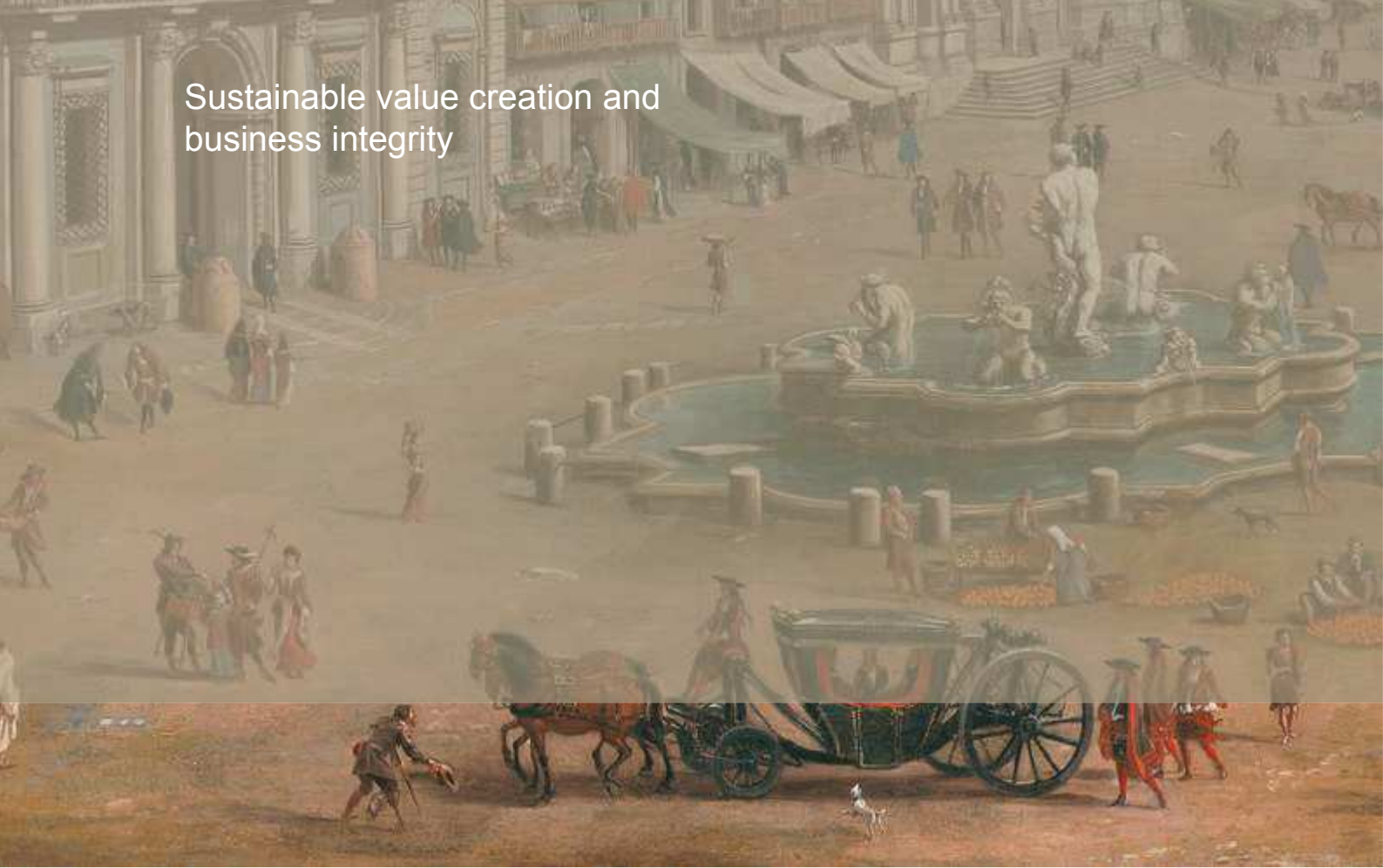




Sustainable value creation and
business integrity



Group value and solidity

BUSINESS MODEL*



* For more in-depth insights as regards the main trends and factors that may affect the business model such as COVID-19, one should refer to the section called "Impacts of the pandemic on operations, business activities and the risk profile" in the Consolidated Annual Report.

THE 2018-2021 BUSINESS PLAN

In recent years, Intesa Sanpaolo Group has shown its ability to generate value for all stakeholders, achieving important results even in challenging external contexts, especially during the period marked by the health emergency. The 2018-2021 Business Plan was therefore brought to completion with the attainment of results in line with the stated objectives.

Intesa Sanpaolo, a Bank that is already a leader in terms of sustainability and ESG, is one of the leading operators in the sector and is well positioned to seize future opportunities, thanks to its multiple strengths including: proactive and granular risk management, undisputed capital position, a distinctive business model, a top position in the ESG area and strengthened domestic leadership in a country that is experiencing strong post-pandemic recovery.

The 2018-2021 Business Plan integrates the commitments set by the Group, by defining measures to contribute to global development, in order to support its customers, promote the development and well-being of people and communities, and protect the environment, including through combating climate change. In particular, Intesa Sanpaolo has been able to become an exemplary model for society, through a series of initiatives aimed at, among other things, granting loans to groups that have difficulty accessing credit despite their potential, ensuring support to people in need, mitigating the consequences of natural disasters for households and businesses, supporting the Circular Economy's development and making the most of the artistic, cultural and historical heritage of the Group to promote art and culture in Italy and abroad.

Particularly worthy of note, among the initiatives undertaken, is the Fund for Impact, a credit plafond established at the end of 2018 intended to disburse social impact loans of around 1.5 billion euro to sections of society that find it difficult to access credit. For households and businesses affected by earthquakes and other natural disasters, the Group activated dedicated credit lines, providing subsidised loans to the tune of approximately 980 million euro since 2018. In order to deal with the COVID-19 emergency, since the beginning of the pandemic, as much as 115 billion euro¹ worth of mortgage payments and existing loans for households and businesses have been suspended; loans amounting to approximately 43 billion² euro were disbursed under the Liquidity Decree. In favour of the transition towards a sustainable, green and circular economy, over the time horizon of the 2018-2021 Plan, Intesa Sanpaolo disbursed 7.7 billion euro for the circular economy, thereby responding to growing customer demand, against an allocated 6 billion euro credit line. Intesa Sanpaolo has proven to be an accelerator of the growth of Italy's real economy, providing since the beginning of the Plan over 290 billion euro (compared to the 250 billion euro set by the 2018-2021 Plan) of new medium/long-term loans to households and businesses, 77 billion euro of which in 2021; the companies brought back to performing status since 2014 stood at 133,000, a transaction which made it possible to retain 665,000 jobs.

The attention paid by the Group to inclusion has led since 2018 to implement initiatives to reduce child poverty and support people in need by providing around 24.8 million meals, 1.5 million beds, 296,250 medicines and 249,200 items of clothing, largely exceeding the objectives set in the 2018-2021 Business Plan. In addition, with reference to cultural initiatives, among the various areas, Intesa Sanpaolo disbursed a cash contribution to the community for Art and Culture of approximately 144 million euro in the 2018-2021 four-year period.

The enablers are our People, who continue to be Intesa Sanpaolo's most important resource, and the completion of the digital transformation, which made it possible to increase the levels of efficiency and offer increasingly advanced, high-quality products and services to customers.

People, in particular, benefit from a series of initiatives aimed at strengthening their involvement, promoting inclusion and ongoing dialogue with the company, developing the best talents, improving skills, maintaining employment levels, promoting internal fairness and facilitating a work/life balance through flexibility initiatives. The Group has always invested in training its people (13 million hours provided in 2021, exceeding the Plan's target of 11.9 million per year) and, especially during the pandemic, in health and safety protection measures, allowing 78,000 people to work remotely.

In its strategy, the Group has taken into consideration the Sustainable Development Goals (SDGs) set by the United Nations, and has been able to provide a concrete response not only in wording, but also in implementing the commitments undertaken, whose results have now become an integral part of the Bank's sustainable business model. Intesa Sanpaolo has been able to seize all the opportunities to strengthen the central role of sustainability within the framework of its overall strategy.

Through the 2018-2021 Business Plan, Intesa Sanpaolo has set itself goals which generate value for its stakeholders and for the achievement of which the Group main strategic projects were developed (see 2021 Financial Statements, page 54 [i]).

With the new 2022-2025 Business Plan, the Bank, in addition to providing its People with the best professional experience, has set itself the goal of continuing to generate value for all stakeholders and at the same time building a profitable, innovative and sustainable bank. The Group aspires to become a Wealth Management, Protection & Advisory leader at the European level, characterised by Zero-NPL, a strong digital drive and a focus on fee and commission income, further strengthening its leadership in the ESG sector with a top position worldwide in terms of social impact and a strong emphasis on the climate (for more details, see page 213).

As a strong Bank for a sustainable world, Intesa Sanpaolo is able to make a positive contribution to the interests of its shareholders and all other stakeholders.

¹ Moratoria granted up to 31.12.21 (flows), including renewals, considering UBI Banca and the sale of branches carried out in the first half of the year.

² As at 31.12.21, including UBI Banca and considering the sale of branches carried out in the first half of the year.

These objectives are detailed in the various sections of the document, together with the progress achieved during 2021. These include:

Stakeholder	Benefits	2021 results	Plan Objectives for 2021 Cumulative value 2018-2021
Shareholders	Cash payout ratio	2.9 billion euro cash dividends, equal to a 70% payout ratio	85% in 2018, 80% in 2019, 75% in 2020 and 70% in 2021
Households and businesses	New medium/long-term credit granted to the real economy	~77 billion euro (~290 since the beginning of 2018)	~250 billion euro
Employees	Personnel expenses	~6.8 billion euro (~23.8 since the beginning of 2018)	~24 billion euro
Suppliers	Purchases and investments	~3.1 billion euro (~11.5 since the beginning of 2018)	~11 billion euro
Public sector	Direct and indirect taxes	~2.8 billion euro (~10.2 since the beginning of 2018)	~13 billion euro

ECONOMIC AND FINANCIAL PERFORMANCE AND DISTRIBUTION OF THE VALUE GENERATED¹

ECONOMIC AND FINANCIAL PERFORMANCE²

With the gradual improvement in the pandemic situation - except for the last weeks of the year, marked by the spread of the new Omicron variant - and accompanied by a lively recovery in production, which exceeded expectations, the Intesa Sanpaolo Group closed 2021 with net income of 4,185 million euro, up 27.7% compared to the 3,277 million euro in 2020. It should also be noted that the comparative year benefited from the positive net accounting effect recorded as a result of the acquisition of the UBI Banca Group, amounting to 684 million³, as well as the significant gain on the sale of the acquiring business line to Nexi within the payment systems area (1.1 billion euro), but had also incorporated goodwill impairment pertaining to the Banca dei Territori Division in the amount of 912 million euro.

Against the backdrop of a general improvement in the economic scenario conditioned by the pandemic emergency, the Intesa Sanpaolo Group's operating income amounted to 20,786 million euro in 2021, up 1.9% from 20,400 million euro in 2020. This result was driven by the positive performance of net fee and commission income (+9.3% to 9,540 million) and, to a lesser extent, of other net operating income (+55 million to 92 million), only partly offset by the reductions in net interest income (-4.6% to 7,900 million), income deriving from insurance business (-3.3% to 1,629 million) and profits (losses) on financial assets and liabilities designated at fair value (-3.0% to 1,625).

Operating costs, equal to 10,920 million, continued to fall (-119 million, -1.1%), with an impact on both administrative expenses (-5.8% to 2,899 million), which benefited from the control measures taken and the initial synergies arising from the integration of the former UBI Group, and amortisation and depreciation (-0.6%

(1) For more in-depth insights as regards the main impacts of COVID-19 on financial performance, one should refer to the Consolidated Annual Report for the years 2020 and 2021.

(2) The comments, unless otherwise specified, refer to the reclassified and redetermined data published in the 2021 Consolidated Financial Statements of the Intesa Sanpaolo Group. The "redetermined" figures in the reclassified income statement take account of both the acquisition of the UBI Group and the entry of the 100% equity investments in insurance companies with which the UBI Group had long-term partnerships - completed in the second quarter - and the effects of the related sales of branches in the first half of the year (in this regard, reference is made to paragraph "Highlights" of the 2021 Consolidated Financial Statements of the Intesa Sanpaolo Group). Details regarding the calculation of the "redetermined" figures are provided in the chapters "Economic results" and "Balance sheet aggregates" of the 2021 Consolidated Financial Statements of the Intesa Sanpaolo Group. Amounts are in millions of euro. For additional details or information, see the 2021 Consolidated Financial Statements of the Intesa Sanpaolo Group.

(3) As discussed in the "Report on operations" of the 2020 Consolidated Financial Statements, to which reference is made, for the purposes of the overall measurement of the net effect on the income statement of the acquisition of the UBI Banca Group, in addition to the amount included in the item "Effect of purchase price allocation (net of tax)" of the reclassified consolidated income statement, equal to 2,062 million (+2,505 million as negative goodwill and -443 million as related charges), account must also be taken of expensed integration charges, totalling 1,378 million net of the tax effect, in the year when the business combination became effective, even though they were not considered in the PPA as required by IFRS 3.

to 1,248 million), including in relation to the write-off of UBI Sistemi e Servizi assets, which was merged into the Parent Company in July 2021.

Adjustments to loans, which included an additional allocation of around 1,615 million euro to accelerate the reduction of non-performing loans, amounted to 2,766 million euro, down sharply (-38.4%) on the figure recorded in 2020 (4,493 million euro), which was impacted by higher provisions due to the revision of the scenario following the pandemic.

The consolidated income statement also recorded:

- other net provisions and net impairment losses on other assets of 851 million euro, up from the comparison figure of 365 million euro. This caption mainly consists of other net provisions (to the allowances for risks and charges), which included approximately 295 million euro in order to strengthen the technical reserves of the insurance sector⁴ and 275 million pertaining to the Parent Company, mainly for legal disputes;
- other income (a caption which includes realised profits (losses) on investments, equity investments and financial assets at amortised cost other than loans, as well as income and expenses not strictly linked to operations) amounting to 332 million (97 million in 2020);
- income from discontinued operations amounting to 58 million euro (1,588 million recognised in 2020 including, among others, a 1,110 million gain on the sale of the acquiring business line to Nexi), related to the reclassification of the results of the branches sold by UBI Banca and the Parent Company (recognised by convention under this caption).

After the entries described above, gross income amounted to 6,639 million euro, an increase of 7.3% (+451 million euro).

Taxes on income stood at 1,623 million euro from the comparison figure of 1,510 million euro.

Net of tax, charges for integration and exit incentives were recorded of 439 million euro, approximately 210 million of which (approximately 320 million before tax) related to voluntary exits under the Agreement of 16 November 2021.

Effects of purchase price allocation were then recorded in the amount of -39 million euro, compared to the previous +1,960 million which included 2,062 million euro of negative goodwill relating to the acquisition of the UBI Group. Also still significant was the amount of Charges aimed at maintaining the stability of the banking industry, totalling 511 million euro, unchanged compared to the 513 million euro in 2020.

With reference to the balance sheet aggregates, as at 31 December 2021 loans to customers stood at 465.3 billion euro, an increase of 0.5% compared to the end of 2020 (+0.4% in the fourth quarter). The overall performance of the aggregate actually summarises a decline by 34.1% to 7.1 billion euro in non-performing loans, as a result of the de-risking initiatives carried out, more than offset by the growth in trade and financial loans.

On the funding side, the positive trend of direct customer deposits continued in 2021 as well, increasing overall by 5.5% to 555.6 billion euro.

Direct deposits from insurance business - which also includes technical reserves - totalled 204.5 billion euro in December 2021, up by 0.6% in the twelve months.

The favourable performance of the financial markets, combined with the strong results of the placement activity allowed indirect customer deposits to reach 719.2 billion euro, with an increase of 9.3% over the twelve months, attributable to the balanced development of all components.

In 2021, given the persistent health emergency situation, the Intesa Sanpaolo Group continued the actions taken in 2020 following the spread of the COVID-19 virus, aimed at protecting the health of employees, suppliers and customers, ensuring business continuity and control of risk, and countering the social and economic effects of the pandemic.

With a detailed illustration of the impact of the pandemic and the strategies implemented by the Group provided in the 2021 Consolidated Financial Statements, here we will limit our analysis to underlining how the complexity of the context called for the even closer monitoring of the factors that enable the Group to pursue sustainable profitability: high liquidity, funding capacity, low leverage, adequate capital base and prudent asset valuations.

At the end of December 2021 liquid assets amounted to 335 billion euro, 192 billion of which readily available. The Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio liquidity requirements were met in full. At 31 December 2021, the financing operations with the ECB to optimise the cost of funding and support the investments of corporate customers amounted to around 132 billion, entirely made up of TLTRO III.

(4) Taking into account the claims in excess of premiums issued and on the basis of the estimate of future charges on the policies in relation to a financial imbalance generated also as a result of greater use of benefits by insured persons on conclusion of the long periods of lockdown.

Funding sources were stable and well diversified with the retail component making up 84% of direct deposits from banking business, including securities issued.

Wholesale medium/long-term funding came to 6.8 billion in 2021 and included non-preferred senior bond benchmark transactions of 1.75 billion euro, senior green bonds of 1.25 billion euro and Tier 2 issues of 1.5 billion euro (around 92% of which placed with foreign investors).

Leverage ratio as at 31 December 2021 was equal to 6.6% under the transitional rules for 2021 and 6.5% on a fully loaded basis.

The capital base also remains high and well above regulatory requirements. At the end of the year, the Total capital ratio stood at 19.1%, while the ratio of the Group's Tier 1 capital to its total risk-weighted assets (Tier 1 ratio) was 16.4%.

The effects of the pandemic on the Group's risks continue to remain limited also thanks to the effects of the extraordinary measures implemented starting from 2020 and renewed during 2021.

With regard to credit risk in particular, the extraordinary measures have limited the effects of the pandemic in the current period; however, there may be a deterioration as they are progressively phased out. The extent of the impacts for the Group will be closely related to the actual development of the macroeconomic environment, and in particular to the evolution of the COVID-19 situation, together with any new situations of uncertainty and the long-term effectiveness of the above-mentioned support measures. The Intesa Sanpaolo Group is carefully monitoring the development of the situation, including through specific scenario and stress analyses used to assess the related impacts in terms of profitability and capital adequacy. The results of this monitoring have confirmed that, in the event of an adverse deviation of the scenario from the forecasts of the Central Banks, the Group – also through the implementation of specific actions – would be able to ensure compliance with the regulatory requirements and the stricter limits set internally.

Economic indicators (millions of euro)	2020	2021
Loans to customers	462,802	465,254
Direct deposits from banking business	526,765	555,565
Direct deposits from insurance business and technical reserves	203,211	204,479
Consolidated shareholder's equity	65,894	63,775
Consolidated net income	3,277	4,185
Dividends	2,626	2,932
Average market capitalisation	44,535	44,185
Total assets	1,034,002	1,069,003
Economic value generated	19,490	20,037
Economic value distributed	-16,271	-15,527

Comparative figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

CALCULATION AND DISTRIBUTION OF ECONOMIC VALUE

The economic value generated by the Group during the year is calculated in accordance with ABI (Italian Banking Association) instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular 262.

The economic value generated, which in 2021 was over 20 billion euro, came from net income from banking and insurance activities – which therefore takes into account the impairment losses on loans and other financial assets – plus the realised gains and losses on investments in associates and companies subject to joint control, investments and other operating income. The amount of the economic value generated expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. In particular:

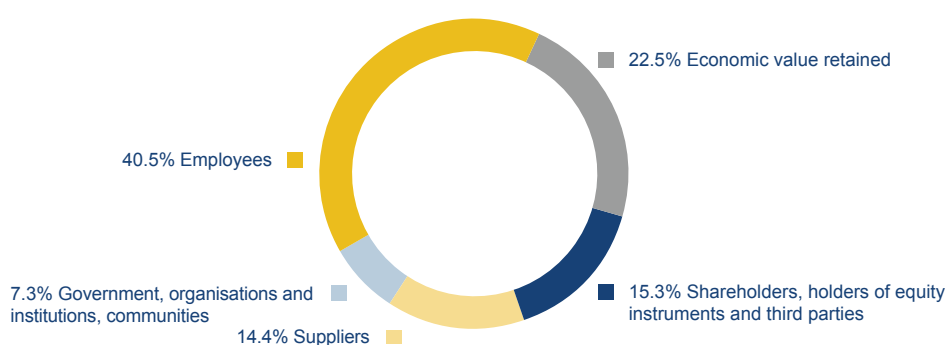
- employees and other staff benefited from approximately 41% of the economic value generated, for a total of over 8 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;

- suppliers received over 14% of the economic value generated, for a total of almost 3 billion euro in payment for goods and services;
- The Government, Organisations and Institutions recorded a total flow of funds of almost 1.5 billion euro, around 7% of the economic value generated, over 1 billion euro of which referring to indirect taxes and duties, and over 700 million euro to levies and other charges concerning the banking industry, consisting of contributions to resolution and guarantee funds. Numerous social and cultural initiatives and other actions were also undertaken to support the charity funds and issue disbursements by way of social and cultural contributions, also following the outbreak of the COVID-19 epidemic;
- approximately 15% of the economic value generated was allocated to Shareholders, holders of equity instruments and minority interests, largely in terms of the proposed dividend, for a total of approximately 3 billion euro. In particular, the proposed final dividend is equal to 1,533 million (in addition to the 1,399 million interim dividend paid in November 2021, for a total of 2,932 million from the 2021 net income). For more details in this regard see the Proposals to the Shareholders' Meeting in the Intesa Sanpaolo S.p.A. financial statements.

The remaining amount of the economic value generated, around 4.5 billion euro, was withheld by the corporate system and mainly comprises deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

BREAKDOWN OF 2021 ECONOMIC VALUE

ECONOMIC VALUE	millions of euro	
ECONOMIC VALUE GENERATED	20,037	100.0%
ECONOMIC VALUE DISTRIBUTED	-15,527	77.5%
Employees	-8,106	40.5%
Suppliers	-2,894	14.4%
Government, organisations and institutions, communities	-1,460	7.3%
Shareholders, holders of equity instruments and third parties	-3,067	15.3%
ECONOMIC VALUE RETAINED	4,510	22.5%



Integrity in corporate conduct

RELEVANT ISSUES

Fighting against corruption	page 84
Combating money laundering	page 86
Compliance with tax regulations	page 87
Protection of free competition	page 90
Privacy and data protection	page 90
Compliance with labour laws	page 92
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Disputes and fines	page 93

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 (combating active and passive corruption, combating money laundering, compliance with tax regulations, protection of free competition, privacy protection and compliance with the rules governing employment relationships) 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.

The Group is committed to pursuing its corporate goals with honesty, fairness and responsibility in the full and true respect of the rules and professional ethics and in the spirit of signed agreements, implementing high compliance standards for all Group's people.

PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Macro-issue	Projects/Indicators	2021 Actions/Results
Fighting against corruption and combating money laundering	Training to prevent corruption and money laundering	<ul style="list-style-type: none"> 75,893 Group's people trained (78.5% of the total) 248,739 hours provided Training on anti-corruption and anti-money laundering is mandatory and follows multi-year cycles, also according to local regulations
	Disciplinary sanctions against Group's people due to corruption	0
	Dismissals due to corruption	0
	Internal advice and clearing on transactions in the highest corruption risk areas	374
	Certifications	<ul style="list-style-type: none"> Intesa Sanpaolo obtained confirmation of the ISO 37001 Anti-bribery Management System certification, following the second and last annual audit process (maintenance audit) by the competent certification company
Protection of free competition	Training on free competition	<ul style="list-style-type: none"> 65,336 Group's people trained (67.6% of the total) 1,532,000 hours provided
	Internal requests for antitrust advice and clearing on Group projects	<ul style="list-style-type: none"> Advice and clearing requests were made for 111 initiatives, of which 55 advice and 30 clearing requests have been completed (opinions not subject to changes or updates), with the rest still ongoing

PERFORMANCE INDICATORS AND RESULTS ACHIEVED

Macro-issue	Projects/Indicators	2021 Actions/Results
Privacy and data protection	Training on Privacy protection	<ul style="list-style-type: none"> 62,541 Group's people trained (64.7% of the total) 86,632 hours provided
	Cases of customer data being lost or stolen	<ul style="list-style-type: none"> In Italy 43 cases were assessed, for 40 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 3 cases the Italian Data Protection Authority was notified Abroad in the EU 39 cases of alleged personal data breach were recorded, 34 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 5 cases were reported to the local Authorities
Consumer protection	Training on consumer protection	<ul style="list-style-type: none"> 75,721 Group's people trained (78.3% of the total) 1,853,422 hours provided
Whistleblowing	Whistleblowing reports	<ul style="list-style-type: none"> 35 reports, of which 2 were judged to be not pertinent and 33 were subject to specific investigations

COMPANY POLICIES

Intesa Sanpaolo seeks to act as 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, anti-money laundering 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.

Intesa Sanpaolo is continually committed to implementing regulatory, organisational and technological measures aimed at adequately meeting the needs of privacy protection.

Internal auditing involves constant and independent monitoring of the due conduct of the Group's operations and processes. Reference is made to individual paragraphs for further information on the policies defined by the Group in each relevant area.

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 Group's people, which are also included in the Code of Conduct. It 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 no. 231/01 (the Decree) establishes a system of administrative liability for Italian Companies for certain specifically identified crimes or offences, committed in their interest or for their benefit. Intesa Sanpaolo has long had an Organisational, Management and Control Model in place that defines the principles of control and conduct to be adopted to reduce the risk of committing crimes and offences envisaged by the Decree, including corruption and environmental crimes.

In preparing the Model, the Bank took into account all the existing regulations, procedures and control systems, insofar as they were also suitable as measures for preventing crimes and illegal conduct in general, including those envisaged by the Decree.

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

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

The Board of Directors delegates the structures the task of implementing the 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 in relation to the activities carried out by the individual organisational units in sensitive areas;
- the heads of the Bank's structures in relation to the risk activities carried out.

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 2021, the Italian Group companies almost completed the updating of the Model, in line with that of the Parent Company, in relation to the evolution of external regulations (Legislative Decree no. 75/2020 on the fight against fraud to the Union's financial interests).

To provide the Surveillance Body with an overall picture of the planning of the various control structure activities, 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 and identifies any further actions.

The heads of the organisational units involved in sensitive processes pursuant to the Decree certify the level of implementation of the Model, by means of an overarching self-diagnosis process on the work carried out.

Finally, constant attention is ensured to the training and dissemination of the compliance culture: in this regard, the remote training course initiative for the 2019-2021 three-year period was completed.

The Group's Anti-Corruption Guidelines, adopted as of 2017, 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 no. 231/2001.

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

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

- any conduct involving the offer or acceptance of money or other benefits – directly or indirectly – with the aim of inducing or rewarding the performance of a function/activity, or alternatively its omission.

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 were approved and adopted by the Group Italian and international companies. In 2021, there were continued checks on the consistency of the detailed internal regulations with the general principles set out in the Anti-Corruption Guidelines, in order to implement the necessary alignment, in addition to a detailed analysis of the anti-corruption controls currently in place in the individual highest risk areas, in order to identify any strengthening measures. In particular, the process regulations regarding the disposal of non-performing loans, financial equity investments, management of real estate assets and the recruitment and selection of employees in management positions were updated.

In April 2021 Intesa Sanpaolo obtained confirmation of the ISO 37001 Anti-bribery Management System certification, following the second and last annual audit process (maintenance audit) by the competent certification company.

In consideration of the significant potential regulatory risks, the Board of Directors of Intesa Sanpaolo resolved, at the meeting held on 23 March 2021, to renew the certification process for the 2022-2024 three-year period, thereby extending the certification scope to the Group. The certification scope coincides with the Group Italian and international companies consolidated in the Group's Anti-Financial Crime Risk Assessment, as well as the Group insurance companies operating in the non-life business.

During the year, the Anti Financial Crime Head Office Department processed 374 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.

In 2021, specific classroom training initiatives were held for compliance personnel and, finally, the provision of the e-learning course for the Group's people operating in Italian companies and at international branches continued. In addition, a training course was implemented for Group's people in international companies with mandatory participation by March 2022.

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. More specifically, the following activities were completed in 2021:

- in relation to the programme aimed at the integration of the former UBI Banca Group into the Intesa Sanpaolo Group;
- as envisaged in the remediation plan following the findings resulting from the inspection carried out by the FIU (Financial Intelligence Unit) between 2019 and 2020 aimed in particular at strengthening the information exchange process in relation to potentially suspicious cross-border intragroup transactions;
- the residual steps for adaptation to the Decree implementing the V Anti-Money Laundering Directive.

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 “2x1000 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 2021 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 no. 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.
- Risks of tax fraud committed by third parties. This refers to the risk of incurring violations of tax laws as a result of fraudulent tax conduct carried out by third parties.

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 coordination with Taxation Controls, 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 Taxation 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 business operations, the Tax Department measures the exposure to tax risk, the acceptance of which is resolved upon, according to its relevance, pursuant 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 fiscal 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 2021¹, the Group, in addition to indirect taxes of 1,170 million euro, recorded accrued income taxes for the year of 1,623 million euro, for the most part in Italy, where the majority of operating income was earned, as per the table below.

¹ The comments refer to the reclassified and recalculated data published in the 2021 Consolidated Financial Statements of the Intesa Sanpaolo Group, which can be referred to for additional details or information.

2021 data [millions of euro]	Italy	Europe	Rest of the world
Taxes on income	-1,041	-480	-102
Operating income	16,454	3,471	861

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 [\[1\]](#).

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 Rules of Conduct and the Antitrust Inspections 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 2021 the Group continued to raise awareness and spread the culture of antitrust compliance within the Group through the creation of 11 Web TV clips, the publication of 14 articles for the Group's communications magazine "Mosaico" (also translated in English) and the circulation of specific "Antitrust Update" reports. In addition, a dedicated course is available in Italy, which, as from 2021, can also be accessed by the Group's International Subsidiary Banks/Companies in English.

PRIVACY AND DATA 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, defined the organisational measures and, at the end of 2021, also completed 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 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. The Data Protection Officer relies on the support of the Privacy Function of the Safety and Protection Head Office Department, whose organisational structure evolved during the year 2021 and is now divided into Privacy Advisory - Relations with the Italian Data Protection Authority and Data Subjects - Controls and Privacy Reporting Office, in order to provide a better response to operational specificities. The Privacy Function 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 with which it entered into specific service agreements, 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 140 reports were received in 2021 for alleged instances of non-compliance (113 of which related to Intesa Sanpaolo S.p.A.) and 15 requests (11 of which for complaints from customers and 4 for information/documentation requests) from the Italian Data Protection Authority regarding companies belonging to the Group, for which the necessary responses were given.

In 2021, 43 cases (26 of which related to Intesa Sanpaolo S.p.A.) of loss or theft of data of customers of the Group (Data Breach) were assessed in Italy, 40 of which (25 related to Intesa Sanpaolo S.p.A.) 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 3 cases it was deemed necessary or prudent to notify the Italian Data Protection Authority and/or the data subjects.

The international Companies established in the European Union reported a total of 39 incidents/events of alleged personal data breach, of which 5 reported to local authorities, while for the remaining 34 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 the Group's people 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: 40 cases for violations of labour law were notified in 2021 and around 149 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 2021, no lawsuits were reported by current Group's people 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. 2021 saw the continuation of the training initiative launched in 2020 aimed at maximising knowledge of the Group's Internal Code of Conduct with a view to risk prevention; following a first training course of a general nature, three additional mandatory courses on specific topics of the Code were made available to all employees. Similar training initiatives were launched on the subject of "Rules for combating sexual harassment", a topic which was dealt with on two occasions by the inter-functional working group set up for the management of potential cases of this kind. These training initiatives, intended for all personnel, were also accompanied by a specific training course aimed at the Chief and Executive Directors (so-called Compliance Talks) and a series of initiatives managed together with the local Audit structures concerning the "Risk Culture" targeted at Branch Managers and Area Managers from former UBI Banca or newly appointed in order to involve the Business Functions on these issues, with a view to increasing risk awareness and promoting a proactive approach in anticipating emerging and future risks. Lastly, 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. Specifically, 13 international companies were involved, which incorporated the text of the Italian Group Code translated into English into their respective corporate bodies, which has therefore become part of their body of regulations. Following this approval, working groups were set up with the individual companies in order to adapt/harmonise the respective codes to bring them into line with both the Group regulations and local laws. Work for Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania, VUB Bank, Pravex Bank, Eximbank and Alexbank has already been completed. The remaining working groups will continue in 2022 and similar transposition and harmonisation activities will be launched with the international companies managed by the IMI Corporate & Investment Banking Division and by Fideuram-Intesa Sanpaolo Private Banking.

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, ICT, branch network, product companies, etc.). The planning 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.

In 2021, at the end of the integration process between Intesa Sanpaolo and UBI Banca, the structure of the Chief Audit Officer departments was revised, which led to the establishment, among other things, of the Audit Global & Strategic Risks Head Office Department, which is also responsible for the cross-cutting control of risks connected to ESG issues.

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 one ended in the first quarter of 2019 with the confirmation of the highest possible rating (“Generally Compliant”). In addition, on an annual basis, the Internal quality assurance and improvement plan is prepared, which is included in 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 and guarantee supervision of the Central Structures and the Banks and Companies of the International Subsidiary Banks, Private and Asset and IMI CIB Divisions (for International Subsidiary Banks, the dedicated Parent Company Offices ensure the governance of the activities carried out by the local audit units and, where necessary, a direct audit activity).

With regard to the audits carried out in 2021 in the Central Structures, Banks and Group Companies, the activities regarding the 258 Risk Areas identified in the planning phase were completed, with the completion of 308 audits (69 of which “extraordinary”, originating from specific requests of Corporate Bodies, Supervisory Authorities or from events/circumstances occurring after the completion of the annual planning)¹. In 2021, 100 audits were reported as significant for the purposes of Italian Legislative Decree no. 231/2001. Among these, 8 concerned activities related to corruption risk; these latest audits involved 9 Governance Areas/Divisions (some interventions involved several Governance Areas/Divisions).

In 2021, there were 36 audits regarding actions that directly or indirectly related to aspects linked to social and environmental policies. However, it should be noted that other audits may also cover ESG aspects to a more marginal extent: for example, initiatives relating to loan disbursement and management may also concern aspects related to the rules on transactions in sectors deemed sensitive from an ESG profile.

A first transversal audit on ESG issues with the aim of analysing the status of the internal framework and the ongoing projects within a more structured multi-year schedule of checks on these issues was concluded at the end of 2021.

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 Group’s people (including supplier and consultant companies) 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 2021 a total of 35 reports were received, of which 2 were judged not pertinent whereas 33 resulted in the launch of specific investigations.

DISPUTES AND FINES

As of 31 December 2021, there were a total of about 43,900² disputes, other than tax disputes, pending at Group level with a total remedy³ sought of around 3,700 million euro. 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.

At Group level, at the end of 2021 the total value of the claim for tax disputes (tax, penalties and interest) is 215 million euro, up from 211 million euro at 31 December 2020.

With regard to compliance with environmental regulations, for damage caused to the environment as a result of the Bank’s operations and in relation to health and safety, over the last three years, no significant reports emerged and no fines were imposed (see page 223).

With regard to labour litigation, at the end of December 2021 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 548-564) [i].

¹ In addition, 8 audits were completed which were underway as of 31/12/2020.

² These include approximately 25,000 disputes (of which approximately 19,500 arising in 2021) relating to the subsidiary Banca Intesa Beograd and concerning actions brought by customers challenging the validity (1) of certain charges provided for in loan agreements and (2) of charges relating to insurance for real-estate loans (both types of dispute are common with other banks in the country). Although numerically significant, the average value of the claims is quite modest: overall, the remedy sought relating to the two types of disputes is slightly more than 3 million euro.

³ 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.