. This debtor aggregation methodological framework makes it possible to analyse customer exposure by sector and was prepared taking into account market best practices and potential regulatory requirements. This mapping will become a preliminary step for dynamically orienting the loan portfolio towards more sustainable exposures, identifying new business opportunities and responding to regulatory requests (e.g. EU Taxonomy).
- The ESG Control Room was set up in October to support the Steering Committee, with the task of coordinating the numerous ESG initiatives already undertaken by the Divisions and Governance Areas and coherently evaluating new opportunities and cross-cutting projects within the ESG scope. Concurrently, the Sustainability Managers were appointed who, reporting directly to the Area and Division heads, guarantee an overall and integrated supervision of ESG initiatives for the relevant department and contribute to the Group's strategic proposition on these issues.
- In the last part of the year, the Sustainable Investments process was launched in order to develop new methodologies and common guidelines at Group level aimed at incorporating ESG factors in the offer of investment products, including in relation to new regulatory provisions.

With the ISP4ESG project, Intesa Sanpaolo is committed to generating a concrete impact within the company and on society; one of the pillars is the dissemination of the ESG culture both among the Group employees and by transferring their knowledge outside, particularly among its customers. Intesa Sanpaolo is about to release a basic ESG training course for its employees which will be available on the Group's e-learning platform, followed by initiatives for customer companies.

## ESG TRAINING

Training activities within the Intesa Sanpaolo Group on ESG issues were the subject of a specific focus in terms of both planning and implementation. Thus, initiatives were launched which, through the provision of live and digital content, made it possible to provide a total of almost 57,000 hours of training, with around 802,000 accesses to digital platforms being registered. The Management School alone, through a catalogue of almost 130 hours divided into topics ranging from diversity to inclusion, from smart working to ethics and from the circular economy to environmental sustainability, managed to exceed 2,500 views during the year.

With the aim of disseminating a basic culture on ESG issues and strengthening its specialised expertise, a training programme of remote classrooms was launched within the IMI Corporate & Investment Banking Division, which involved a group representing all the Division's Head Office Departments.

The educational project entailed the involvement of a pool of employees interested in ESG matters, then called upon to act as "ambassadors" in their respective Structure. The live, interactive training experience in Italian and English saw the involvement of speakers within the Division and the Group. The series of meetings generated a constant exchange of information both within the IMI Corporate & Investment Banking Division and between the Division and the other Group structures in order to share not only introductory notions on ESG issues but also in-depth topics on product offering, business activities, business analyses, credit and risk.

The training course reached about 500 hours of total content in 2020, broken down into 13 separate modules which involved about 417 participations during the year.

Within the Insurance Division, initiatives dedicated to training on ESG issues were implemented for all company employees. More specifically, also through the involvement of market experts, meetings and in-depth events were organised for the Top Management and the Board of Directors of the Insurance Group on the integration of Sustainability into the business strategy.

In parallel with the managerial training, a process was conducted within Intesa Sanpaolo Vita which involved 10 employees across different areas (Products Area, Commercial Area and HR Area) who participated in a Specialised Training programme with the aim of investigating the impact of ESG factors on business and governance models. The 5 training modules that were held in live streaming between June and September, through experiences and authoritative external testimonies, dealt with issues related to the regulatory system, the national and international evolution of sustainable development, strategies and tools to identify, assess and manage the ESG performance of companies.

Also within the Private Banking Division and the product factories of Fideuram Asset Management SGR and Fideuram Asset Management Ireland, numerous activities were launched during the year, aimed at disseminating the internal culture on ESG issues: in particular, training courses on systems and processes, preparation for adaptation to new regulations on the subject of sustainability, initiatives in support of the community, personnel policies and operational measures aimed at reducing the environmental footprint have contributed to the dissemination and strengthening of the ESG culture. In 2020, a total of over 2,000 training hours were provided between the Division and the product factories to a total of over 28,000 attendees.

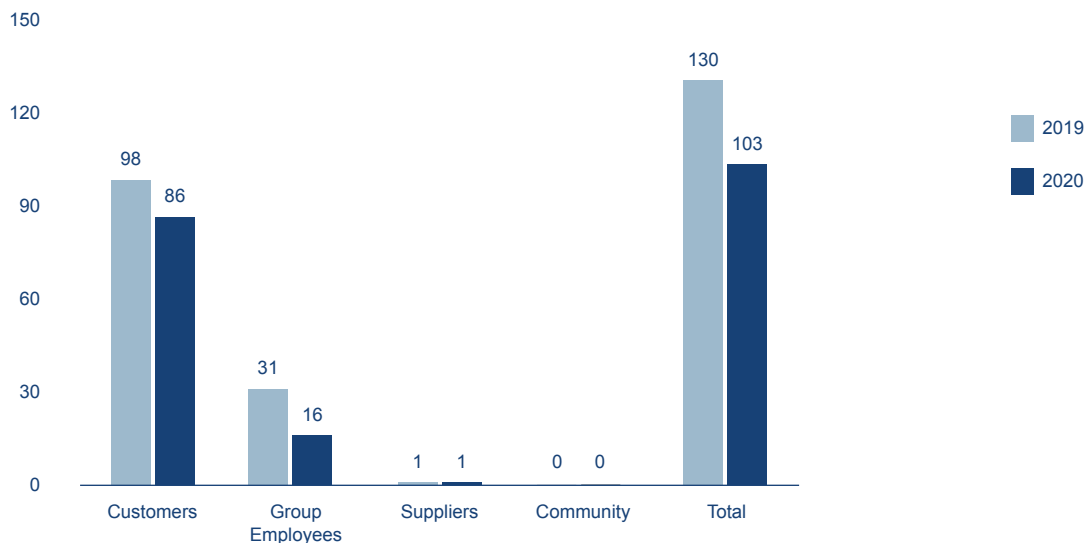
## IMPLEMENTATION AND GOVERNANCE OF THE CODE OF ETHICS

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

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

- The principle of self-responsibility, where each structure is directly responsible and ensures adherence to the values and principles of the Code, setting the related objectives and action plans and, where appropriate, appointing a CSR Contact and Sustainability Managers.
- The commitments set out in the Code are given practical expression in the annual reporting process (Consolidated Non-financial Statement), which presents the management policies and procedures, initiatives, indicators and objectives for the issues relevant to the stakeholders and the business. Furthermore, in 2020 also the process was reinforced by the half-yearly non-financial reporting.
- The analysis and subsequent certification of corporate social responsibility governance by an independent third party in accordance with the principles and contents of standard ISO 26000, published annually on the website [\[1\]](#).
- The Governance was assessed according to the method UNI PdR 18:2016, which concluded with a rating of "Consistent and excellent" and a score of 45 on a scale from 15 to 45. The assessment highlighted a complete maturation of the Group CSR Governance, with the activation of a Control Room dedicated to ESG issues. The scoring for Italy shows an increase in relation to 4 issues (Integrity in corporate conduct; Sustainable investments and insurance; Transition to a sustainable, green and circular economy; Financial inclusion and supporting production), and the number of topics that attained the highest score stands at 6. The integration of ESG issues into cross-cutting processes (human resources management, health and safety, management of direct impacts on the environment, prevention of corruption) is mature and complete. The COVID-19 emergency has accelerated the assimilation of the ESG logic in the typical processes: credit granting, asset management, insurance product management. Further progress was made to strengthen the synergy with International Subsidiary Banks, creating, where possible, functional reporting to the head office department and the fine-tuning of internal reporting tools. In relation to the International Subsidiary Banks, there was an improvement in relation to all the topics, except for Diversity and Inclusion, which maintained the same score as the previous year. Still at an international level, a systemic approach emerges, capable of expressing objectives, action plans and monitoring in relation to the achievement of the preset targets.
- The CSR structure is responsible for the management of cases of non-compliance with the Code of Ethics. It receives reports sent in and, following the necessary checks, replies in collaboration with the structures concerned, ensuring to protect the reporting parties from any form of retaliation, discrimination or penalisation, and guaranteeing the utmost confidentiality, without prejudice to obligations laid down by the law. In 2020, 103 reports were received, down from the previous year (130 in 2019): 89 were received in Italy and 14 from abroad.

## Non-compliance reports for stakeholders



- The highest number of reports came from customers (86), followed by those from employees (16). The category having the greatest impact in the area of customer complaints concerns the difficulty of access to branches or online services by people with disabilities (16 reports). 10 reports concern operating issues also connected to service management difficulties during the pandemic. The Group employees sent 16 reports, 5 of which from abroad; the issues most felt are tensions in the workplace and the integration difficulties experienced by employees with disabilities, who have been especially impacted by the measures imposed due to the health emergency. 3 reports were received from employees with disabilities in relation to the Diversity and Inclusion Policy, managed in collaboration with the new Diversity & Inclusion structure. Non-discrimination issues were constantly and carefully monitored in 2020 as well.
- The dissemination of the culture of sustainability: there has been a new growth in the views of the collection of 9 pieces of training modules (videos and drama series) on the values and principles of the Code of Ethics made available in 2018 and further expanded in 2019 with 6 new items dedicated to the analysis of sustainability issues within Intesa Sanpaolo, like the challenge related to climate change, human rights, financial inclusion and sustainable investments. In total, the videos available in the Collection had over 24,000 views in 2020, with a maximum of 6,700 views for the course dedicated to the "Principles of conduct in customer relations". Each course had at least 400 views in 2020 alone. Furthermore, in 2020 the training activities dedicated to the CSR delegates of the Banks of the International Subsidiary Banks Division continued. There were two main initiatives targeted at this community, also involving other interested local functions: the former aimed at supporting banks in the implementation and integration of the rules on donations, issued in 2019. The course involved a total of 35 employees in 4 online webinars lasting two hours each, held between June and October 2020. The latter aimed at sharing the Group's methodologies for local non-financial reporting, starting from the main international non-financial standards and also gathering suggestions to improve the process. The programme involved 25 participants in a single online session, held in December 2020.

Compliance with the principles and values of the Code of Ethics was monitored with the support of the Chief Audit Officer, so that it could be reported annually to the Management Control Committee and the Surveillance Body pursuant to Italian Legislative Decree 231/2001. Checks were conducted on 12 risk areas (for a total of 35 audits) that also considered social and environmental responsibility aspects and implications including:

- Transactions with Related Parties and associated entities;
- Personnel remuneration and incentive systems (in various Group companies);
- Mixed contract in Intesa Sanpaolo;
- Reporting on the loans granted by the Research and Development Special Fund;
- Checks on credit disbursement activities on specific segments or business areas, in correlation with the current pandemic emergency (loans to SMEs – Italian "Liquidity" Legislative Decree and corporate advances);
- Monitoring of innovation in the Banca dei Territori Division;
- Structure and management of the Fund for Impact (mainly with regard to aspects related to financial inclusion);
- Business Model of individual Group companies (ISP Forvalue) or specific partnerships (Banca 5 - Oval Money);
- Customer complaints management activities and in general measures aimed at assessing customer service quality (Follow up Anti-Fraud Controls in ISPB - cash withdrawals, card issuance and customer due diligence; Assessment on controls for investment and banking services in Fideuram ISPB);
- Sponsorships and donations (Art, Culture and Historical Heritage Head Office Department).

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

# Management of environmental, social and governance risks

The Group has implemented specific processes and responsibilities to understand and manage risks in such a way as to ensure long-term soundness and continuity, extending the benefits to its stakeholders.

Below is an overview of the main ESG risks that are significant due to their potential impact on company activities and the related mitigation measures.

The following sections go into more detail and describe the main controls relating to some of the risks identified in the table below. A specific table explains in depth the risks associated with the environment and climate risk.

Issue	Potential risk	Potential impacts	Mitigation measures
Integrity in corporate conduct	Risks of non-compliance with applicable legislation (corruption, money laundering, taxation, free competition, privacy, labour law) and ineffective response to regulatory changes Risk of providing employees with insufficient or no training Reputational risks	Fines and penalties, limitations to conducting business Damage to reputation and brand	Compliance system divided into different levels to monitor the risk of non-compliance, with specialised functions Internal control system Definition of corporate internal regulations Specialist training for employees Introducing a whistleblowing system Guidelines for the governance of environmental, social and governance risks in lending activities and associated self-regulation policies for sensitive sectors Adherence to UNEP FI's Principles for Responsible Banking (PRB)
Service quality and customer satisfaction	Unfair commercial practices Inadequate customer service levels Inadequate customer communications Ineffective transition from traditional to digital channels Inadequate customer communications Business continuity in the event of an emergency, blocking or malfunctions	Loss of competitiveness, customers and market shares leading to reduced profitability Disputes and complaints Fines and penalties Damage to reputation and brand Damage to persons and objects during robberies	Model focussing on the level of service, on personalised advice, and on transparency Process of clearing for new products and services Careful and proactive management of complaints Innovation in the offer aimed at ensuring accessibility to services Business continuity plan
Multichannel approach and accessibility	IT risk		Prevention of IT risk
Health and safety of customers and employees	Accidents in the workplace Occupational diseases Robberies		Certification of the health and safety management system (ISO 45001) in all branches and buildings in Italy Assessment and management of infection risk Risk assessment for workplaces and work processes Coordination and rules for health and safety management systems in Banks of the ISBD scope Preventing and combating robberies

Issue	Potential risk	Potential impacts	Mitigation measures
Employee well-being	Health and safety of employees	Employee dissatisfaction with impacts on productivity	Risk assessment of subjective and social conditions Assessment of work-related stress Work-life balance initiatives Prevention and welfare for employees
Supporting production	Management of social and environmental risks in loans Transactions or loans in sensitive sectors Reputational risks	Non-performing loans or needs for provisions Damage to reputation and brand	Rating model which also includes intangible aspects of companies Risk clearing processes which include environmental, social and governance aspects Equator Principles for project finance Guidelines for the governance of environmental, social and governance risks in lending activities and associated self-regulation policies for sensitive sectors Opinions involving the assessment of social-environmental factors
Sustainable investments and insurance	Assessment and control of ESG risks in the investment portfolios Investments in sensitive sectors Reputational risks	Loss of competitiveness, market shares and customers who are conscious of ESG aspects, leading to reduced profitability Damage to reputation and brand	Subscription to PRI (Principles for Responsible Investment) and the Principles of Stewardship Subscription to PSI (Principles for Sustainable Insurance) Range of Ethical/ESG funds Company engagement activities
Retention, enhancement, diversity and inclusion of the Group's people	Inadequate employee growth and motivation Incapacity to acquire and maintain talent Insufficient focus on diversity and inclusion issues	Employee dissatisfaction with impacts on productivity Lack of adequately trained and qualified personnel Inadequate customer service levels	Investments in training activities Talent management programmes Recognition of employees' merit Initiatives to ensure diversity and inclusion Diversity & Inclusion Principles Sexual orientation and identity diversity regulations
Employment protection	Conflicts and related labour dispute risks	Disputes Strikes with impacts on service continuity for customers Employee dissatisfaction with impacts on productivity	Responsible management of corporate restructuring processes, with the reallocation of employees to other activities New hires to promote generational change Management of labour dispute risks



The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function during the identification and assessment processes, but also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.

In this context, Intesa Sanpaolo attributes particular importance to risks associated with third parties, climate change and geopolitical and geo-economic tensions.

In the current connected, digital and highly competitive global scenario, partnerships with third parties offer opportunities to achieve higher levels of efficiency, while optimising operating costs and permitting a greater focus on core activities, by investing in the bank's growth and improvement. At the same time, the increasing recourse to third parties also gives rise to relationships of dependency that may expose the bank to significant risks, relating in particular to control over the level of service offered, the management and protection of data, the continuity of systems, and concentration, compliance and reputational risks. The Intesa Sanpaolo Group seeks to contain risks arising from third parties, such as suppliers and outsourcers, with which it establishes collaborative relationships, in particular in the context of outsourcing. In view of this goal, it assesses the potential risks through an adequate selection of the supplier/outsourcer, a defined onboarding process and constant monitoring throughout the life cycle of each partnership.

The outlook for global economic growth shows significant vulnerabilities and downside risks, primarily relating to the uncertainty of the recovery of trade and global manufacturing and geopolitical tensions, which remain high. In addition, the spread of COVID-19, with its implications for public health, economic activity and commerce, is capable of exerting a significant negative effect on global growth.

As regards the risks connected with climate change, see page 69 (Management of potential risks and impacts related to climate change).

## MONITORING OF ESG AND REPUTATIONAL RISKS

In accordance with its approach to Corporate Social Responsibility and the principles outlined in the Code of Ethics, the Intesa Sanpaolo Group is aware of the importance of the correct and responsible allocation of resources, following social and environmental sustainability criteria. Therefore, it promotes balanced development that can redirect capital flows towards sustainable investments that balance interests like the preservation of the natural environment, health, work, the well-being of the whole community and the safeguarding of the system of social relations.

To this end, it takes into account social, environmental and governance risks (ESG - environmental, social and governance) associated with the activities of customer companies and pays particular attention to the study of sustainability issues related to sectors considered to be sensitive, i.e. those having a significant risk.

In particular, the monitoring of such risks entails:

- their inclusion in the Risk Management framework, with particular reference to the Governance of environmental, social and governance risks in lending operations, the Governance of Reputational Risks<sup>1</sup> and the Management of the Most Significant Transactions;<sup>2</sup>
- their assessment within the processes related to the implementation of the Equator Principles<sup>3</sup> and Reputational Risk Clearing;
- a specific focus on reputational and climate change risks within the "Risk Appetite Framework"<sup>4</sup>.

(1) Reputational risk is defined as the current or prospective risk of a decrease in profits or capital due to the negative perception of the Bank's image among customers, counterparties, the Bank's shareholders, investors and Supervisory Authorities.

(2) Transactions of particular importance, of a proprietary type or with individual customers or counterparties, potentially capable of having a significant impact on the overall risk profile and/or the specific risks of the Group.

(3) The Equator Principles (EP or Principles) are international Guidelines (that financial institutions adhere to on a voluntary basis) for the management of socio-environmental risks arising from project financing. The Principles are based on the criteria of the International Finance Corporation (IFC) of the World Bank (the Performance Standards), which concern, amongst other issues: the assessment of social and environmental impacts; the protection of workers' rights; the exclusion of child labour and forced labour; the prevention of pollution and the promotion of energy efficiency; risks to the health and safety of communities; the consultation of the populations concerned and protection of their rights; safeguarding biodiversity and the sustainable management of natural resources; and the preservation of cultural heritage.

(4) The RAF represents the overall framework within which corporate risk management is developed, and is divided into (i) general principles of risk appetite; (ii) monitoring of the Group's Overall Risk Profile; (iii) monitoring of the Group's Main Specific Risks.

## ESG RISK GOVERNANCE MODEL

As part of the ESG risk management framework, of particular importance are the "Guidelines for the governance of environmental, social and governance risks in lending activities" and the associated "Rules on operations in the coal sector" which, published in 2020 and designed to strengthen the presence of ESG aspects in financing decisions; also connected with this area are the Rules for the Equator Principles, updated on the basis of recent changes in this area (publication of "EP IV" regulation).

According to the company ESG risk regulation, the Group pledges not to finance companies or projects which stand out for their negative impact on:

- UNESCO World Heritage Sites<sup>5</sup>
- wetlands according to the Ramsar Convention<sup>6</sup>
- IUCN protected areas, categories I to VI<sup>7</sup>

The Bank also pledges not to finance companies or projects if, during the assessment of the transaction, they are discovered to be located in areas of active armed conflict, or if evidence - such as legal proceedings promoted by the competent authorities - emerges of violations of human rights and forced or child labour practices.

The Group also clarifies the business sectors which it identifies as particularly sensitive from an ESG perspective and which may be subject to implementing rules that establish specific criteria for limitations or exclusion from financing activities; particular attention is also focused on the evaluation of the ESG/reputational risk profiles connected with operations in these sectors. Among the sensitive business segments from an ESG perspective, the coal sector and the arms production and trading sector are of particular importance and subject to a specific internal regulation.

In particular, as regards the coal sector the regulation defines the limits and exclusion criteria for the Group's lending operations in the segments of thermal coal extraction and coal-fired power plants, supporting customers in their efforts to reduce their use of coal for the production of energy (phase-out) and encouraging the transition towards low carbon-intensity alternatives, such as renewable sources and gas. The Group will continue to finance businesses that demonstrate a documentable mid to long-term strategy for gradually reducing their use of coal or which request financing directly connected with the low carbon transition, for example in the form of "green loans", "sustainable loans" or "transition loans".

In relation to the arms industry, in keeping with the values and principles expressed in the Code of Ethics and aware of the need to support national and European defence together with the countries of NATO, the Intesa Sanpaolo Group, with regard to the activities of its domestic and foreign subsidiaries, does not support operations connected with the production and/or trade of weaponry, even when permitted by applicable law, in countries that do not belong to the European Union and/or NATO. Any operations in countries which do not belong to the European Union or NATO are subject to the approval to Intesa Sanpaolo's Managing Director and CEO, after consultation with the Chief Compliance Officer, who shall assess such requests paying particular attention to the existence of intergovernmental programmes with the Republic of Italy. The company rules also prohibit the undertaking of any kind of banking or lending activity related to the production of and/or trade in controversial weapons and/or those banned by international treaties and in particular: nuclear, biological and chemical weapons; cluster and fragmentation bombs; weapons containing depleted uranium; and anti-personnel landmines. In addition to the provisions already adopted by Intesa Sanpaolo for its domestic and foreign subsidiaries, in accordance with the provisions of Italian Law 185/1990, there are specific rules for the Group's International Subsidiary Banks which forbid support for any operation connected with the production and/or trade of arms materials, with the exception of military supplies, by the Bank's customers to the Armed Forces and/or Police Forces of the country in which these Subsidiary Banks are located. The operations of the Group's Branches and International Subsidiary Banks are also subject to local regulations, when they are stricter than the Group regulations.

(5) A list of sites officially recognised by the United Nations Educational, Scientific and Cultural Organisation (UNESCO). The sites are selected on the basis of their cultural, historical or scientific value, or other relevant aspects, and are legally protected by international treaties.

(6) This international Convention provides a framework for the conservation and sustainable use of wetlands and their resources. Almost 90% of UN member states, from all the world's geographic regions, have acceded to the Convention to become "Contracting Parties". One of the key pledges of the contracting parties is the identification and addition of suitable wetlands to the list of wetlands of international importance, also known as the Ramsar list.

(7) A list of protected areas (i.e. "A clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values"), which have been identified and classified (from category I to VI) by the International Union for Nature Conservation (IUCN), a membership union uniquely composed of both government and civil society organisations. The categories are defined as follows (<https://www.protectedplanet.net/>): - I Strict protection [Ia Strict Nature Reserve and Ib Wilderness Area] - II Conservation and protection of ecosystems (e.g. National parks) - III Conservation of natural features (i.e. natural monuments) - IV Conservation through active management (e.g. Habitat / species management area) - V Conservation and restoration of landscape / seascape (e.g. Protected landscape/seascape) - VI Sustainable use of natural resources (e.g. protected area with natural resource management).

With regard to the Equator Principles, to which Intesa Sanpaolo has adhered since 2007, the inclusion of the assessment of transactions subject to EPs in the risk management framework makes it easier to more clearly define the risk profile of the loans subject to assessment, meeting the objective of more integrated risk monitoring. The implementation process of the EPs is also fully integrated with the Group's credit policies in order to identify all loans, starting from the application stage, that come under the scope of the Principles.

In October 2020 the new "EP IV" standards came into force, extending the scope of application to refinancing loans and acquisition loans, and lowering the threshold for project-related corporate loans to 50 million dollars. The Group actively participated in the review process, making its contribution together with the other members of the Association.

In 2020, a total of 10 loans subject to screening according to the Equator Principles reached financial close (a total of 367 since 2007) for an overall granted value of 1,181.5 million euro.

The amount of granted credit subject to EP screening came to 78.4% of the total granted credit for project finance transactions. The table below shows the number of projects that reached financial close in 2020, broken down by category<sup>8</sup>.

	Total	Category A	Category B	Category C
<b>Project Finance</b>	9	2	4	3
<b>Project related Corporate Loans</b>	1	0	1	0

Finally, with the aim of developing a risk culture, in 2020 various distance learning activities dedicated to the Corporate & Investment Banking Division and the International Subsidiary Banks Division were launched with the goal of raising awareness of ESG risks and facilitating their integration in the operating activities carried out in order to implement and integrate the Group Guidelines. 85 employees from the International Subsidiary Banks Division took part in the training activities (61 from the international subsidiary banks and 24 from the head office in Italy). First launched in 2020, the training activities dedicated to employees in the two Divisions will continue in 2021.

## REPUTATIONAL RISK GOVERNANCE MODEL

The reputational risk governance model of Intesa Sanpaolo envisages that management and mitigation of reputational risks is pursued:

- through compliance with standards of ethics and conduct by all employees: the Code of Ethics adopted by the Group contains the core values that Intesa Sanpaolo intends to commit itself to and sets out the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with even broader objectives than those required by current legislation. As already noted, the Group has also issued voluntary conduct policies (human rights policy, environmental policy and arms industry policy) and adopted international principles (UN Global Compact, UNEP FI, Equator Principles) aimed at pursuing respect for the environment and human rights;
- systematically and independently by the structures tasked with safeguarding the company reputation, which maintain relations with stakeholders, within their respective areas of responsibility;
- across the various corporate functions, through the Reputational Risk Management processes coordinated by the Chief Risk Officer Governance Area. In this context, in addition to the ESG & Reputational Risk Clearing process, better described in the dedicated section, of particular note are Reputational Risk Monitoring process, which makes possible to monitor the evolution of Intesa Sanpaolo's reputation over time and identify its main areas of exposure, above all through the periodic analysis of its web reputation, and the Reputational Risk Assessment process with which Top Managers identify the main reputational risk scenarios to which the Group is exposed;
- with an integrated monitoring system for primary risks (like credit risk, operational risks, market risks) to limit exposure to those risks, and compliance with the related limits contained in the Risk Appetite Framework.

The Group aims to achieve constant improvement of reputational risk governance also through an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.

(8) The EPs envisage the assignment of a risk category to the projects to be financed (A is high, B medium and C low), based on variables such as the socio-environmental characteristics of the country, industrial sector and the characteristics of the project in question. Higher-risk projects, and medium-risk projects if necessary, are assessed by an independent advisor who identifies the main social and environmental impacts.

## MANAGEMENT OF ESG AND REPUTATIONAL RISKS IN BUSINESS OPERATIONS

The Intesa Sanpaolo Code of Ethics requires that investment decisions and the credit policy take account of the socio-environmental risks associated with the activities of corporate customers. This commitment is also outlined in the Environmental and Energy Policy Rules, in the Principles on Human Rights and in the "Guidelines for the governance of environmental, social and governance risks in lending activities".

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

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

The request to validate and authorise the use of new rating models, developed in 2020, for the creditworthiness assessment of Corporate counterparties, is scheduled to be sent to the Supervisory Authority in March 2021. In this context the analysis of ESG factors was further strengthened through the definition and introduction in the model of an internally developed score based on environmental, social and governance information (provided in structured form by the external info-provider) in addition to the other components used to evaluate larger businesses. For Italian counterparties the qualitative part of the rating model will also assess the physical risk connected with acute climatic events (e.g. floods) in the related geographical area.

In addition, in the credit origination phase Intesa Sanpaolo uses an indicator to guide corporate client relationship managers in the risk acceptance process (the Credit Risk Appetite). This indicator is based on the rating and a number of risk and resilience factors aimed at evaluating the long-term risk of the counterparty. In 2021 the Credit Risk Appetite will be strengthened by environmental, social and governance (ESG) factors including an external score that rewards the production of sustainable products or services above a certain threshold compared with overall turnover. This indicator is provided by an external info-provider and is available for larger Corporate customers. Further integrations may be evaluated during the year, particularly for smaller counterparties.

As part of the Reputational Risk Management (RRM) processes coordinated by the Chief Risk Officer Governance Area, of particular importance is ESG & Reputational Risk Clearing, aimed at the advanced identification and assessment of potential reputational and ESG risks associated with the most significant business operations, the main Capital Budget projects and the selection of the Group's suppliers/partners.

As part of ESG & Reputational Risk Clearing, a risk class is assigned to transactions/counterparties that are potentially exposed to reputational and ESG risks in order to support decision-making processes and permit the informed acceptance of risk.

In particular, in 2020 the clearing process was further strengthened through:

- the fine-tuning of the methodological approach and the introduction of a first-level control aimed at identifying the most relevant ESG risk profiles in the first phases of the corporate credit granting process (implementation scheduled for 2021);
- the integration of the evaluation of the ESG component in the analysis of the most relevant credit exposures in the Group's Most Significant Transactions;
- the methodological audit of the "ESG/reputational" questionnaire dedicated to the evaluation of suppliers and partners as part of the qualification process carried out by the Group's Purchasing Department, with the aim of integrating the sustainability profile assessment, in accordance with the first-level evaluations made for the credit granting process;
- the structural introduction in the internal report of the Enterprise Risk Management Head Office Department, in accordance with the Risk Appetite Framework (RAF) monitoring activities on the main reputational risks for the bank, of a section on the counterparties/operations with notable reputation and/or socio-environmental risk profiles.

With regard to regular clearing activities, in 2020 a total of 50 partnerships and 104 loan transactions were assessed, 10 of which were screened according to the Equator Principles (EP).

# Management of potential risks and impacts related to climate change

Climate change represents a complex challenge that is set to have a major impact on the future of our planet and society. Climate change is responsible for the increase in extreme weather events (flooding, whirlwinds, forest fires, etc.), and has permanent effects on climate conditions (increase in average temperature, increase in sea level, etc.) which may lead to significant economic, environmental and social costs. These events may generate a loss of wealth and income for companies and families, thus having a potential impact on the financial system. Banks have a key role to play and a responsibility on the issue of climate change, because they have the possibility of directing loans and investments towards companies that are virtuous from an environmental point of view, and operate with a view towards raising awareness and risk containment. In the same way, banks must analyse and contain possible risks to their buildings and consequently to their daily operations.

The growing focus given to the possible consequences of climate change has led to a greater awareness among financial institutions of the need to develop specific knowledge about such risks and the opportunities associated with them.

Climate change risks are divided into "physical risks", associated with the physical impact of climate events, and "transition risks" arising from the process of adjustment to an economy based on low carbon emissions, associated with the changes in public policies, technology and consumer choices.

In October 2018, Intesa Sanpaolo decided to support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and make a voluntary commitment to publishing a transparent report on the risks and opportunities linked to climate change, in order to include the main climate-related communications in the framework of financial disclosures for its stakeholders, as shown in the "TCFD Recommendations" table on page 240.

## GOVERNANCE

In 2020 Intesa Sanpaolo continued to strengthen its governance of sustainability and climate change. With the support of the Steering Committee, the Managing Director and CEO submits the definition of strategic guidelines and sustainability (ESG) policies including the fight against climate change to the relevant Board Committees and the Board of Directors. The Board of Directors then approves the strategic guidelines and policies on sustainability (ESG) with the support of the Risks Committee, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders, including the environment as declared in the Group's Code of Ethics. Moreover, the Steering Committee – composed of the first organisational line – meets at least every quarter to examine sustainability (ESG) issues, including the fight against climate change.

To support the Steering Committee in its task of identifying and prioritising ESG initiatives on the basis of strategic relevance, in 2020 an ESG Control Room, overseen by the Chief Financial Officer and the Head of the Strategic Support Head Office Department, was set up with the aim of helping the Committee in its strategic proposal of ESG issues and coordinating the implementation of the initiatives.

The ESG Control Room is structured into two distinct sessions: "Strategy and Operations Session" and "Analysis and Monitoring Session". In addition to the permanent participants from the CFO Area and the Strategic Support Head Office Department, depending on the sessions and on the basis of the topics examined, the Control Room can also call on the support of the Sustainability Managers who, reporting directly to the Area and Division heads, guarantee the overall and integrated supervision of ESG initiatives for the relevant department and contribute to the Group's strategic proposals on these issues.

Confirming its commitment to the environment and to combating climate change, Intesa Sanpaolo actively participates in a series of international initiatives, including the Global Compact, the United Nations Environment Programme Finance Initiative (UNEP-FI), the Equator Principles and, since 2019, the Principles for Responsible Banking (PRB), an initiative that aims to formalise the banking sector's commitment to increasing social and environmental sustainability. Through its subsidiaries, it adheres to the Principle for Responsible Investment (PRI) in asset management and the Principles for Sustainable Insurance (PSI) in the insurance sector.



## STRATEGY

Intesa Sanpaolo is aware that a large banking group has a significant influence in terms of environmental and social sustainability, both in the short and long term. In fact, in addition to directly managing energy consumption with a view to increasing efficiency and reducing greenhouse gas emissions in its buildings, Intesa Sanpaolo can exert an influence on activities and behaviour that it cannot directly control, in particular those of customers and suppliers.

Intesa Sanpaolo's climate strategy is mainly oriented towards the promotion of sustainable financial instruments to support the transition to a low-carbon economic model. Indeed, the integration of climate considerations into the provision of financial services can have a significant impact and contribute significantly to the fight against climate change.

Intesa Sanpaolo has a diversified business model – with revenues from financing, investment, insurance underwriting and asset management activities – to serve the various sectors of the economy at national and international level. This breadth and diversification help on the one hand to reduce the Group's vulnerability to different specific aspects of climate risk and to take advantage of a wide range of climate-related opportunities, but on the other hand it increases the breadth of analysis and action to be taken with respect to the transition to a low-carbon economy.

This strategy, confirmed in the 2018-2021 Business Plan, takes form through actions to support the production system from an environmental perspective, like the specific credit line of 6 billion euro for companies that adopt the circular model. Furthermore, in January 2020, in the context of the European Green Deal, Intesa Sanpaolo stated its willingness to make available 50 billion euro loans in the coming years in Italy. As regards direct impacts, the Intesa Sanpaolo Group Environmental Plan - Climate Change Action Plan - identifies mid and long-term objectives for reducing CO<sub>2</sub> emissions and increasing energy consumption and production from renewable sources.

With the aim of consolidating Intesa Sanpaolo's leading role in the area of sustainability, identifying changes in the external context more quickly and meeting the expectations of our stakeholders more effectively, also in the area of climate change, the ISP4ESG project was launched at the end of 2019. In 2020 the project mainly focused on the areas of ESG Governance and Sustainable Credit. With regard to the latter, the Group's credit portfolio underwent ESG sector mapping to develop a proprietary debtor aggregation framework which is aligned with best practices on the market and a preparatory step for meeting the rapidly changing regulatory requirements.

## PARTICIPATION IN WORKING GROUPS ON CLIMATE CHANGE ISSUES

Intesa Sanpaolo actively participates in various European and national working groups for the development and definition of frameworks and methodologies connected with the role of finance in combating climate change and managing associated risks.

In 2020 phase one of the Banking & Taxonomy working group coordinated by the European Banking Federation (EBF) and UNEP FI came to a conclusion with the publication of a report that evaluates the degree to which the EU Taxonomy on Sustainable Activities, designed for investment activities, can be applied to banking products for both the identification and labelling of loans and the reporting of same. 25 banks participated in the project, including Intesa Sanpaolo, together with 7 banking associations, including ABI (the Italian Banking association), and 5 observers (regulatory authorities etc.). The Taxonomy was tested through 40 case studies on a diversified set of banking products, from retail products to SME loans and through to corporate banking and project finance. Of these, 26 are published in the report.

Phase two of the TCFD banking pilot programme project, which the Group had participated in since 2019, was also completed in 2020. The pilot project involved 39 international banks, coordinated by UNEP FI, with the aim of improving methods for the assessment of risks related to climate change, also through long-term scenario analyses, and improving their disclosure, developing tools, frameworks and papers that enabled participants to analyse each of the TCFD recommendations in depth.

During the pilot project, the interfunctional Working Group (CRO Area, CFO Area, Corporate & Investment Banking Division) focused on defining a taxonomy of sectors that are most sensitive to climate change risk and then developed a scenario analysis exercise, both for physical and transition risk, for a portion of the Corporate credit portfolio, in accordance with the approach defined in the TCFD area. The scenario analysis (physical and transition risk) performed by Intesa Sanpaolo involved the Oil & Gas and Power & Utilities sectors and adopted a "top-down" approach, focusing on the general factors and characteristics of the reference sector, with the integration of "bottom-up" elements related to the specific features of the credit clientele in the reference portfolio at individual borrower level. The results of this exercise were used to draft a document on physical risk published by UNEP FI "Charting a New Climate" (Intesa Sanpaolo case study - Physical climate risk measurement: the UNEP FI Phase I Excel tool applied to Energy and Oil & Gas companies). In 2021 the second case study on transition risk was published in the paper "Pathway to Paris" (Case study 3: Intesa Sanpaolo).

Finally, as part of the EBA pilot sensitivity exercise on climate risk, a first exercise to apply the EU Taxonomy was performed on the credit portfolio which includes corporate counterparties domiciled in the European Union. The exercise involved the voluntary participation of 29 banks and enabled the EBA to perform an initial climate change risk (transition risk) sensitivity analysis.

## RISK MANAGEMENT

Intesa Sanpaolo takes account of the social, environmental and governance risks associated with the activities of its corporate customers and the economic activities in which it invests, and focuses particular attention on the in-depth study of sustainability issues connected with sectors regarded as sensitive, i.e. those with a significant socio-environmental risk. In this context, the Bank pays particular attention to the risk arising from climate change (both physical risk and transition risk).

Key activities in climate risk management concern:

- the identification, assessment and measurement of such risks;
- the implementation, development and monitoring of a company-wide risk management framework, including risk culture, risk appetite and relative credit limits.

With the support of the various Governance Areas and Divisions, the Chief Risk Officer Area and the Chief Financial Officer Area work together to identify and analyse the range of risks and opportunities related to climate change in order to incorporate them into the ordinary processes of risk assessment and monitoring and credit strategies, and to set objectives and guidelines for implementing actions to manage and mitigate said risks.

Within the Risk Appetite Framework (RAF), the Group has introduced a specific reference to climate risk, working to develop its integration into the existing risk management framework with particular reference to credit risk and reputational risk.

The potential impacts, the related time horizon (short, medium, long) and the mitigation and adaptation actions taken for each potential risk observed are identified annually, with reference to both indirect and direct risks.

**Indirect risks related to climate change**

Potential risks	Timeframe*	Potential impacts	Actions
<p><b>Transition</b>                      Changes in public policies                      Technological changes                      Changes in customer/                      consumer preferences i</p>	Short/medium/long term	<p><b>LOANS</b>                      Reduction of business or increase in costs for customer companies with possible consequences on creditworthiness and solvency</p> <p><b>ASSET MANAGEMENT</b>                      Consequences of climate change on companies in the portfolio with consequent reduction in the value of assets under management</p>	<p><b>LOANS</b>                      Assessment of ESG and climate risks on loans in sensitive sectors                      Inclusion of environmental risks when assessing creditworthiness                      Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors</p> <p>Energy transition support through funding to the Green Economy and Circular Economy</p> <p><b>ASSET MANAGEMENT</b>                      Assessment and control of ESG risks in the investment portfolios</p>
<p><b>Transition</b>                      Changes in public policies                      Technological changes                      Changes in customer/                      consumer preferences</p>	Short/medium/long term	<p>Reputational impact, negative perception from stakeholders and in particular from SRI investors due to nil or inadequate management of such risks</p> <p>Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower rating</p>	<p>Inclusion of environmental risks when assessing creditworthiness                      Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors</p> <p>Stakeholder engagement initiatives</p> <p>Participation in international working groups on climate change issues</p>
<p><b>Transition</b>                      Changes in environmental regulations                      Introduction of new greenhouse gas emission limits or new related reporting systems</p>	Short/medium term	<p>Financial implications of environmental regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors</p>	<p>Offering dedicated financial solutions and specialist advisory services for customers in the field of renewable energies and energy efficiency</p> <p>Participation in working groups and initiatives relating to climate change</p> <p>Active collaboration with policy makers to highlight the need for stable and clear environmental regulations</p>
<p><b>Transition</b>                      Introduction of regulation on climate risks for the financial sector</p>	Short/ medium term	<p>Reduction of Group revenues deriving from excessive exposure to more vulnerable sectors to climate risk</p>	<p>Inclusion of climate risk in risk management systems</p> <p>Rebalancing of portfolios</p> <p>Supply of products and services connected with transition</p>

\* 0-2 years short term; 2-5 years medium term; over 5 years long term.

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

\* 0-2 years short term; 2-5 years medium term; over 5 years long term.

#### Direct risks related to climate change

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

\* 0-2 years short term; 2-5 years medium term; over 5 years long term.

Potential risks	Timeframe*	Potential impacts	Actions
<b>Physical - chronic</b> Increase or reduction in average temperatures	Medium/long term	Increase in energy supply costs connected with greater heat or electricity consumption	Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings

\* 0-2 years short term; 2-5 years medium term; over 5 years long term

In 2020 lots of attention was focused on activities aimed at integrating the governance of risks deriving from climate change, like part of the ESG risks, in the risk management framework, in accordance with the regulatory changes taking place.

The CRO Area focused on defining, in coordination with the ISP4ESG project, a first ESG/climate taxonomy, according to an approach based on consolidation and integration with the sector taxonomies that exist within the Group, and performing a first analysis of the Group's credit exposure in business sectors more exposed to climate change risk; consistent with the TCFD financial materiality approach (impact of climate change on the performance of the counterparty and consequently on the credit risk), this activity is essential not only for correctly identifying ESG/climate risks, but also for the development of correlated scenario analysis exercises. With regard to this aspect, in 2020 various exercises were also carried out as part of international initiatives; the skills acquired during these experiences made it possible to lay the foundations for the development of a structured methodological approach to scenario analysis, to be applied across the entire Group.

Various initiatives are also ongoing to implement scenario analyses and stress test methodologies, particularly with regard to the Large Corporate and SME portfolios. In an initial phase, the climate stress test analyses focused on the most relevant businesses in 3 specific sectors (Oil & gas, power generation and automotive), considering both physical risk and transition risk using a bottom-up approach. During the second phase, attention was focused on SMEs, concentrating on transition risk with the primary goal of developing a model to calculate a risk score for each counterparty, also thanks to a campaign of interviews with a selected sample of businesses. These pilot projects are an initial base for understanding relevant risks and their impact on the bank and the counterparties in the portfolio.

Finally, Intesa Sanpaolo took part in various international Working Groups aimed at sharing and further developing these skills and best practices in the area (see Box Participation in Working Groups on Climate Change Issues).

As part of the activities to monitor climate change risk, in May 2020 Intesa Sanpaolo issued the "Rules on operations in the coal sector" and the "Guidelines for the governance of environmental, social and governance risks in lending activities" with the aim of establishing specific criteria for limitations or exclusion from financing activities, thus strengthening its oversight of ESG issues when granting loans to sectors that are particularly sensitive from a social and environmental perspective (see pages 66-67).

With reference to direct impacts, Intesa Sanpaolo is committed to analysing and containing possible risks on its properties as well as taking immediate action in the event of environmental disasters.

For example, the Risk Assessment Document which evaluates risks to workers' health and safety (Italian Legislative Decree 81/2008) also assesses hydrogeological risk due to flooding and landslides. The hydrogeological risk assessment of buildings is conducted both as a preventive measure and also following external events with a view to ensuring that the buildings involved meet all safety standards. Based on the provisions of the Italian Institute for Environmental Protection and Research (ISPRA, Istituto Superiore per la Protezione e la Ricerca Ambientale), which divides the territory into 5 hazard classes (very high P4, high P3, medium P2, moderate P1 and attention areas AA), more than 1,000 Intesa Sanpaolo buildings in Italy are subject to landslide and flood risk. For the Bank's assessment of flooding, the benchmark is based on the level of danger associated with a floodable area, and depends on the probability that the area can be flooded. With regard to landslides, on the other hand, the benchmark is also based on the level of danger (from P1 to P4) associated with an area subject to landslides, but depends on the relationship between the probability of occurrence of the event and its magnitude taking into account both the speed of the landslide's movement and the extent of its spread over the area. These assessments, together with



the daily analysis of Arpa's weather alert bulletins and the bulletins of the Department of Civil Protection on critical national and regional issues, enable the Intesa Sanpaolo Group in Italy to implement actions that take account of the effects of critical events connected with natural phenomena deriving from climate change, making it possible to manage them, through the implementation of different potential risk scenarios, indicated in the Emergency Plans, in order to mitigate and reduce their potential damage, particularly with regard to workers and stakeholders.

In addition, two important initiatives were completed in 2020. The first regards the performance of inspections on a sample of properties in areas of greater hydrogeological risk. This project was carried out with the aim of validating the methodology for the definition of a vulnerability index for the Bank's properties that can be used to identify priority action and analysis criteria in the event of emergency situations. Based on the results of these inspections, possible intervention measures to make the buildings safe will then be identified in order to prevent the occurrence of potential risk situations. The second initiative regards the vulnerability assessment of 14 Venice branches affected by the "high water" emergency caused by the rising sea level. The specific risk for each branch was analysed and procedures to manage the emergency identified. High tide bulletins are checked periodically in order to provide the competent structures with advanced warning and enable them to activate the procedures outlined in the specific Emergency Plans.

In general, with regard to all direct risks related to climate change, in Italy the CEM (Critical Events Management) is activated when the first bad weather alert is issued. CEM guarantees the continuous and precise monitoring of the situation and supports the overall coordination of the actions agreed to by the territorial structures, in constant connection with the relevant central structures.

In the case of very serious calamitous events, the EMOC (Emergency Management Operations Centre) of the Business Continuity Management Department is also activated, which monitors the situation, assesses the temporary closure of buildings and initiates any other actions.

In order to guarantee operational continuity in the areas most affected by bad weather, the local and central structures' crisis contacts are also activated for the timely reporting of critical issues, with particular reference to delays in the transport of valuables and correspondence, staff difficulties in reaching the workplace and difficulties of the branches with operations and systems.

In 2020 an awareness raising activity was launched among the Group's international subsidiaries with the aim of identifying the climate change risks associated with the management of the Bank's properties: the majority of subsidiaries assessed the acute physical risks, such as hydrogeological risk, while chronic physical risks and transition risks will be analysed in 2021.

The Context Analysis of the three schemes of certification for the Integrated Environment, Energy, Health and Safety Management System, aligned with the UNI EN ISO 14001:2015, UNI CEI EN ISO 50001:2018 and UNI ISO 45001:2018 standards, also took account of the risks connected with climate change. Some areas were identified, including environmental and security regulations, environmental and climatic conditions, loans and services for the Green Economy, real estate, plant efficiency and maintenance, internal communication tools, for which the expectations of stakeholders were assessed, highlighting for each one strengths and weaknesses and ongoing or possible actions to mitigate a potential risk. For all highlighted risks, mitigation or risk acceptance actions were defined with the specific identification of the structures responsible for overseeing the actions according to a model that takes account of the value attributed to the impact and the probability of the risk occurring.

# Integrity in corporate conduct

## RELEVANT ISSUES

Fighting against corruption	page 77
Combating money laundering	page 79
Compliance with tax regulations	page 80
Protection of free competition	page 83
Privacy protection	page 84
Compliance with labour laws	page 85
Audits	page 85
Disputes and fines	page 86

## WHY THESE ISSUES ARE RELEVANT

The Intesa Sanpaolo Group recognises that compliance with internal and external regulations and codes of conduct is of significant importance, also from a strategic viewpoint, and therefore it acts in the belief that respecting standards and fairness in business are essential elements in carrying out banking operations, which by nature are based on trust and transparency. Indeed, Intesa Sanpaolo believes that compliance with standards encourages the creation and maintenance of a competitive economic environment and protection of customer rights, which contributes to the development of local areas and communities.

Intesa Sanpaolo also seeks to be a reliable and professional partner for the regulators. In this context, the Group actively adheres to the principles of the United Nations' Global Compact that envisage the development of policies for combating corruption, protecting human rights, workers' rights and safeguarding the environment.

The Group has defined and implemented a well-structured system of risk assessment throughout the company structures, which is applied according to risk assessment criteria. Adherence to the rules and integrity of corporate conduct are also ensured through compliance activities focused on the monitoring of risk in relation to fighting corruption and anti-money laundering, counter-terrorist financing, embargo management and protecting competition. The Group adheres to the principle of active cooperation in preventing these phenomena, which represent a serious threat to the legal economy.

Intesa Sanpaolo monitors developments in international tax regulations guided by the OECD and aimed at countering base erosion and profit shifting from high-tax to low-tax countries, with the ongoing commitment to adhere to those principles.

Internal auditing involves constant and independent monitoring of the due conduct of the Group's operations and processes.

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Macro-issue	Projects/Indicators	2020 Actions/Results
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering	<ul style="list-style-type: none"> <li>74,511 employees trained (86.9% of the total)</li> <li>361,394 hours provided</li> </ul>
	Disciplinary sanctions due to staff corruption	<ul style="list-style-type: none"> <li>0</li> </ul>
	Dismissals due to corruption	<ul style="list-style-type: none"> <li>0</li> </ul>
	Internal advice and clearing on transactions in the highest corruption risk areas	<ul style="list-style-type: none"> <li>259</li> </ul>
	Certifications	<ul style="list-style-type: none"> <li>Confirmation of ISO 37001 Anti-bribery Management System certification obtained, following the annual audit process by the competent certification company</li> </ul>
Protection of free competition	Training on free competition	<ul style="list-style-type: none"> <li>59,434 employees trained (69.3% of the total)</li> <li>1,215,503 hours provided</li> </ul>

Macro-issue	Projects/Indicators	2020 Actions/Results
Protection of free competition	Internal requests for antitrust advice and clearing on Group projects	<ul style="list-style-type: none"> <li>Advice and clearing requests were made for 85 initiatives, of which 41 advice and 31 clearing requests have been completed (opinions not subject to changes or updates), with the rest still ongoing</li> </ul>
Privacy protection	Training on Privacy protection	<ul style="list-style-type: none"> <li>61,852 employees trained (72.2% of the total)</li> <li>72,165 hours provided</li> </ul>
	Cases of customer data being lost or stolen	<ul style="list-style-type: none"> <li>In Italy 18 cases were assessed, for 14 of which no risk to the rights and freedoms of the data subjects was found and therefore it was not necessary to notify the Italian Data Protection Authority. For the remaining 4 cases the Italian Data Protection Authority was notified</li> <li>Abroad in the EU 24 cases of alleged personal data breach, 22 of which were found not to pose a risk to the rights and freedoms of the data subjects by the local Data Protection Officers, the remaining 2 cases were reported to the local authorities</li> </ul>
Consumer protection	Training on consumer protection	<ul style="list-style-type: none"> <li>61,700 employees trained (72% of the total)</li> <li>1,559,068 hours provided</li> </ul>
Whistleblowing	Whistleblowing reports	<ul style="list-style-type: none"> <li>21 reports, of which 8 were judged to be not pertinent and 13 were subject to specific investigations</li> </ul>

## FIGHTING AGAINST CORRUPTION

The Group's Code of Ethics provides that business goals are pursued with honesty, fairness and with a sense of responsibility in full compliance with the rules, professional ethics and spirit of signed agreements. It recognises the strategic importance of the work aimed at ensuring compliance with internal and external regulations and codes of conduct, and sets high standards of compliance for all employees, which are also included in the Code of Conduct.

The Code of Ethics also establishes Intesa Sanpaolo's commitment to contributing to combating corruption, supporting the OECD (Organisation for Economic Co-operation and Development) Guidelines, and the anti-corruption principles established by the United Nations in 2003, including by taking a "zero tolerance" approach. The Group has adopted strict internal procedures and specific Guidelines over time to prevent the risk of corruption.

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

Italian Legislative Decree 231/01 establishes a system of administrative liability for Italian Companies for certain specifically identified crimes or offences, committed in their interest or for their benefit by their senior officers and/or employees. Intesa Sanpaolo has long had a specific Organisational, Management and Control Model in place that defines the principles of control and conduct that must be adopted to reduce the risk of committing crimes and offences envisaged by the Decree, including, in particular, corruption, environmental crimes and the violation of human rights.

In preparing the Model, the Bank first of all took into account all the existing regulations, procedures and control systems already being implemented, insofar as they were also suitable as measures for preventing crimes and illegal conduct in general, including those envisaged by Italian Legislative Decree 231/01.

The Bank identified the following as specific instruments already existing and aimed at planning the formation and implementation of company decisions and carrying out controls on business operations, including in relation to crimes and offences to be prevented:

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

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

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

The effective and concrete implementation of the Model is also guaranteed by:

- the Surveillance Body, in exercising the powers of initiative and control assigned to it in relation to the activities carried out by the individual organisational units in sensitive areas;
- the heads of the various organisational units of the Bank (Governance Areas, Divisions, Departments and Organisational Units) in relation to the activities at risk carried out by them. Without prejudice to the independent responsibility of each Italian-registered company of the Group regarding the adoption and effective implementation of its own Model, Intesa Sanpaolo in performing its duty as the Parent Company issues general criteria and instructions, and verifies the compliance of company Models with those criteria and instructions.

During 2020, the Model was subject to two updates:

- on 16 June, by resolution of the Board of Directors, the changes in the external regulations on tax crimes and cybercrime matters, the organisational changes connected to the merger by incorporation of Mediocredito Italiano and the outsourcing to Prelios of some of the management activities of non-performing loans, as well as some changes to information flows on whistleblowing were implemented;
- on 18 December, the Board of Directors approved the update of Model 231 in relation to the changes in the external regulations (Italian Legislative Decree no. 75/2020 which implemented the 2017 EU Directive on the fight against fraud to the European Union's financial interests), the organisational changes associated with the transactions carried out by Banca IMI, merged into Intesa Sanpaolo in July 2020, and other adjustments attributable to the assessment outcomes on the Model launched upon the initiative of the Surveillance Body.

The Italian companies of the Group began the adoption of these updates.

To provide the Surveillance Body with an overall picture of the planning of the various control structure activities (compliance, anti-money laundering, administrative/financial governance, internal audit), the Compliance function collects the respective plans from the relevant structures on an annual basis regarding the scheduled supervision of sensitive areas and incorporates them into the 231 Audit Plan.

On the basis of this document, the Surveillance Body assesses the adequacy of the programme of audits on individual sensitive company activities and identifies any further actions needed to strengthen the audit plans proposed by the structures concerned.

The heads of the organisational units involved in sensitive processes pursuant to Italian Legislative Decree 231/01 certify the level of implementation of the Model, by means of an overarching self-diagnosis process on the work carried out, with a particular focus on compliance with the principles of control and conduct and the operating rules.

Lastly, constant attention is paid to training initiatives and the dissemination of compliance culture: in this regard, the new distance training course for the three-year period 2019-2021 has been designed to provide specific training modules.

The Group's Anti-Corruption Guidelines identify the principles and the sensitive areas and define the roles, responsibilities and macro-processes for the management of this risk, further strengthening an internal regulatory framework which already consists of the Code of Ethics, the Group's Internal Code of Conduct and – for the Italian Group companies – the Organisational, Management and Control Model adopted pursuant to Italian Legislative Decree 231/2001.

In March 2020 the Board of Directors approved the update of the Guidelines to take account of the organisational changes that occurred within the Group and the changes introduced by Law 3/2019 (particularly the new predicate offence of trafficking in illicit influences and the widening of the scope of persons who may be involved in international corruption offences).

The Guidelines define the commitment to comply with the regulatory provisions aimed at combating corruption in all its forms, where corruption means the direct or indirect offering or acceptance of money or other benefits capable of influencing the recipient, in order to induce or reward the performance of a function/activity, or alternatively its omission. In line with international best practices, the Group does not tolerate:

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

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

Monitoring in this area is assigned to the Anti Financial Crime Head Office Department, and its Manager is allocated the role of Group Anti-Corruption Officer.

The Anti-Corruption Guidelines have been approved by the main Group companies, including Fideuram Intesa Sanpaolo Private Banking, Intesa Sanpaolo Vita and Eurizon Capital. Within the scope of the International Subsidiary Banks Division, all banks have submitted the document for formal acknowledgement to their relevant bodies and have adapted the Guidelines to the regulatory environment. In addition, adjustments are underway with respect to the latest update of the Guidelines within the Parent Company.

In 2020, there were continued checks on the consistency of the detailed internal regulations with the general principles set out in the Anti-Corruption Guidelines, in order to implement the necessary alignment, in addition to a detailed analysis of the anti-corruption controls currently in place in the individual highest risk areas, in order to identify any strengthening measures. More specifically, the Guidelines on Financial Equity Investments were brought into line with the anti-corruption regulations and the process regulations concerning equity interests that can be held with reference to non-financial companies and the selection of suppliers for international branches were updated. In April 2020 Intesa Sanpaolo obtained confirmation of the ISO 37001 Anti-bribery Management System certification, following the annual audit process (maintenance audit) by the competent certification company.

During the year, the Anti Financial Crime Head Office Department processed 259 advice and clearing files for specific operations in the highest corruption risk areas, particularly concerning the purchase, management and sale of equity investments and other assets, donations, sponsorships and relationships with suppliers, the hiring of personnel, and gifts.

During 2020 specific classroom training initiatives were held for personnel dedicated to compliance issues and, finally, the e-learning course continued to be provided to the employees of the Group Italian companies and the international subsidiary branches.

There were no cases of disciplinary measures related to corruption incidents.

There were no significant penalties for non-compliance with laws or regulations relating to corruption.

## COMBATING MONEY LAUNDERING

Intesa Sanpaolo pays particular attention to compliance with national and international regulations aimed at combating money laundering and terrorist financing, which it recognises as a serious threat to the legal economy with destabilising effects for the banking system, and it adheres to the principle of active cooperation in preventing these phenomena.

In compliance with the legislative provisions of the legislator and the sectoral supervisory authorities, and based on the international standards contained in the FATF (International Financial Action Task Force) Recommendations, the Group has adopted procedures, instruments and controls designed to mitigate the risk of being involved, even unknowingly, in acts of money laundering, terrorist financing, violation of embargoes and arms regulations.

The Group's governance system to combat money laundering and terrorist financing is based on Guidelines that constitute a systematic and functional reference framework, with active collaboration by the Group in preventing these illegal activities. Specific processes and procedures are in place in the areas of obligations of customer due diligence, reporting of suspicious transactions, storage and provision of data, information and documents, risk assessment and management, internal control and guarantee of compliance with all of the relevant provisions to prevent and impede the completion of transactions connected to money laundering, terrorist financing, violation of embargoes and arms regulations. The guidelines and standards established by the Parent Company are developed and implemented within the individual operating structures in accordance with the characteristics and complexity of the activity carried out, as well as in accordance with their size and organisational structure, in compliance with the requirements of local regulations and ensuring



the sharing of information at a consolidated level.

Procedures that provide automatic checks on the Group's register and transactions have been active for some time now, in order to mitigate the risk of having customers included in the list of entities subject to restrictions or freezing of assets (black list). The Group has also adopted a stricter approach, going beyond the regulatory requirements, by envisaging more detailed assessments of credit and reputational aspects to prevent its involvement, in any capacity, in transactions with counterparties or countries under embargo, even if the transaction is among those permitted by the restrictive provisions issued by the international authorities. In 2020, the implementation of the IT interventions identified in the context of the AML IV Directive was completed. With reference to the Provisions for the storage and provision of documents, data and information for the fight against money laundering and terrorist financing (issued on 24 March 2020 by the Bank of Italy), the regulatory and procedural alignment activities, some of which already carried out in 2019 on the basis of the information available at the time (Italian Legislative Decree 90/2017 transposing the IV AML Directive and consultation Document) have been completed, in subsequent steps, in February 2021. The activities of the multi-year programme for the overall review and strengthening of anti-money laundering, embargoes, anti-terrorism and anti-corruption controls at Group level (ENIF Programme - Enabling Integrated Anti Financial Crime) also continued.

## RELATIONS WITH POLITICAL PARTIES AND MOVEMENTS

The Intesa Sanpaolo internal policies establish that political parties and movements cannot be recipients of donations and sponsorships. With regard to the financing of political parties, connected associations and individual candidates, specific rules state that the only form of new credit concession for them, that can solely be decided upon by the Board of Directors, consists of the advance on an annual basis of the "2x1,000 contribution" against the transfer, to be notified in accordance with the law, of the sums due to the parties for this form of contribution. In 2020 Intesa Sanpaolo did not grant financing in this area.

## COMPLIANCE WITH TAX REGULATIONS

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

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

In December 2017, the Intesa Sanpaolo Group adopted a tax strategy through the Principles in relation to tax matters [1], in order to ensure compliance with the tax and fiscal rules of the countries where it operates over time, and to guarantee the financial and reputational integrity of all the Group companies. In particular, guidelines have been established to ensure uniform management of taxation at all Group companies, based on approach of: (i) correct and timely determination and payment of taxes due by law and performance of the related obligations, (ii) containment of tax risk, understood as the risk of operating in violation of tax regulations or in conflict with the principles or with the aims of the legal system in the various jurisdictions in which the Group operates, both due to outside factors (primarily, uncertainty of the interpretation of tax laws due to ambiguity or lack of clarity of tax regulations) and internal factors (usually, incorrect and/or untimely compliance with mandatory requirements, failure to detect regulatory changes affecting the taxation of the Group; and transactions that may be challenged by the tax authorities as abusive).

The principles set out in the document are as follows:

- Corporate Responsibility - The Group, in compliance with the Corporate Responsibility principle, acts according to the values of honesty and integrity in the management of tax matters, in the knowledge that revenue from taxes is one of the main sources of resources contributing to the economic and social development of the countries in which it operates.

- **Legality** - The Group adopts conduct based on compliance with the tax regulations applicable in the countries in which it operates and on interpretations that allow it to manage tax risk responsibly, so that it can satisfy the interests of all its stakeholders and ensure its positive reputation.
- **Tone at the top** - The Board of Directors defines the principles of conduct in relation to Group tax matters and ensures its application, therefore assuming the responsibility of driving the spread of a corporate culture based on the values of honesty and integrity and principle of lawfulness.
- **Relationship** - The Group maintains a collaborative and transparent relationship with the tax authorities, guaranteeing, among other things, to provide them the information needed to fully understand the circumstances underlying the application of tax rules. To this end, Intesa Sanpaolo encourages the Group companies to adhere to cooperative compliance schemes, which supplement the national regulations, in order to create stronger relationships with the tax authorities.

The Principles of conduct in tax matters are adopted by Intesa Sanpaolo including in its capacity as Parent Company and are approved by the Board of Directors. On this assumption, the Principles must be implemented by all Group companies, subject to resolution of their bodies with strategic supervision duties. The interpretation of the provisions contained in the Principles of conduct on tax matters is the responsibility of the Parent Company which, through the Tax Department, also takes care of updating them.

The Guidelines were also approved for the management of tax risk within the collaborative compliance scheme with the Italian Revenue Agency, which govern the criteria and processes that Intesa Sanpaolo must adopt to ensure the adequacy and effectiveness of its Tax Control Framework, as well as the related Rules.

The types of tax risk that may arise in the context of business processes have been identified by Intesa Sanpaolo as:

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

Intesa Sanpaolo has adopted tax risk management processes and procedures, in compliance with the Principles of conduct in tax matters, which ensure, among other things:

- the correct assignment of roles, responsibilities and powers to each party involved, in whatever capacity, in processes with tax implications in order to ensure proper management of tax risk and minimise the likelihood of disputes;
- the involvement of the Tax Department in business decisions. Intesa Sanpaolo's processes must ensure full and constant involvement of the Tax Department in business decisions, with the aim of encouraging informed decisions in the event of a significant tax risk.

The business functions and the Head Office Departments that carry out transactions with potential tax impacts must comply with the Principles of conduct in tax matters and the Guidelines in the performance of the activities for which they are responsible. If the clearing processes adopted by the Bank do not already require the involvement of the Tax Department, it is the responsibility of the Business Function (Division or Head Office Department) proposing/structuring the transactions to involve the Head of the Tax Department in advance to allow an adequate assessment of the tax effects and risks arising from their implementation.

The Business Functions or Head Office Departments that carry out transactions with potential tax impacts:

- adopt conduct that is compliant with the guidelines received from the Tax Department, with reference to cases of tax relevance;
- promptly inform the competent corporate functions about changes in operations that may lead to reviewing corporate processes, so that the necessary tax risk assessments may be initiated and suitable safeguards adopted to mitigate their effects;
- carry out the planned first-level monitoring activities in the management of tax risk;
- they are responsible for the implementation of the actions identified, in agreement with the Tax Control Office, in order to mitigate the tax risks that have an impact on their respective processes.

Tax risk management, also following the Group Compliance Guidelines, is broken down into the following macro processes:

- regulatory alignment, aimed at monitoring external regulations and translating them into internal guidelines, processes and procedures, through:
  - the activities aimed at continuously identifying and interpreting the external regulations applicable to the Bank, through the ongoing monitoring of external regulatory sources and the consolidation, in the event of regulatory changes, of a univocal and shared interpretation;
  - the assessment of the impact of the applicable rules on corporate processes and procedures and consequent proposal of organisational and procedural changes aimed at ensuring adequate monitoring of non-compliance risks.
- advice and assistance to the Bank's corporate bodies and other structures and preliminary assessment of compliance with applicable regulations (clearing) of transactions (routine and non-routine), new products and services to be introduced to the market, innovative projects;
- discussions with the Italian Revenue Agency, in cases where the risk exposure values exceed the agreed-upon materiality threshold. If the tax position that Intesa Sanpaolo intends to adopt is not accepted by the Italian Revenue Agency, its final adoption must be approved by the Board of Directors;
- monitoring of the Tax Control Framework (Assurance): compliance risk monitoring takes place, in addition to preliminary activities, in verifying ex post the adequacy and effective application of internal processes and procedures and of the proposed organisational adjustments for its prevention and, more in general, checking the effective compliance with external and internal regulations by the corporate structures. Control on the Tax Control Framework is carried out by the Head of the Tax Control Office on the basis of an annual audit plan and according to the Group Compliance Guidelines and the Integrated Internal Control System Regulation.
- Dissemination of culture: tax risk monitoring also takes place through the dissemination of a corporate culture founded on the principles of honesty, fairness, and respect for the spirit and the letter of the rules.
- Information flows to the Corporate Bodies: at least annually, the Board of Directors, the Risks Committee and the Management Control Committee receive from the Head of the Tax Department all the information relating to the main policies and choices followed in the tax area, the progress of the discussions with the Italian Revenue Agency in the context of cooperative compliance, as well as with regard to the outcomes of the audit activities, including on the adequacy of the TCF, carried out during the period by the Head of Tax Controls. The Head of the Tax Department also promptly reports any non-compliance issues and events deemed to be particularly significant to the Corporate Bodies.
- Tax risk management process of an interpretative nature: regulatory alignment and advisory and clearing activities, as well as the preparation of tax returns, involve interpretative choices on the applicable regulations. In making these choices, the Tax Department must assess the degree of certainty of the position it intends to adopt. If the interpretation presents a high degree of uncertainty and has a significant impact on company operations, the Tax Department measures the exposure to tax risk, the acceptance of which is resolved upon, according to its relevance, according to the approval thresholds set out in the Guidelines. The methods used to assess the degree of certainty of the interpretation and the related impact on the Bank's operations and to determine the tax risk are defined by specific internal regulations and shared between the Tax Department and the Compliance, Governance and Controls Head Office Department and, within the scope of their responsibility, with those of the Chief Risk Officer.

Intesa Sanpaolo, in adopting tax risk management processes and procedures, in compliance with the "Principles of conduct in tax matters", ensures that the tax risk management processes guarantee adequate protection of internal and external stakeholders, both in terms of risk mitigation (also in consideration of possible reputational impacts), and in more general terms of safeguarding shareholders' value, defined as the interest of stakeholders in not diminishing corporate value.

During 2020, the Group, in addition to indirect taxes of 1.017 million euro (including UBI's contribution, equal to 170 million), recorded accrued income taxes for the year of 1,360 million euro (including UBI's contribution, equal to 110 million), for the most part in Italy, where the majority of operating income was earned, as per the table below.

2020 Figures [millions of euro]	Italy	Europe	Rest of the world
Taxes on income	-950	-348	-62
Operating income	15,193	3,072	758

The International Branches are presented in the geographical breakdown in relation to the country where these branches are located. As far as taxes on income are concerned, since Intesa Sanpaolo did not apply the option for the scheme of income exemption for international branches (known as Branch exemption), these branches' income is also taxed in Italy.

In compliance with the applicable regulations, Intesa Sanpaolo also publishes a country-by-country disclosure in which the following information is provided for each country (according to the rules established by the Bank of Italy): gross income, number of employees, profit or loss before tax and tax on profit or loss. The report is available at the following link [\[1\]](#).

\* The comments refer to the reclassified data published in the 2020 Consolidated Financial Statements of the Intesa Sanpaolo Group, which can be referred to for additional details or information.

## PROTECTION OF FREE COMPETITION

The Group constantly monitors and promotes free competition, and spreads a culture of compliance with antitrust regulations, working to ensure that the international, European and national rules and procedures are effectively applied and observed.

In the Group's Code of Ethics, Intesa Sanpaolo declares its commitment to compete fairly in the market and cooperate with other economic, private and public entities, whenever necessary, to strengthen the overall capacity of the countries where the Group operates. The Bank has an ongoing commitment to manage relations with institutions and organisations, in monitoring existing regulations and in conducting attentive advocacy on any bills that could impact the activities of the Group and of its stakeholders at the national, European and international level, with a view to limiting legal, economic and reputational risks and exploiting new opportunities.

Due to the growing importance of antitrust issues, the Group has long since adopted a risk control system for antitrust compliance, under the responsibility of the Institutional Affairs Department. In this regard, it has adopted an extensive Antitrust Compliance Program that among its key elements includes the establishment of a specific internal team to monitor compliance with antitrust rules, the adoption of a Group Antitrust Regulation (which has incorporated the Antitrust Compliance Policy), the Antitrust Conduct Rules and the Antitrust Inspection Rules, as well as a training and information programme. The control of this area has been extended beyond the more traditional forms of antitrust (mergers, abuses of dominant positions and agreements) to also include EU regulations on state aid and the recent Italian regulations in support of Italy's competitiveness.

In 2020 the Group continued to raise awareness and spread the culture of antitrust compliance within the Group through the creation of 10 Web TV clips (with subtitles in Italian and English), the publication of 15 articles for the Group's communications magazine "Mosaico" (also translated in English) and the circulation of specific "Antitrust Update" reports. Furthermore, a dedicated course is available to all employees in Italy.

## PRIVACY PROTECTION

Intesa Sanpaolo is continually committed to implementing regulatory, organisational and technological measures aimed at adequately meeting the needs of privacy protection. These actions reflect the principles of the Group's Code of Ethics which commit the Bank to adopting criteria of absolute transparency in informing customers and employees about their data privacy rights and how their personal information is processed. This commitment is set out in Corporate rules for the processing of personal data and in Guidelines on the protection of personal data of natural persons, approved by the Board of Directors, which provide an overall framework for conduct for all Bank staff, as well as for those who work in cooperation with it. The EU Regulation no. 2016/679 of the European Parliament and Council of 27 April 2016 [General Data Protection Regulation (GDPR)], which came into force on 25 May 2018, makes each data controller responsible, based on the principle of accountability, for implementing regulatory, organisational and technological measures to adequately comply, following a risk-based approach, with the regulatory principles of the GDPR: Data Protection by design and by default, appointment of the Data Protection Officer, Privacy Impact Assessment, Register of Processing Activities, subjective role of Third Parties, and Data Breach. The GDPR alignment project under the responsibility of the Privacy structure has defined the organisational measures and continues to develop the technological and IT security measures needed to comply with the requirements of the European Regulation in Italy and for the Group companies located within the EU, following a risk-based logic and depending on the solutions available on the market and the complexity of the measures.

The Data Protection Officer, who is supported by the Privacy structure in the Safety and Protection Head Office Department, provides supervision, for the Parent Company and the Group Companies that have signed specific service agreements, of the privacy regulations, ensuring the adoption of the related updates and regulatory alignment, in addition to compliance with the provisions of the Italian Data Protection Authority. This structure conducts prior assessments on the compliance of new products, initiatives and services involving the processing of personal data, and represents the Company before the Italian Data Protection Authority during inspection procedures. The Data Protection Officer assesses the role performed by the Group's suppliers/Third Parties based on the provisions for the processing of personal data contained in the contracts, and supports the business and support structure in preparing any letters of appointment as Data Processor, and in updating the Register of Processing Activities. It also updates and publishes the List of Third Parties that process the personal data of customers and employees; within the scope of the controls framework, it conducts periodic checks on compliance with contractual provisions on personal data processing by Suppliers/Third Parties designated as Data Processor. The Data Protection Officer manages the responses to the Italian Data Protection Authority and the interested parties, following reports or complaints submitted to the Authority. It also processes customer requests associated with Data Subjects' rights in compliance with the legal provisions and the measures issued by the Authority, and oversees training on privacy, in collaboration with the designated structures through the provision of mandatory training courses on the protection of personal data offered online.

For the other Group Companies, the Data Protection Officer performs a role of guidance, coordination and control, overseeing the correct application of the Group guidelines and regulations on privacy, and provides support and advice for the performance of the current activities in this area. For the Group, it ensures control of the compliance risk in relation to privacy regulations, performing the role of Specialist Function set out in the Group Compliance Guidelines, in particular by overseeing compliance risk with data protection regulations for the Parent Company and the Group companies under centralised management, with the verification of the adequacy and effective application of internal processes and procedures and the organisational adjustments suggested and, in general, through the control of actual compliance with external and internal regulations by the corporate structures. The Function updates the Register of Processing Activities for personal data performed by the Parent Company and the Group Companies under centralised management, with the cooperation of the business and support functions, and provides assistance with regard to other Group companies.

As part of the annual auditing plan, the Internal Control Function carries out periodic checks on the compliance of the activities with personal data protection regulations and the correct compliance with the provisions issued by the Data Protection Authority on these matters. This commitment allows for the mitigation of reputational and non-compliance risks in the processing of personal data, also with respect to the lawfulness and fairness of the processing, the purposes of the processing and its relevance, and the completeness and non-excessive nature of the data collected.

With regard to requests received from customers regarding personal data protection, in Italy 101 reports were received in 2020 for alleged instances of non-compliance (99 of which related to Intesa Sanpaolo) and 8 requests from the Italian Data Protection Authority regarding companies belonging to the Group, for which the necessary responses were given. In 2020, 18 cases (12 of which related to Intesa Sanpaolo) of loss or theft of data of customers of the Group (Data Breach) were assessed in Italy, 14 of which (12 related to Intesa



Sanpaolo) were not found to pose a risk to the rights and freedoms of the data subjects and therefore it was not necessary to notify the Italian Data Protection Authority. For the remaining 4 cases it was deemed necessary to notify the Italian Data Protection Authority.

The Companies of the International Subsidiary Banks Division established in the European Union reported a total of 24 incidents/events of alleged personal data breach, of which 2 reported to local authorities, while for the remaining 22 the local Data Protection Officers did not detect a risk to the rights and freedoms of the data subjects so it was not necessary to notify the respective Data Protection Authority.

## COMPLIANCE WITH LABOUR LAWS

Consistent with the commitment set out in the Code of Ethics for the development of a working environment permeated by mutual trust, loyalty and enriched by the contribution of each person, the management model in this area is based on national and second-level (Group) collective bargaining agreements. Compliance with these rules, in addition to the legal provisions, is instrumental to improving the working environment, with a view to continued growth in the quality of relations between the Company and its personnel and customers. Thus, they have the goal of asserting the need for a transparent and sustainable work organisation, with clear operational responsibilities at the various levels to continuously ensure compliance with the rules and the prevention of non-compliant behaviour, identifying measures that ensure the effective encapsulation of company objectives and worker expectations in terms of the working environment and internal relations. Responsibility for management, and consequently also for monitoring the effective application of the trade union agreements, is assigned to the Labour Affairs and Policies Head Office Department. The protocol for Labour Relations identifies the methods to enable joint research between the Company and Trade Union Organisations on solutions to improve the well-being of employees and make a positive contribution to productivity with advanced and innovative responses in the area of pensions, assistance and services for families, education and an improved work-life balance. In general, the number of labour lawsuits is small: 39 cases for violations of labour law were notified in 2020 and around 188 cases were closed. The main types of pending litigation include the termination of employment relationships – sale of business line (Intrum), compensation for damages for deskilling and mobbing, higher job positions and appeals of disciplinary sanctions (in any event in 2020, no lawsuits were reported by current employees that related solely to cases of mobbing). There is no evidence of cases of discrimination that have led to investigations for measures to be issued under formal procedures or processes. Ongoing monitoring has also been conducted on compliance with the rules laid down by the Internal Code of Conduct, through carrying out investigations of potentially abnormal situations. In 2020, the revision of the Group Internal Code of Conduct started in 2019 was completed. After submission to the Management Control Committee and Surveillance Body pursuant to Italian Legislative Decree 231/2001, the new text was approved by the Board of Directors at the end of July 2020. The objective of the revision was to update the contents of the Code, by also incorporating some changes in the organisation of the work (for example, by expressly referring to flexible working) and including, with a view to prevention and transparency, a greater number of examples. In addition to upholding the fundamental principles, consistent with the values set out in the Code of Ethics, reference was also made to other equally fundamental principles (such as respect for the environment, inclusion, health and safety in the workplace, privacy) also by virtue of their growing importance. Concurrently with the publication of the new Code, training initiatives were launched aimed at maximising knowledge from a risk prevention perspective; the first training of a general nature has already been made available as a compulsory course for all employees. Following the approval of the new Code for Italy, in agreement with the International Subsidiary Banks Structure, work was launched for the adaptation of the Code in line with local regulations in order for the renewed text to be implemented also by International Subsidiary Banks. Finally, following the amendments made in the area of disciplinary proceedings by the Agreement of 19 December 2019 for the renewal of the National Collective Bargaining Agreement, the text of the Disciplinary Code was also updated.

## AUDITS

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

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

As required by international standards, the Internal Audit Department is subject to an external Quality Assurance Review at least every five years. The most recent audit was started at the end of 2018, at the request of the Management Control Committee, and was concluded in the first quarter of 2019 with the confirmation of the best result ("Generally Compliant"). In addition, on an annual basis, the Internal quality assurance and improvement plan is prepared, which also includes the Annual Plan submitted for approval to the Corporate Bodies. At the international level, the audits are structured in such a way as to ensure the direct monitoring of Intesa Sanpaolo's international branches, in addition to guaranteeing supervision of the Central Structures and the International Subsidiary Banks Division. For these banks, the dedicated offices of the Parent Company provide direct auditing, together with governance of the activities carried out by local audit units.

With regard to the audits carried out in 2020 in the Central Structures, Banks and Group Companies, the activities regarding the 206 Risk Areas identified in the planning phase were completed, with the completion of 251 audits (63 of which "extraordinary", i.e. originating from specific requests of Corporate Bodies, Supervisory Authorities or from events/circumstances occurring after the completion of the annual planning) (\*). In 2020, 91 audits were reported as significant for the purposes of Italian Legislative Decree 231/2001, and among these 9 concerned activities related to corruption risk. These latest audits involved 10 Governance Areas/Divisions (some interventions involved several Governance Areas/Divisions).

In 2020, there were 32 audits regarding actions that directly or indirectly also related to aspects linked to social and environmental policies. The impact of audits that have an effect on the implementation of social and environmental policies should nevertheless be assessed differently depending on the various areas in question: as an example, interventions concerning the disbursement and management of loans may also involve certain aspects related to rules for operations in sectors such as arms and energy policies.

During 2020, the CAO structures participated - among other things - in monitoring the progress of some project activities related to ESG issues, such as the ISP4ESG project and the specific "ESG/Impact" process of the integration project between Intesa Sanpaolo and UBI Banca.

(\*) In addition, 14 audits were completed which were underway as of 31/12/2019

## WHISTLEBLOWING

Since 2016, a whistleblowing system has been in place, which allows employees to report actions or occurrences that could constitute breaches of the regulations governing banking activities (whistleblowing). Whistleblowing, which ensures the confidentiality of the individual making the report without the risk of retaliatory, unfair or discriminatory behaviour, encourages employees (including suppliers and consultants) to report acts or conduct they become aware of that may constitute a breach of the regulations governing banking activities or related activities that may also be instrumental to a breach or other illicit conduct. The Chief Audit Officer is responsible for ensuring the correct performance of the process; in 2020 a total of 21 reports were received, of which 8 were judged not pertinent whereas 13 resulted in the launch of specific investigations.

## DISPUTES AND FINES

As at 31 December 2020, there were a total of about 26,300 disputes (of which 3,300 pertaining to the UBI Group), other than tax disputes, pending at Group level with a total remedy<sup>1</sup> sought of around 4,100 million euro (of which 1,224 million euro for the UBI Group). This amount includes all outstanding disputes, for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or probable and therefore does not include disputes for which risk has been deemed remote.

The risks associated with these disputes are thoroughly and individually analysed by the Parent Company and Group companies.

At Group level, at the end of 2020 the total value of the claim for tax disputes (tax, penalties and interest) is 211 million euros, up from 175 million euros at 31 December 2019.

With regard to compliance with environmental regulations, for damage caused to the environment as a result of the Bank's operations and in relation to health and safety, over the last three years, no significant reports emerged and no fines were imposed (see pages 201-202).

With regard to labour litigation, at the end of December 2020 there were no significant disputes from either a qualitative or quantitative standpoint.

For information on the legal risks and the most significant civil, administrative and penal lawsuits, please refer to the Consolidated Financial Statements (see pages 528-541) [1].

(1) The figures for the remedy sought do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated; the value of these disputes is determined during the course of the proceedings when sufficient information emerges for the valuation.