

# Quality and innovation in customer relations

## COMPANY POLICIES

In keeping with the values and principles of conduct defined in the Code of Ethics, which are based on listening and dialogue, transparency and fairness, and the protection of safety in business relations, the Group places its focus on the customer and strives to maintain excellent relationships.

These values and principles are incorporated in the essential standards of behaviour set out in the Group's Internal Code of Conduct that commits Board members, employees and other staff to comply with them. In addition, for specific areas of activity governing the quality of customer relations, there are governance Guidelines and rules based on the initiation of processes which, adopting models involving high levels of protection, shape conduct according to criteria of considerable good faith and fairness in relations. Customer health and safety aspects are also monitored with policies that establish principles and rules of conduct and define responsibilities in operational relations, both in branches and on the digital channel.

## SERVICE QUALITY

Intesa Sanpaolo has adopted a service model focused on business areas with an organisational structure that guarantees monitoring in both Italy and the other countries in which it operates. The Divisions are responsible for developing the best quality service levels through the various channels, in order to improve the efficiency of the commercial products they offer to the various types of customers. Customer satisfaction and service quality are monitored and overseen by the structures that deal with customer satisfaction and customer experience in the various business Divisions.

## LISTENING TO RETAIL AND CORPORATE CUSTOMERS IN ITALY

For the Banca dei Territori Division, the management model in this area is based on actively listening to the experiences of customers when using the services via the various channels and during the multiple interaction opportunities with customers, as well as on the possibility of turning this feedback into ongoing improvements. The guidance tool is an integrated system of monitoring and analysis right throughout the life cycle of relations with the Bank as part of a process consisting of feedback, analysis and the subsequent implementation of corrective measures.

This focus on the customer is characterised by:

- the monitoring of satisfaction and the collection of opinions and suggestions to identify opportunities for improvement in products and services, and also in the interactions with the Bank;
- an approach geared towards customer protection and satisfaction, gauged by the survey of the Net Promoter Score (NPS), which indicates people's likelihood to recommend the Bank;
- the establishment and monitoring of quality KPI, measured using four indices (NPS and indices of excellence in terms of services, operations and credit), the results of which, published on the SEIok portal, are used to calculate the Variable Results Bonus of the branches and areas of the Banca dei Territori Division, accounting for 25% of the Synthetic Performance Indicator;
- the precise and prompt handling of complaints, establishing the reasons for the customer's dissatisfaction so corrective actions can be identified in order to reduce operational and reputational risks.

The results of the customer behaviour assessments and market benchmark surveys make it possible to identify latent requirements, thus helping to define and design new products and services from the planning stage onwards. Of particular importance for the highly innovative services is the following stage in which the level of interest in new projects is assessed which, thanks to the involvement of target users in focus groups and user tests, enables the company to receive suggestions on how to improve its products while they are still being designed.

Customer experience surveys continuously monitor customer feedback on the use of products and services: in this phase, the measurement process takes place downstream from interaction with the Bank, and establishes the reasons for customer satisfaction or dissatisfaction so that action areas can be identified. As well as ongoing surveys, in order to meet specific information requirements in-depth investigations are also performed on a case-by-case basis.

The feedback provided by customers is supplemented and enhanced with the opinions of employees, who are asked for their views on customer relations, products, processes and the services provided to the network of

branches by the internal departments. This procedure makes it possible to gather suggestions on strategic, conduct and organisational issues.

In 2018, the customer experience was measured at 100 points of contact with the Bank, many of which adopting a multichannel approach. All in all, in 2018 around 370,000 pieces of feedback were collected following interactions in Branches, 395,000 questionnaires were completed regarding interactions with the Bank via the Internet Banking channel, and 60,000 questionnaires were submitted via the App.

11 surveys were carried out in response to specific requirements or to examine particular issues that emerged in the ongoing surveys and, thanks to the involvement of over 680,000 customers, around 34,000 full interviews were submitted.

In addition, in 2018 over 42,000 employees were involved in internal customer surveys: the analysis of the almost 14,000 answers received allowed the Bank to gain an insight into its employees' perception of customer relations and to get important feedback regarding possible improvements to processes and work tools.

The Bank also continued to assess using the Net Promoter Score (NPS), an index which, measuring people's likelihood to recommend the Bank, reveals the overall quality perceived by the customer. In 2018, the data relating to over 770,000 retail customers and around 50,000 corporate customers was analysed.

NPS trends by customer type	2018	2017	2016
Retail	15.9	13.2	8.3
Personal	3.2	2.7	0.4
Corporate	20.3	20.2	17.6

Findings collected from the Banca dei Territori Division customers. Customers from the Aggregate Set of the former Banca Popolare di Vicenza and former Veneto Banca are not included in this evaluation.

### NET PROMOTER SCORE - NPS®

NPS is an indicator that measures the likelihood of customers to recommend a product, service or company. The NPS is based on a simple question asked to the customer to assess to what extent he/she would recommend the Bank to a friend, relative or business partner (depending on the customer).

On the basis of the opinion expressed, the respondents are divided into:

- detractors: dissatisfied customers who could damage the company through negative word of mouth;
- passives: satisfied but not loyal customers who may be influenced by the competition;
- promoters: loyal customers who recommend the company to others.

The Net Promoter Score is calculated by subtracting the percentage of detractors from the percentage of promoters. The result, however, is not expressed in percentage terms but as an absolute number between -100 and +100.

The NPS is an important customer feedback assessment tool: as well as expressing the extent to which they would recommend the Bank, customers are also asked to explain the reasons for their opinion. In 2018 over 220,000 comments were collected, unstructured yet highly valuable sources of information which, thanks to the use of advanced semantic analysis technologies, were transformed into improvement ideas for the company. Once again, the NPS made a major contribution to the Excellence Indicator measured for all branches, and enhanced the information provided by quality KPIs for Service Excellence, Credit Excellence and Operational Excellence.

To guarantee the consistent achievement of quality excellence goals and complete organisational engagement, the Tavoli della Qualità (Tables of Quality) project was launched in late 2018 to form the lynchpin around which the Banca dei Territori Division's improvement activities are organised.

The Tables are structured work groups with defined competencies and powers of intervention, which make full use of customer feedback by transforming it into concrete actions for the continuous improvement of products, processes and relations through the drafting of action plans.

## LISTENING TO LARGE CORPORATE CUSTOMERS IN ITALY

Also, as part of maintaining relations with this specific type of customer, customer satisfaction surveys are designed and conducted regularly on the basis of requests from the structures responsible for products and services, in order to identify the measures to be taken to improve the range of products and services offered. Based on the findings that have emerged, the structures themselves establish their plans of action and act in order to meet the highlighted needs.

The results of the surveys are shared on an ongoing basis with the relations functions which, in their approach with the customers, benefit from the information received and can act with greater awareness of and focus on the customer's needs. In 2018, the Corporate and Investment Banking Division designed and developed new customer surveys within its area, involving:

- 162 company representatives, with an online quantitative survey on the processes of managing payment flows, both manual and paper-based. The response rate was 31%. The Net Promoter Score was 49.
- 437 representatives of online companies involved in a quantitative study with the aim of evaluating customer satisfaction with regard to the management of operations in the international specialist and transactional areas. The response rate was 30%. The Net Promoter Score (NPS) was 45 and the Customer Satisfaction Index<sup>1</sup> (CSI) was 87.3 out of 100.
- 308 Top Managers and Entrepreneurs, with a qualitative and quantitative survey carried out using three contact methods (direct, telephone and online interviews) with the aim of accurately gauging their specific opinion on the quality of the Division's services, as well as receiving input in order to interpret the current scenario and examine the new requirements and expectations of customers as part of a process of continuous improvement and adaptation to changing needs. The response rate was 47%. The Net Promoter Score was 46.5.
- 80 representatives of businesses, through a qualitative survey conducted via interviews (direct and telephone interviews) aimed at identifying the best ways of supporting customers during the various phases of Banca IMI's merger by incorporation into Intesa Sanpaolo, as outlined in the Group Business Plan. The response rate in the first stage of the survey was 23%.
- 70 Investor Relation Managers from companies in the STAR segment through an online interview forming part of a qualitative survey aimed at understanding which strategic drivers, also in relation to the use and effectiveness of tax incentives, were most decisive in determining the success of the companies. The objective was to identify and bring up the best strategies to corporate customers once again. The response rate was 67%.
- 649 company representatives, with an online quantitative survey aimed at improving the quality of e-money services (payment acceptance services via POS, MonetaWeb) and monitoring the continuous maintenance of service levels following the sale of Setefi to the Mercury consortium. The response rate was 26%. The Net Promoter Score was 18.

## LISTENING TO CUSTOMERS IN THE INTERNATIONAL SUBSIDIARY BANKS

Customer satisfaction measurement activities regarding Retail customers in the Group's International Subsidiary Banks involved five banks (Banca Intesa Beograd in Serbia, Intesa Sanpaolo Bank in Slovenia, CIB Bank in Hungary, Privredna Banka Zagreb-PBZ in Croatia, VÚB Banka in Slovakia) with a specific focus on the multichannel offering and the service model, in order to further investigate the role of consultancy in sales processes. Specific analyses were carried out in order to understand the importance of the human factor in relations between the bank and the customer, with the aim of correctly implementing the multichannel offering and helping customers to use the new digital channels and ATM machines.

Concerning the benchmarking survey carried out between June and November 2018, approximately 8,000 interviews were conducted in the main countries in which the Group operates. The survey results showed stable levels of satisfaction in relation to the country's banking systems and also the individual banks.

As for Small and Medium-Sized Business customers, in 2018 both internal and benchmarking customer satisfaction surveys were conducted at CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Intesa Sanpaolo Bank (Slovenia), VÚB Banka (Slovakia) and PBZ (Croatia) involving around 3,000 customer and non-customer companies. In all the projects, the support from the network relationship managers in promoting the customer listening topics was extremely important.

<sup>1</sup> The index was calculated using a structural equation model with latent variables, specifically Partial Least Squares - Path modeling (in literature, PLS-PM). The outputs of the model include the measurement, through a summary index, of the overall satisfaction level (CSI - Customer Satisfaction Index).

## INSTANT FEEDBACK

The International Subsidiary Banks Division has a particular focus on listening to its customers with the aim of gathering the opinions of retail customers during their interactions with the Bank and, at the same time, resolving any problems that arise. The Instant Feedback programme has already been launched at three of the international banks, PBZ (Croatia), Intesa Sanpaolo Bank Albania and CIB Bank (Hungary), recording high levels of participation with around 150,000 users involved since August 2018 and approximately 13,000 pieces of feedback received. Every customer consulted receives a response from the Bank, and if they are dissatisfied with something they are contacted personally so that their problem can be solved. This management model has a positive impact in terms of reducing complaints and fostering loyalty to the Bank.

## MANAGEMENT OF COMPLAINTS

The Intesa Sanpaolo Group maintains an ongoing dialogue with its customers to ensure that their relationship remains excellent. To consolidate this trusting relationship, fundamental importance is attached to the careful and prompt management of complaints and other applications made which express customer dissatisfaction.

As well as helping to resolve the issues raised and safeguard business relations, promptly identifying the reasons behind the customer's dissatisfaction can help to assess service levels and improve products and services with measures to correct processes, in turn reducing operating, reputational and legal risks as well as consolidating the relationship between the bank and the customer.

The reference model and the principles for assessing and managing complaints, appeals, disclaimers and protests to the Supervisory Authorities are regulated by the Guidelines for managing complaints, disclaimers and protests to the Supervisory Authority and appeals to alternative dispute resolution Bodies, issued in July 2016 and subsequently recognised by the Group's Italian and international companies.

Complaints from customers of the Intesa Sanpaolo Banca dei Territori Division and the Group Banks and Companies are managed by the Complaints and Disclaimers structure of the Controls, Complaints, Cost Monitoring and Investments Department, which is required to respect the maximum response times established by the regulations and diversified depending on the type of complaint.

The increase in the number of complaints and of the dedicated structures (from two to six: Milan, Bologna, Montebelluna, Vicenza, Trieste and Sarmede di Rubano) following the merger by incorporation of consumer credit company Accedo S.p.A. and the Aggregate Set of the former Venetian banks into the parent company, together with the Supervisory Authority's requests to use complaints as a key product governance element, made it necessary to review the organisation, processes and instruments adopted.

In follow up to the IT processes and tools project launched in 2014 by the Complaints and Disclaimers Structure, which produced effective results in terms of reducing the number of days required to process complaints and limiting the number of expired complaints, in June 2018 an additional improvement process was launched with the Creare Valore dai Reclami ("Creating Value from Complaints") project. This new project is designed to optimise complaint management methods in order to focus more closely on the information contained in the complaints, whether by implementing a new classification method and the increased automation of processes, or by the semi-automatic management of low-complexity recurring issues. The project also places a great focus on internal change management, also through the formalisation of roles, structured training and skills mapping in order to trace out specific professional growth paths.

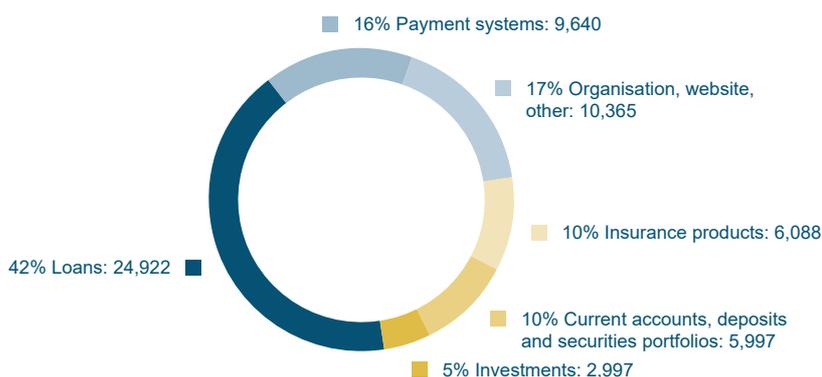
The new structure of the Complaints and Disclaimers structure, organised into two areas dedicated, respectively, to bank services and investment services, and loans and disclaimers (related to transactions made with cards and transactions involving payment systems), guarantees the necessary level of specialisation and the best tools for dealing with issues in these areas.

When ensuring that the response time deadlines set out by the regulations in force are met, the Complaints and Disclaimers structure must provide a written response to each complaint, that differs depending on the type of claim:

- payment system complaints: these concern the payment systems covered in the PSD2 regulation (e.g. bank transfers, credit/debit cards, POS), which have a processing time of 15 days;
- banking and financial complaints (ordinary): these concern banking and financial services and have a processing time of 30 days;
- insurance product complaints: these regard the Bank's operations during the sale of non-life insurance policies and the duration of Life Insurance policies (Class I), and have a processing time of 45 days;

- investment service complaints: complaints regarding investment and/or related services (pursuant to Italian Legislative Decree 58/1998). This also includes complaints regarding the sale of Class III, Class V and Multi-Line life insurance policies. The processing time is 60 days.

The Complaints and Disclaimers structure is responsible for registering the complaints received, overseeing the preliminary investigation of the cases and drafting the subsequent responses to customers, also exercising its right to act independently if it is necessary to reimburse the customer. In particular, it has an ongoing dialogue with the Chief Compliance Officer Governance Area and the Legal Affairs Department - which directly manages appeals made to the Banking and Finance Ombudsman and the Securities and Financial Ombudsman at Consob - verifying the gradual consolidation of general guidelines on specific issues. With regard to Italy<sup>1</sup>, 60,009 complaints, appeals and protests were recorded in 2018, broken down as follows:

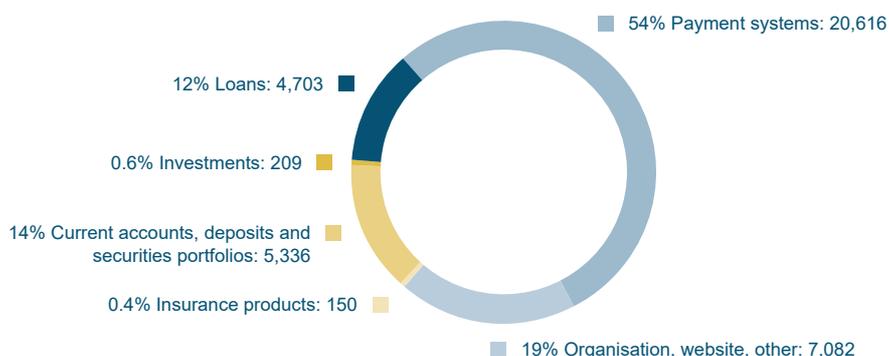


- Loans: account for 42% of the total, down 10%. This is mainly due to the reduction in complaints brought by former customers of Accedo<sup>2</sup> which, in relation to the early redemption of loans with assignment of one-fifth of salary, claim the pro-rata refund of fees and/or charges paid at the time of disbursement. In 2018, in the Banca dei Territori Division, there was a fall in complaints submitted regarding the alleged usurious nature of the conditions and the illegitimacy of the compound effects of interest capitalisation, and an increase in complaints submitted regarding errors and delays in the execution of transactions, creditworthiness assessments and reports made to information bodies about financial risks.
- Organisational issues and the management/functionality of websites: these represented 17% of the total, an increase of 16%, and mainly concerned malfunctions, the layout and usability of the new website, waiting times, queues in branches and, more generally, alleged unacceptable staff conduct.
- Payment systems: account for 16% of the total, an increase of 27%. Nearly half of the complaints relate to errors or delays in the execution of transactions, while a quarter relate to incidences of fraud – IT and cheque fraud in particular – leading to customer disputes concerning charges against them.
- Insurance products: account for 10% of the total, an increase of 7%. The majority of complaints regard the Group companies and are mainly connected with the settlement area (claims management, rejections of contracts) and administrative aspects (reimbursement of premiums paid but not received and problems related to the payment/adjustment/debiting of premiums).
- Current accounts, deposits and securities portfolios: represent 10% of the total, up by 62%, and are mainly linked to claims regarding errors and processing delays, also with regard to requests to terminate relationships and the unilateral measures carried out in 2017 on the current accounts and transactions deriving from the Venetian banks;
- Investments: account for 5% of the total, an increase of 3%. The most frequent reasons for complaint are errors and/or delays in performing transactions, the negative performance of the financial markets - which produced results not in line with the expectations of the investment, management and financial policy funds - and to delays in the transfer of securities to other intermediaries.

<sup>1</sup> This area includes the following companies: Intesa Sanpaolo, the Network of Banks that operate in Italy, Mediocredito Italiano, Banca 5 (Banca dei Territori Division); Banca IMI (Corporate and Investment Banking Division); Fideuram Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Sanpaolo Invest (Private Banking Division); Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita (Insurance Division); Eurizon Capital SGR, Epsilon SGR, Eurizon Capital SA (Asset Management Division); Intesa Sanpaolo Provis, IMI Fondi Chiusi SGR.

<sup>2</sup> In February 2017 Accedo was absorbed by Intesa Sanpaolo; following this corporate action, Intesa Sanpaolo seamlessly replaced Accedo in all contractual income and expense relationships, and, in particular, in all loan agreements entered into by the latter.

The data described above includes 1,760 requests for clarification made by the Supervisory Authority after receiving the complaints lodged by customers and 3,591 appeals to alternative dispute resolution bodies. In 2018, a total of 59,503 complaints were processed in full - also in the context of out-of-court procedures for disputes - of which 17,933 have been accepted. The average times taken to process and respond to complaints are on average lower than those established by applicable regulations. As regards the general situation outside Italy<sup>1</sup>, 38,096 complaints, appeals and protests were filed in 2018, broken down as follows.



Compared with 2017, overall there was a 6% fall in the number of complaints submitted, although trends differed from bank to bank; as regards the larger banks, there was an increase in the number of complaints submitted at Banca Intesa Beograd (+16%), VÚB Banka (+13%) and CIB Bank (+10%), while those made to Privredna Banka Zagreb-PBZ fell (-28%).

The complaints, appeals and protests pertaining to the payment systems category represent, as in the previous year, account for the most out of any group, being 54% of the total, slightly up compared to 2017 (+1%). Over half of these complaints, relating to VÚB Banka (Slovakia), were submitted principally due to ATM/POS equipment malfunctions and internet banking fraud.

Complaints relating to organisational and management issues and the functionality of websites were particularly significant, accounting for 19% of the total and down by 14% compared to 2017; they almost all concerned the Croatian subsidiary Privredna Banka Zagreb-PBZ and related mainly to remote banking service disruptions. There were fewer complaints regarding Current Accounts, Deposits and Securities Portfolios (14% of the total, down by 3%), and Loans (12% of the total, down 15%), whereas the proportion regarding Insurance products and Investments (1% of the total, down 56%) remained fairly insignificant, in line with the business volumes at the individual subsidiaries.

In 2018, a total of 38,486 complaints were processed - also in the context of out-of-court procedures - of which 22,520 have been accepted. The average processing times of cases vary depending on the subsidiaries, and are largely in line with local regulations, where obligatory resolution deadlines are in place.

## DIGITALISATION, INNOVATION AND ACCESSIBILITY

### THE DIGITALISATION PROCESSES PAVING THE WAY TOWARDS AN INTEGRATED MULTICHANNEL BANK

Intesa Sanpaolo is transforming the Group into a digital company, anticipating and supporting the needs and actions of customers in order to increasingly develop their "remote" relations with the Bank.

Indeed, the main goals of the 2018-2021 Business Plan entail progressive digitalisation with gradual steps involving ongoing interaction with customers and employees, high-impact innovation with the building of the Group's innovation brand, and support for the development of businesses and the implementation of IT systems and processes to ensure they are digital ready. At the same time, plans are in place to strengthen the

<sup>1</sup> This area includes the following companies: Privredna Banka Zagreb-PBZ (Croatia), VÚB Banka (Slovakia), CIB Bank (Hungary), Banca Intesa Beograd – BIB (Serbia), ISP Bank Slovenia, Banca Intesa Russia, Bank of Alexandria (Egypt), Intesa Sanpaolo Bank Albania, Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank Bosna i Hercegovina – BiH, Pravex Bank (Ukraine), Eximbank (Moldova); Intesa Sanpaolo Bank Luxembourg, the international branches of Intesa Sanpaolo (managed by the Corporate and Investment Banking Division).

operating structure with new skills both to maintain its high levels of efficiency and to support the evolution of the production process in an approach which genuinely combines the business and IT worlds. This is done by managing and exploiting the innate potential of data and related innovative analysis techniques, and by focusing even more closely on the effectiveness of investments.

In this regard, the Bank's operating requirements and need to transform the current operating model are leading to in-depth reviews of the IT platform, with an eye both on cybersecurity and further expanding the multichannel nature of customer services.

Thanks to the progress Intesa Sanpaolo has made in the area of multichannel and digital banking activities, it has already achieved notable results in terms of customer engagement and the volume of services offered. With regard to Italy (excluding Fideuram Intesa Sanpaolo Private banking and Banca 5) there were:

- 8.3 million multichannel customers in 2018 (7.3 million in 2017), representing 70% of the total customer base of around 12 million customers;
- 3.2 million customers using the new App at least once in 2018, with almost two million of whom having already activated the new access system OkeySmart which, with its OTP (One-Time Password) software, compliant with the European Directive on payment services in the internal market – the PSD2 (Payments Service Directive 2), is simpler and safer than a physical flash drive key;
- 56 million monthly accesses via the App, with a total of 39.8 million transactions during the year and over 31 million after-sales operations on payment cards (e.g.: change of credit limit, Geocontrol, PIN update etc.);
- 85% of the retail customer product range available via multichannel platforms (including the current account, payment cards, personal loans and also non-banking products such as smartphones, tablets and PCs);
- 15.7 million paperless transactions in 2018, and around 40 million since the initiative's full launch (early 2016);
- 47,800 products sold via the Online Branches in 2018, accounting for almost 5% of total sales (2% in 2017);
- 31 "remote managers and coordinators" working in the Online Branch (remote consultancy service and dedicated assistance with extended availability hours), with around 2,000 customers served.

At a strategic level and as part of the actions performed by the Group, the digital transformation process continues to place the core focus on people - customers and employees - as part of a consolidated and lasting relations model increasingly based on quality and trust.

## EMPLOYEE ENGAGEMENT

In 2018, change management measures focusing on ways to engage employees continued, in order to effectively improve their well-being, customer relations, and encourage the spread of digital culture, as well as to support and complete the process of integrating the former Venetian banks.

Using *Insieme per la Crescita 2.0* (Together for Growth 2.0) as a basis, the new change management system from the Banca dei Territori Division, *Ottomila!*, was developed. It is a set of tools and initiatives that help the Division employees (around 47,000 in total) to meet the goals of the 2018-2021 Business Plan.

The creation process began in late 2017, beginning with the involvement of the Top Management of the Banca dei Territori Division. It then continued into 2018, involving, at numerous stages across the country, numerous colleagues from the Network, the Banca dei Territori Division departments and the Product Companies (around 9,000 people in all).

*Ottomila!* is based on three cornerstones:

- listening and collaboration in the creation of new forms of engagement, which made it possible to define the key principles of the programme together with the Bank's management;
- a call to action, through the development of initiatives and KPIs designed to enhance the contribution of every employee;
- entertainment activities with a dedicated website, a calendar of events for each phase of the programme and the development of additional specially designed tools, channels and aids.

The driving force of the *Ottomila!* programme is the digital platform, dedicated to spreading the culture of change management and a place of interaction for employees. This platform systematically collects ideas and suggestions on topics proposed by the editorial office and gives all employees the chance to contribute and share their professional experiences.

The new change management system is more innovative than the previous programme, as it offers a greater degree of content customisation.

## VIVIDIGITALE

The activities of the Vividigitale project and investments in the spread of digital culture, through formats dedicated to employees and customers, continued in 2018. To this end, a “promoter of digital culture” was selected for each branch in order to support the spread of this culture across the operating network. This has been done by the promoter mentoring employees and providing updates during meetings organised to explain, to customers as well, less familiar features and services that have been constantly evolving from a technological viewpoint. The project involves around 100 employees per information session via Skype. In total, over 100 online meetings were held on different topics (including digital payment systems and remote products and services) for around 4,400 promoters. The professional updating programme in digitalisation for Banca Apulia’s and the former Venetian banks’ employees was also completed, entailing 12 sessions dealing with the new website structure and the Intesa Sanpaolo App. Meanwhile, the format designed for customers involved 16 events organised in the new branches on digital issues.

## NEW WAYS OF ACCESSING THE BANK

The Bank’s innovation in service quality can also be seen in the way it allows its customers to carry out transactions and information/consultation activities via multiple channels. The combination of a “successful delivery machine” based on people and a “cutting-edge digital platform” makes it possible to offer a fully-integrated multichannel bank and form a close relationship with the customer, even where there is less direct contact in branches.

As such, in 2018 it further improved its standing as Italy’s leading digital bank, particularly thanks to the further development of the Intesa Sanpaolo Mobile App.

Intesa Sanpaolo Mobile makes it simple and easy to access services (authentication methods are compliant with maximum security standards, also using digital fingerprints or face recognition for the latest generation of phones, or App notifications if the customer is using the website), is user-friendly and flexible (for example, you can easily pay bills and top up your phone credit, manage all of the main credit card functions including credit limits and activation for overseas use, or request to cancel or replace your card in the event of theft or loss), and ensures users can quickly get in touch with the Online Branch with just a simple movement of their mobile phone. It also allows cardless withdrawals at ATMs and, in emergency situations (so-called “SOS withdrawals”), friends or relatives to make cardless withdrawals by simply using the code generated by the owner’s App at the cashpoint.

The range of mobile services was further extended and improved in October with the release of the Intesa Sanpaolo Investo App, which makes it possible to trade on the financial markets quickly, easily and in an informed manner, and also to monitor your assets with a digital experience that identical to the in-branch service provided by your manager. At the end of 2018, the Intesa Sanpaolo Mobile App introduced new sales functions in the form of remote Motor policy solutions (ViaggiaConMe, MotoConMe).

In late June, the evolution of digital payments saw the introduction of XME Pay on Intesa Sanpaolo Mobile, a new digital portfolio that offers different ways of managing automated purchases in stores (payment in shops by card or by direct debit, management and storing of loyalty cards and ID documents). XME Pay also allows users to make online purchases in complete safety, with the ability to create virtual cards to be used just once (one shot) or ones with a fixed duration. It also features Masterpass, the Mastercard solution that allows payments to be made without having to enter the card number. In addition, the systems for tokenising Intesa Sanpaolo credit, prepaid and debit cards on Samsung and Apple mobile devices have also been included. These solutions have been included with Paygo, the system that allows for the tokenisation of the card on all Android NFC devices. Over 260,000 cards were tokenised on Android and iOS phones.

The possibility of tokenising cards was also extended to the national debit card circuit with the launch of an initial pilot phase at the end of 2018.

XME Pay also includes “account to account” payment methods thanks to Bancomat Pay (JiffyPay) payments. This solution also makes it possible to exchange money during an instant messaging conversation, and to create groups to split a dinner bill or collect money for a friend’s gift. Since the service’s launch in July 2015, 700,000 exchanges have been carried out, making a value of around 27 million euro.

Retailers were also directly involved in the evolution of the digital payments ecosystem, a field in which the Bank is working, by accepting Alipay as well as Bancomat Pay payments physically and online.

The support given to the business system's digitalisation process, forming part of the process of compliance with the electronic invoicing legal obligation for all transactions between parties resident in Italy, led Intesa Sanpaolo to provide the Digifattura Service for corporate customers, which has been available since October. This service completes the Bank's range of solutions for managing the life cycle of invoices, guaranteeing economic benefits due to the improved efficiency of company processes and the optimisation of dossier filing, with a resulting reduction in administrative costs (paper, envelopes, stamps, delivery costs, printing, invoice filing and searching).

## THE PHYSICAL NETWORK CHANNEL AND INTEGRATION WITH ONLINE STRUCTURES

Among the customer relationship channels, branches continue to represent the physical space of the distribution network, a place where customers can receive personal support and assistance, particularly with regard to more complex operations. Local branches are increasingly geared towards offering a focused, personalised and high value-added service. There are 4,217 branches in Italy (forming part of the Banca dei Territori Division) and 1,065 abroad. Intesa Sanpaolo's presence in the various regions of Italy is significant, with market shares of at least 12% in most Italian regions.

The New Branch Layout project has led to significant changes in the physical place where the Bank comes into contact with its customers: the modular physical spaces have been made as welcoming as possible with functional areas for specific activities (booths, co-working), and are suitable for hosting artistic and cultural events. The new branch model, conceived in 2014 also thanks to consultation with customers, was implemented in the following years and by the end of 2018 had been adopted in 184 branches. The experience enjoyed by our customers in the new branches was the subject of a survey involving 233 branches and more than 5,200 customers who considered the new layout sophisticated and modern. Suggested areas for improvement are the reception and waiting areas, with slight tweaks already made to the model to partially alter the layout and organisation of staff in these spaces.

The newly-conceived branches were the venues of the Sharing Ideas events for customers to share their stories, ideas and projects, so that the Bank branches could take part in the projects of local families and businesses. Around 450 events were held, involving approximately 15,000 customers. Various other commercial initiatives are also currently underway in some branches in order to enrich the customer experience, one example being a patisserie next to the Piazza Diaz branch in Milan.

At the end of 2018, Intesa Sanpaolo had a network of around 7,800 automatic teller machines (ATM, MTA and Self-service staff-assisted banking terminals) in Italy, and just under 3,100 ATMs abroad. Customers are offered a wide range of services, from withdrawals with all card types to account and card queries, mobile phone top-ups, payment of utility bills and taxes, the setup of SEPA credit transfers and the top-up of season tickets issued by the main local transport companies.

The Online Branch plays a key role in the growth and extension of the new multimedia bank and local distribution network support model, effectively integrating various channels of interaction, telephone, email, chats, videocalls and social networks to meet the needs of increasingly digital customers. The transformation and strengthening process in investments, size and deployment across the territory, place the Online Branch at the heart of the transition to digitalisation and the simplification of activities and services, in line with the 2018-2021 Business Plan: around 900 Managers in 15 Rooms offer customers operational and commercial support, striving for the best possible levels of service. In addition to customer services, the Online Branch is also a genuine sales channel thanks to its remote range of products and services that make it possible to "close remote contracts", bringing this range to the branches. It also makes use of two outsourced operating points, employing a total of about 1,350 Managers and coordinators.

Customer relations is also the focal point of the Remote Manager project: the first 14 Managers at the Turin headquarters were joined by the new Padua and Milan units to provide a personalised consultancy service on specific segments in collaboration with the Network.

In order to improve the accessibility and geographical coverage of services, Banca 5, the first online bank in Italy to operate in the payment system sector and dedicated exclusively to a network of tobacco points of sale, was launched in 2017. Banca 5 has around 20,000 customers, owners of the tobacco points of sale distributed throughout the country. During the year, it launched services for Retail customers through the network of tobacco points of sale, setting up operating points which, in addition to conventional cash collection and payment products, also offer withdrawal and bank transfer services. The services provided are classified into three main macro-areas: services for individuals (postal and bank bill payment slips, F24 tax forms, car tax, phone top-ups and prepaid cards), services for businesses (e.g. collections by direct debit), and services for owners of non-captive points of sales (e.g. current accounts and credit products).

For Intesa Sanpaolo customers with Maestro, MasterCard, Visa or Visa Electron debit cards, a cash withdrawal service with a daily limit of 150 euro is available at 15,000 non-captive points of sale partnered with Banca 5.

## ADOPTING GROUP DISTRIBUTION MODEL (AGDM) PROJECT

In line with the experience acquired in the Italian Banks, in 2018 the International Subsidiary Banks Division launched a multi-year programme for the introduction of a new service model that focuses on the specific needs of the different categories of retail customers. Introduced at Banca Intesa Beograd (Serbia), CIB Bank (Hungary), Privredna Banka Zagreb-PBZ (Croatia), VÚB Banka (Slovakia) and Intesa Sanpaolo Bank (Slovenia), the project seeks to strengthen customer relations through consultancy services. The programme entails the introduction of the latest generation ATMs and advanced MTAs in branches to simplify transactions and improve the customer experience. In this context, the physical network is also undergoing redevelopment work in accordance with the new layout launched in recent years in the Italian network.

### DIGICAL

On the international stage, the DigiCal (digital channels + physical branches) programme continued with the aim of strengthening the integration between the physical and the digital channels in order to provide Retail and Small Business customers with a new way of accessing products and services and getting in contact with the Bank.

The main results stem from the development of internet and mobile banking at CIB Bank (Hungary), PBZ in Croatia and Bank of Alexandria in Egypt. In 2018, CIB Bank had 260,000 online customers (more than doubling its number of online customers in a year), Privredna Banka Zagreb-PBZ had 256,000 online customers, and Bank of Alexandria reached a milestone, with 190,000 online customers. PBZ was also named "Best Digital Bank 2018 in Croatia" by Global Finance, while Mastercard ranked CIB Bank in third place in the "Mobile Banking App" and "Banking Innovation" categories.

Internet and mobile banking were also introduced at Intesa Sanpaolo Bank Albania at the end of 2018, and there are plans to extend them to Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Bank Romania.

In the DigiCal programme, innovative methods of analysing behavioural biometrics were introduced on the Mobile and internet banking applications, in order to increase customer security, preventing any potential cases of fraud.

### ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

To allow visually impaired or blind people to withdraw cash, find out their current account balance or top up their mobile phone at an ATM, all the ATMs of branches in Italy are equipped with an interface featuring easy-to-read graphics making operations easier for the visually impaired, while blind people can listen to a voice guide on over 6,400 machines with the use of ordinary headphones.

As regards the International Subsidiary Banks, the DigiCal model includes an ongoing commitment to making applications compliant with WCAG 2.0 (Web Content Accessibility Guidelines), which has made them accessible to a larger number of customers with disabilities, also offering a complete bilingual service (local language and English).

According to a series of checks that took account of national and local regulations, physical accessibility for people with disabilities was ensured in the majority of branches. Notably, Intesa Sanpaolo Bank Romania recorded an accessibility coverage of 82%, Intesa Sanpaolo Bank Albania 80%, Intesa Sanpaolo Banka Bosna i Hercegovina (Bosnia-Herzegovina) 76%, and CIB Bank (Hungary) 67%.

In Italy the monitoring of the accessibility and usability of buildings and services led to the conclusion of the census of 5,200 operating points (consisting mainly of Retail, Personal, Business, Private and Corporate branches, satellite agencies of the various branch types, and detached and company branches) out of a total of 6,018, i.e. over 84% of coverage (the former Venetian banks excluded), inspecting the user-friendliness of automated equipment and the accessibility of various areas with the use of tactile flooring for visually impaired and blind people. You can find specific information on the accessibility of branches on the Intesa Sanpaolo website [\[i\]](#).

In particular, there is information on the accessibility of branches and self-service areas for individuals with reduced mobility; visitors can also find out if there are accessible cashier desks, accessible toilets, adequate space for manoeuvring in corridors, tactile flooring for the visually impaired and blind, lifts or lifting platforms, or stair lifts to connect the various floors.

Intesa Sanpaolo has also been cooperating with the Fondazione LIA (Libri Italiani Accessibili - Accessible Italian Books Foundation), which has been working for years with Associazione Italiana Editori (the Italian

Publishers Association) and Unione Italiana Ciechi e Ipovedenti (Italian Association for the Blind and Visually Impaired) to improve the accessibility of its documents published on the Internet and on the Intranet. Accessibility aspects are also assessed as part of the Disability Management programme that constitutes an opportunity for dialogue and reference concerning all disability-related problems. Its aim is to promote inclusion (see page 129) in all its forms, accessibility included.

## CREDIT INNOVATION

The granting of credit to retail customers, in both product and process terms, was reviewed in depth. As regards personal loans, a new granting process which integrates all of the channels made available by the Bank was extended to the entire network of branches in 2018: the offer received from the traditional branch can easily be completed and concluded by the customer from their self-service device, either independently or with the assistance of the online branch, with all relevant parties fully involved in all phases of the process. Over 70% of approved credit applications are evaluated automatically and granted within 24 hours. Around 90% of applications are granted within 48 hours.

In particular, thanks to the PerTe Prestito Diretto product, in the consumer credit area the Bank has given customers the opportunity to purchase some of the best products on the market interest-free from the comfort of their own homes, with a large catalogue of consumer durables. The catalogue is continuously updated thanks to new partnerships with leading operators in the logistics sector, establishing the Bank as an innovative tool and solution for meeting non-financial needs. The product range is supplemented with the constant presence of the Online Branch, which assists customers from the purchasing stages through to the home delivery of their goods.

The more traditional sector of home mortgages also has seen innovation in terms of the range and offer structure. The commercial process was enhanced with the new Mutuo in Tasca product, specifically targeted at those who decide for the first time to make a major purchase. This new mortgage loan allows borrowers to obtain loans based on their maximum repayment capabilities, and to freely search for their ideal property, safe in the knowledge that the Bank will support them throughout the process. Over 4,100 people used this service in 2018.

## CUSTOMER PROTECTION AND RESPONSIBLE SALES

### TRANSPARENCY TO CUSTOMERS

Intesa Sanpaolo intends to make the information it provides to its customers clearer and more comprehensible in all stages of their relationship with the Bank through the simplicity of its language, the transparency of its information, and the consistency of the various documents on the same products/services. The main offer documents, drawn up in line with the clarity and intelligibility requirements, can be found in branches and also on the Bank's website, under the Banking Transparency section [i].

These include Product and Service information sheets, Specific Guides and Information documents on the conditions offered to all type of customers.

### INVESTMENTS: ADVISORY SERVICE

In terms of investments, and in line with the MiFID Directive, Intesa Sanpaolo has offered its customers the highest possible form of protection, i.e. its consultancy service, since 2007. This service consists of the formulation of personalised recommendations - regarding financial product/investment service operations - consistent with the customer's financial profile. With this in mind, a series of specific rules that Bank personnel must observe when providing customers with investment services was introduced and implemented in full. Following the entry into force of the MiFID II Directive and European regulations in the area of investor protection<sup>1</sup>, these Rules were further strengthened in order to provide investors with higher levels of protection and increased transparency in negotiations on the financial instruments markets. In particular, Intesa Sanpaolo introduced new obligations in terms of the governance of financial instruments, knowledge and expertise requirements for personnel responsible for providing investment services and ex ante and ex post information on the costs, charges and incentives of the products and services available.

<sup>1</sup> Directive 2014/65/EU (MiFID II) Regulation 2014/600/EU (MiFIR) and Regulation 2014/1286/EU (PRIIPs).

Among the projects consolidated in 2017 and further developed in 2018 in the area of advisory services, “Valore Insieme” is a global consultancy solution provided by branch managers through an innovative relations platform that provides advanced and personalised consultancy in all phases of the construction, protection and transfer of investment portfolios. It is a paid service aimed at those who are looking for an exclusive relationship that combines innovative technology with ongoing professional support from a dedicated manager. The service covers various areas of needs (Securities and Pension Assets, Real Estate Assets, Protection, Security and Generational Transition) connected by a cross-cutting diagnostics section to ensure communication and interaction between the various consultancy levels. The platform enables the ongoing monitoring of the assets and the relations, and offers personalised recommendations with new reports and an alert system that ensures constant advisory protection over time.

## THE COMPLIANCE CLEARING OF NEW PRODUCTS AND SERVICES

With regard to product governance processes, the clearing process for new products and services marketed by Intesa Sanpaolo, just like the changes to existing products and services, is particularly important. These cases are subject to prior verification of their compliance with the relevant legislation. Similarly, innovative projects that launch new businesses or enter new markets are assessed in advance to ensure their substantial and formal compliance with internal and external regulations. Conformity assessments are carried out in accordance with the principles of fairness and protection of the interests of customers, and also relate to the quality of the information provided and the consistency of these services, products or transactions with the expectations of the target customers.

### BUSINESS CONDUCT ADVISORY

In 2018, a function dedicated to business conduct activities (Business Conduct Advisory) was set up within the International Subsidiary Banks Division with the aim of acting as a competent and informed consultancy centre for the Division and the International Subsidiary Banks, with regard to the business implications of the conduct risk. As regards the dissemination of information concerning these issues, between July and October two training sessions were organised for the top management of the Division and the retail business functions of the International Subsidiary Banks, involving a total of 33 participants.

## DIALOGUE WITH CONSUMER ASSOCIATIONS

Intesa Sanpaolo has long been involved in an open and constructive dialogue with all nationally-recognised Consumer Associations, that is based on listening to their requests and collaborating with them on a project, technical and operational level. In 2018, a meeting was held between the Bank's top management and the heads of all the Associations to establish methods of building relations, ongoing and future projects, and technical discussions on specific categories of products/services. More specifically, the 2018-2021 Business Plan was shared with them both collectively and through one-to-one meetings, focusing particular attention on all issues relating to retail customers, with all of the observations of participants relayed to the internal departments. Intesa Sanpaolo is also a member of the Consumers' Forum, an independent association encompassing the most important consumer associations, numerous industrial and service companies and their trade associations, and research centres. The Consumers' Forum promotes dialogue and joint reflection in order to share knowledge in an easier way and overcome the difficulties of dialogue between consumer associations and businesses. The ultimate goal of the association is to promote the evolution of consumer policies in order to improve the quality of life of citizens.

Work also continued throughout the year on permanent conciliation (see the Conciliation Agreement [i]) and its role as an out-of-court solution adopted and managed together with the Consumer Associations.

The conciliation procedure, which concerns products offered to retail customers (current accounts and linked payment cards, mortgage and personal loans), is simple, free and quick, with a maximum case resolution time of 60 days. Customers may decide to participate, at no cost and without impacting on any other paths they may wish to take, even subsequently, in order to protect their interests. In 2018, 51 applications for permanent conciliation were received.

## MANAGEMENT OF CUSTOMER REQUESTS FOR THE RESALE OF DIAMONDS THROUGH PURCHASES AT ORIGINAL PRICES (ASSESSMENT BY THE ITALIAN COMPETITION AUTHORITY - AGCM)

The cooperation agreement with Diamond Private Investment (DPI) for the supply of diamonds to customers was terminated in November 2017 and the Bank ceased this activity. Intesa Sanpaolo launched a process that entails the payment to the customers of the original cost incurred for the purchase of the diamonds, as well as the withdrawal of the stones. This has been done in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen on the market, were not met by DPI within the contractually agreed period of 30 days. In January 2018, the Bank sent a notice to customers owning diamonds to stress the nature of the stones as durable goods, confirming, among other things, its willingness to intervene directly as regards any realisation needs expressed by the customers that were not satisfied by DPI.

As of 31 December 2018, the Bank had received and met a total of 4,430 repurchase requests from customers worth an overall 77.4 million euro.

In this context, in February 2019, an order for precautionary penal seizure of 11.1 million euro was served to the Bank, corresponding to the fee and commission income paid by DPI to Intesa Sanpaolo. The preliminary investigations initiated by the Public Prosecutor's Office of Milan primarily concern four other banks and two companies that sell diamonds. Intesa Sanpaolo is accused of an administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to the alleged offence of self-laundering. In this regard, the Bank is confident that the correctness of its actions will come to light, and that the aforementioned initiatives introduced to safeguard its customers from damage will be appreciated.

## CUSTOMER HEALTH AND SAFETY

The cardinal principle behind the initiatives for the protection of branches and offices of the Group is the safeguarding of the health and safety of all the people that work there or pass through. This principle is implemented through operational rules and technological safety measures, supported by IT tools and the promotion of a health and safety culture.

### PHYSICAL SAFETY

Physical safety is guaranteed by the responsible function of the Parent Company, which works directly for the Italian Banks and carries out a practical coordination role for the International Subsidiary Banks, each of which has its own safety function.

The robbery risk analysis is updated constantly and, with the improvement of the safety systems, a follow-up is carried out to check the security level of high-risk sites. 12 robberies were recorded in Italy in 2018 (15 in 2017) and the situation in this respect remains largely under control. Physical safety risks are becoming threats which, unlike robberies, do not impact on the health and safety of customers and employees. For example, these include attacks on ATMs (76 incidents in 2018, of which 33 were carried out and 43 attempted), mainly carried out at night when branches are closed by highly professional criminals that avoid all contact with third parties. Cyber physical security attacks are also on the rise and combine physical forms of violation with cyber-attacks without any threat whatsoever to human safety. Structured processes for the mitigation of non-predatory aggression risks towards staff were also launched in 2018. This is an emerging phenomenon particularly in other sectors (e.g. in healthcare and schools) that may spread more generally to business activities based on contact with the public. To prevent this potential risk, mitigation processes and alert and warning measures were introduced in branches.

The health and safety of people is also the primary concern of the protection activities in branches of the International Subsidiary Banks, even if the majority are located in countries generally less exposed to the risk of robbery. To this end, the Parent Company functions provide guidance and support activities, particularly in projects on the development of distribution models (e.g. extension of the new layout model to the International Subsidiary Banks) and physical security models (e.g. protection of some main buildings).

### IT SECURITY

The Group considers the protection of information and the management of related processes a matter of strategic importance. In line with current regulations, IT security is governed by guidelines and integrated processes for the protection of the interests and rights of customers and employees. These rules are outlined in the Bank's Integrated Internal Control System, which defines responsibilities at all levels of the company. In particular, in accordance with the requests of the regulators, the Information Security Officer guarantees the functional coordination of the structures responsible for the IT security and business continuity of the Group's

Banks and companies. IT security tasks are carried out according to shared guidelines with both a centralised management model, for Banks and companies that have a high degree of integration with the Parent Company, and a coordination and control model for the other Group companies and the International Subsidiary Banks. Given the growing importance of cybersecurity issues, including in relation to the 2018-2021 Business Plan, the Intesa Sanpaolo Board of Directors approved the IT Security Plan which organises, in a structured and coordinated way, the measures already established by the Group functions that are responsible in various capacities for guaranteeing security. The underlying goal of the Plan is to clearly define responsibilities in the spread of the safety culture at all levels in order to protect all of the company's assets. In particular, the Plan involves the implementation of the Group cybersecurity strategy with a number of priority goals:

- (i) to strengthen and bring innovation to security measures to guarantee the digitalisation of the Group's services;
- (ii) to extend the measures already implemented at Parent Company level to the other Group companies;
- (iii) to manage cyber risks in an integrated way, in line with the Group's Risk Appetite Framework (RAF);
- (iv) to systematically employ the most innovative technologies;
- (v) to adopt a proactive role as an influencer in relation to cybersecurity issues at an international level.

This strategy is based on four main themes (Single Digital Identity, IT security and stakeholder networking model, extension and evolution of Group controls, and enhancement of internal expertise), which have allowed for the development of the operational projects and the related investments necessary for the implementation of the initiatives set out in the Master Plan, launching the first project activities.

The actual management of cybersecurity is carried out via the Information Security Management System by following an integrated approach designed to improve the ability to prevent cyber-attack threats, so as to ensure there is no significant impact on employees, company assets or the services of the entire Group (cyber readiness). This approach analyses:

- "soft" aspects, including cultural, process and training/exercise issues at all levels of the Organisation;
- "hard" aspects, including technology solutions and predictive techniques (e.g. cyber intelligence, behavioural analysis, etc.).

With regard to the direct protection of customer assets, the Bank constantly updates its anti-fraud system, which is able to analyse all operations carried out via the digital channels in real time, flagging up any suspicious ones so they can immediately be checked centrally by a team of experts.

In 2018, the constant monitoring of fraud resulted in the blocking of around 27 million euro of fraudulent transactions involving retail customers and around 47 million euro involving corporate customers.

The IT security profile is also based on the spread of awareness of the risks, of the prevention methods, of the relevance of the data processed and of the use of the application procedures by all the subjects involved (Bank structures, employees, customers and suppliers).

Particular attention was focused on customer knowledge of cybersecurity issues in the context of IT security. To raise the overall awareness of its customers, the Bank launched a series of communication initiatives on the showcase website (information pages, documents and infographics) and on bank statements (used as "safe channels"), also in collaboration with the relevant Italian and European authorities. In this regard, by way of example Intesa Sanpaolo participated with ABI in the Cyber Scams initiative launched by the European Banking Federation and Europol, helping with the preparation and distribution of materials designed to increase a knowledge of cybersecurity culture among customers through examples and direct messages, so that they can maintain control of their digital lives.

The Bank strengthened its Italian and European partnerships with the leading credit institutions, the supervisory authorities, law enforcement and competent government bodies in the field of cybersecurity in order to enhance its ability to identify and combat this type of threat. In 2018, the Intesa Sanpaolo Group structures responsible for the collection and analysis of information in order to technically identify cyber-threats (threat intelligence) intensified their activities for the Group Banks and companies, as well as for national bodies supporting the credit sector (e.g. CERTFin, CERT Nazionale).

The integrated monitoring of cyber security and business continuity as part of crisis management procedures confirmed the Bank's effective management of events related to natural disasters and crisis situations, ensuring the continuity of services and the safeguarding and protection of employees and customers.

Finally, as in previous years, the Bank remains committed to obtaining and maintaining third-party certification for its security and operational continuity activities that guarantee quality, and also for its appropriate monitoring of the services it provides (see [i]).

# Access to credit and financial inclusion

## COMPANY POLICIES

Intesa Sanpaolo provides a range of products and services that promote financial inclusion and access to credit, in accordance with the Group's Code of Ethics. This code highlights, among the principles of customer relations, this policy's value as a key lever for social inclusion, enabling people to improve their lives and exercise their citizenship rights to the full. The Code of Ethics also outlines Intesa Sanpaolo's commitment to promoting economic and social development in the countries where it operates. In particular, this responsibility results in assisting companies to develop and improve their competitiveness, and to introduce innovations and internationalise their business.

Among other initiatives, the 2018-2021 Business Plan launched the Fund for Impact, which is intended to disburse social impact loans of around 1.25 billion euro to sections of society that find it difficult to access credit, despite their potential.

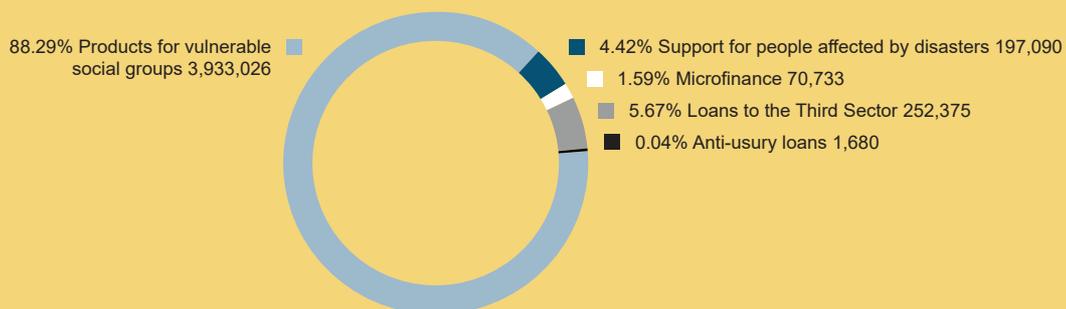
## FINANCIAL INCLUSION OF VULNERABLE PEOPLE

Support for vulnerable customers involves a number of projects and initiatives aimed at the fair allocation of resources by identifying actors within the territory with whom agreements and synergies can be developed that will make access to credit easier for vulnerable individuals or those who would otherwise have no access to banking.

### INITIATIVES WITH HIGH SOCIAL IMPACT

In 2018, the Intesa Sanpaolo Group issued new loans for high social impact activities amounting to just under 4.5 billion euro (7.4% of the total new loans granted by the Group in 2018), helping to create business and employment opportunities and also to assist people in difficulty with various initiatives: microfinance; anti-usury loans; products and services for associations and entities in the Third Sector; products for the most vulnerable social groups to support their financial inclusion; and loans to support people affected by disasters.

### LOANS WITH SOCIAL IMPACT [% and thousands of euro]



## MICROFINANCE AND THE FIGHT AGAINST USURY

Intesa Sanpaolo has established various partnerships with mainly philanthropic or religious entities to provide credit to individuals or small companies in difficulty. Altogether, in 2018 the Group disbursed over 72 million euro in microfinance or anti-usury projects, in Italy and abroad. Given the wide range of initiatives supported by the Group, only some of the most significant projects are described below.

Since 2010, the Group has been involved in the “Prestito della Speranza” loan project promoted by the Episcopal Conference of Italy (CEI) and the Italian Banking Association (ABI) to assist families in temporary difficulty by supporting the start-up of small businesses.

The loan seeks to foster the social and professional inclusion of people, leveraging on their personal responsibility and initiative to help create employment opportunities.

The loans are guaranteed by a 25 million-euro CEI fund managed by Banca Prossima, and the Group pledges to provide an overall sum of up to four times the amount of the guarantee fund.

The diocesan Caritas network, with the assistance of VoBIS-Volontari Bancari per le Iniziative nel Sociale (an association of volunteer former bank employees that operates throughout Italy and is purely focused on social solidarity), carries out evaluation, support, mentoring and monitoring activities for individuals that wish to access the loans, working in collaboration with the Group's local structures. The Prestito della Speranza loan has two specific areas of focus: life and enterprise projects for young people and start-ups. The initiative is structured either as a Social Loan (Credito Sociale) for families of a maximum of 7,500 euro, disbursed in six two-monthly instalments of 1,250 euro as an income top-up, or as a Business-builder loan (Credito fare impresa) for micro-enterprises which are either new or have a low capital base, consisting of a single payment of up to 25,000 euro. As of the end of 2018, the most recent version of the Prestito della Speranza launched in March 2015 has issued 43.6 million euro of credit, just under 7 million euro of which having been disbursed during the year, making for almost 900 loans.

The mechanism for the provision of a guarantee fund with Banca Prossima by a philanthropic or religious institution, linked to an agreement with Intesa Sanpaolo for providing credit to individuals or small companies in difficulty, has been replicated with a series of counterparties. Noteworthy initiatives include Intesa Sanpaolo's partnership with Fondazione Lombarda Antiusura and Fondazione Welfare Ambrosiano. The partnership with Fondazione Welfare Ambrosiano - an entity financed by the Municipality of Milan, involving Fondazione Lombarda Antiusura as well - has made it possible to disburse, since the beginning of operations in 2011, a total of over 3.6 million euro, of which over 54% was provided by Intesa Sanpaolo, especially relating to social credit. The initiative entails supporting microfinance initiatives of a social nature, to provide income support for families, and those of a business nature, for the creation of micro and small enterprises. The catchment area is essentially the Milan area, and Intesa Sanpaolo is one of the four financial partners involved.

Thanks to an agreement in October 2016, Società Nazionale di Mutuo Soccorso Cesare Pozzo secured a guarantee of 3 million euro, using part of its assets under administration with Banca Prossima, enabling it to grant 66 loans to its members for household expenses (school or health) on very favourable terms, for a total of over 300,000 euro.

Lastly, there are a few other ongoing agreements for the credit inclusion of disadvantaged persons or small businesses. These include agreements once again with Fondazione Lombarda Antiusura (in collaboration with Caritas Ambrosiana and Fondazione Cariplo), with Finetica Onlus, and with NEETwork to offer free training placements provided by non-profit organisations, as well as with Adiconsum, Exodus 94, Fondazione San Nicola Medici, Fondazione Antiusura Cavalla, Fondazione Moscati and Fondazione San Matteo for anti-usury initiatives.

### BANK THE UNBANKED

Over the years with its Bank the Unbanked project, Bank of Alexandria has developed several products for individuals with no access to banking to improve living and working conditions, including in the poorest areas of Egypt. These products are structured within a single programme which includes:

- microfinance/ micro-loans to meet the needs of customers and create small businesses,
- micro-deposits, to encourage a savings culture in disadvantaged areas,
- the mobile wallet MA7FAZTY, an application which makes it possible to carry out a wide array of banking operations using a smartphone.

Concerning the microfinance activities offered by Bank the Unbanked, a total 26 million euro of loans was granted in 2018 (23.5 million euro in individual loans and 2.85 million euro in business loans).

In late 2018, Bank of Alexandria launched the Tamkeen microfinance product to provide financial support to disadvantaged women and young people that agree to enrol in a training programme to enhance their skills and to learn how to manage micro-businesses. Developed in partnership with the Sawiris Foundation for Social Development, the International Labour Organization (ILO) and the Professional Development Foundation, Tamkeen seeks to meet the financial requirements of groups of young people and women by offering favourable interest rates on loans and specific grace periods for repayments connected with the sustainability of livestock purchases or other assets. In 2018, Tamkeen loans totalling almost 60,000 euro were granted.

Also in 2018, Bank of Alexandria participated in Arab Financial Inclusion Week in October, promoted by the Central Bank of Egypt to raise awareness among groups with lower levels of income. For the occasion, Bank of Alexandria organised a series of activities designed to increase the financial inclusion of women and young people: 910 women took part in various financial education workshops, and over 5,000 dedicated current accounts were opened across the country. Young people (aged 16-25) were involved in a series of activities at 22 sites to promote the current account tailored to their needs; in 2018, almost 18,000 current accounts for young people were opened.

## FUNDS FOR IMPACT – NEW CREDIT ACCESS OPPORTUNITIES

Following the guidelines contained in the 2018-2021 Business Plan, the Fund for Impact was launched, a new strategic initiative with funds of 250 million euro to support the disbursement of around 1.2 billion euro of loans to groups that would otherwise find it difficult to access credit, despite their potential.

Based on the experience of Banca Prossima, which introduced this new form of support for the non-profit sector, enabling many businesses to access credit as well as introducing an ex-post low rate of non-performing loans, Fund for Impact aims to extend the number of possible beneficiaries to include natural persons, businesses and other organisations involved in social projects.

More specifically, in 2018 this commitment involved the definition of “per Merito”, a loan designed to make it structurally easier for students residing in Italy to attend Italian and international universities. Indeed, access to higher education is one of the biggest and most pressing issues in Italy.

The loan is for students from all universities and faculties (currently around 1.7 million students), including those that wish to enrol at international universities or on Master's courses. Students from any economic and social background are eligible, as the loan does not require any personal or family guarantee, therefore creating new credit access opportunities.

From February 2019, all university students can request the loan online, with a credit facility that gradually increases as long as they complete at least 20 credits (or 80% of their exams) each semester. An annual maximum figure of 3,000 euro is provided for students that stay in their town or city of residence, and 5,000 euro is provided for those that live away from home, due to the higher living costs. This loan can be extended to cover the length of the 3-year course, and for an additional two years for those also doing a Master's degree. Once they have graduated, a two-year grace periods begins, after which they must begin repaying the loan taken out, in instalments over a period of a maximum of 15 years. Repayments can also be suspended three times, and there are no additional charges for early repayment. The interest rate is set when the loan agreement is signed, it's fixed and is very competitive.

The possibilities created by this loan supplement and enhance the solutions that the universities already offer (grants and scholarships) without affecting the primary role played by the public authorities in guaranteeing the right to study. It is worth noting that although the number of study grants has increased in the last three years, not all eligible students have been able to receive the necessary support. In addition, in a context in which the financial capacities of families have reduced, the availability of loans can help to drive up the number of university students registering, paving the way for the development of human capital among young people to foster the country's growth.

## NATURAL CATASTROPHES AND DISASTERS

The Intesa Sanpaolo Group confirmed its concrete commitment to support families and businesses affected by environmental disasters or other catastrophes in Italy, such as the collapse of the Ponte Morandi bridge in Genoa, the earthquake in central Italy, the extraordinary weather events in the Triveneto area and the landslide in Stigliano. The Group does this by providing new subsidised loans intended for the restoration of damaged properties (houses, shops, offices, artisan workshops, companies), suspensions on existing loans, actions in the area of protection and preferential, simplified and expedited procedures.

In 2018, the Group supported affected families to the tune of over 15 million euro through unilateral cancellations of over 220 “first home” mortgage loans on property deemed inaccessible (as a result of the central Italy earthquake). There were over 300 suspensions of repayments on existing loans. In addition, over 3,500 subsidised loans amounting to around 200 million euro were granted in 2018, with over 140 million euro issued in the 2015-2017 period. Intesa Sanpaolo also supported families and businesses affected by the Genoa bridge collapse by making a plafond of 4.5 million euro available for the cancellation of mortgages, and 50 million euro for reconstruction work. Intesa Sanpaolo also decided to give individuals the opportunity to suspend the payment of instalments for mortgages on property destroyed or rendered inaccessible for a 12-month period, free of charge.

A plafond of 1 billion euro was allocated following the extraordinary weather events in late October, 270 million euro of which was assigned to the north-eastern regions for subsidised loans. Finally, families and businesses in affected areas were given the opportunity to suspend repayments on existing loans for 12 months.

At the same time, for both the earthquake in central Italy and the collapse of the Ponte Morandi bridge in Genoa, Intesa Sanpaolo subscribed to the Vicino a Te policy issued by Intesa Sanpaolo Vita for minors that lost one or both of their parents. This policy, which matures when the child reaches adult age, has a capital guarantee of 100,000 euro for the loss of one parent, and 200,000 euro if both parents passed away. If the child goes to university, this figure is increased by 50%. All nine children that lost their fathers following the collapse of the bridge were identified, and the necessary documentation was collected for the issuing of the relative policies, for a total investment of around 1.2 million euro. For the same initiative implemented following the earthquake in central Italy, 20 orphans were identified, ten of whom had lost both parents, with 20 policies taken out on their behalf.

## SUPPORT FOR HOUSEHOLDS

Intesa Sanpaolo participates in the Guarantee Fund for Main Home Purchases, established by the 2014 Stability Law to facilitate access to credit by households for the purchase of their main residence and related energy efficiency improvements. Thanks to the Memorandum of Understanding between ABI and the Italian Ministry of the Economy and Finance, the beneficiaries - mostly young couples, single-parent families with minor children, young people under the age of 35 with an temporary employment contract and tenants of public housing owned by the Istituto Autonomo Case Popolari (Social Housing Authority) - can get a guarantee on the principal amount of their loan (up to 50%). In 2018, 6,748 mortgages of a value of 713 million euro were issued (over 3,200 for a value of almost 350 million euro were issued in 2017).

Support for households was also reflected in the renegotiation of mortgages, more than 33,000 in 2018, and approximately 2,000 suspensions overall (3,400 in 2017), defined as a result of system agreements and to provide support to households affected by natural disasters.

## SOLUTIONS FOR YOUNG CUSTOMERS

The renewed and expanded range of mortgage loans includes Mutuo Giovani, with new solutions that enhance the flexibility of the products designed for under-35s, including workers on temporary contracts or those with increasing protection contracts, to facilitate the purchase of their first homes, covering up to 100% of the value of the property and with a duration of up to 40 years. For an initial period of ten years, Mutuo Giovani allows borrowers to pay a smaller instalment covering interest only, with the possibility of suspending the payment of instalments or extending or shortening the loan's duration. Altogether, 2.2 billion euro was disbursed to over 19,000 young people (almost 2.5 billion euro was disbursed in 2017). Also aimed at young people is the PerTe Prestito con Lode loan, designed to help them access studies. This loan is granted purely on the basis of the student's academic merit and attendance, without any personal guarantees and irrespective of the family income. In 2018, the Bank continued to promote the product at major Italian universities, as well as higher vocational education institutes, in both the public and private sector, in order to maximise its ability to support the development of the next generations

and ensure the financial inclusion of capable and deserving individuals. Just under 9.2 million euro was issued in 2018 (675 policies taken out).

XME Conto is the flexible current account with favourable conditions for the under-30s, with no account or debit card fees and additional benefits such as zero commission on ATM withdrawals at other banks around the world and for online transfers, and government stamp duty paid by the Bank up until the account holder turns 30. At the end of 2018, there were around 440,000 XME Conto account holders.

The range of innovative products dedicated to under-18s was further expanded with the new account for minors XME Conto UPI, which is completely free. The account also includes the benefit Bonus Giovani (Young Bonus), involving the payment of 1% gross of the sum in the current account, up to a maximum of 1,000 euro, when the account holder turns 18. The product is modular and personalised according to the age range of the minor (0-7 and 8-17 years), growing together with the child as their needs change, and always under the watchful eye of their parents. It is also a useful tool for teaching youngsters the value of saving and educating younger children about looking after their pocket money and their little savings. In addition, to help families convey the value of money and savings to young children, the innovative technological piggy bank XME dindi was launched in December. As well as carrying out the classic piggy bank function of collecting coins and banknotes, it also allows users to set periodic retained sums of money, either manually or automatically, thanks to the rounding-off of payment transactions made by card.

The monitoring of savings accrued can be done via the Internet Banking service and the Intesa Sanpaolo Mobile App.

With XME Conto, which comes with XME Salvadanaio and XME dindi, children learn to make their first purchases independently and to understand the value of money, managing their money set aside to achieve pre-set goals. Meanwhile, thanks to the Parental Control function, parents can maintain a watchful eye over their activities at all times. They can set the spending limits for the child also by product category, and can receive notifications when there is an attempt to exceed these limits.

Other initiatives relate to savings for example, with Eurizon Meta Superflash, a fund-based savings plan with special pricing for under-35s which allows young adults to save small amounts with the aim of meeting a goal within a specific timeframe. In the Pensions area, there is also the Il Mio Domani open-ended pension fund and the Il Mio Futuro individual pension plan, which offer a discount on the annual flat fee, from 50 to just 10 euro for up to 25 years.

Keeping within the area of loans provided to retail customers, Intesa Sanpaolo was the first Italian bank to provide financing for APE (cash advances against pension entitlement) requests, a system introduced on a trial basis by the 2017 Budget Act and extended to 2019 for workers who, having turned 63 and with a minimum of 20 years of contributions, wish to retire early. The financing is structured as an income bridge with a maximum term of 43 months, and Intesa Sanpaolo pays the customer on a monthly basis until they begin receiving their state pension. The monthly amount is chosen by the customer on the basis of their future pension, and the loan has a duration of twenty years, with the possibility of full or partial early repayment. The interest rate, permanently set when the loan is issued, is the same for the entire banking industry, regulated by the Framework Agreement with INPS, the Italian social security institute, and updated every two months by the Italian Banking Association (ABI). APE involves a tax deduction of up to 50% of the interest and the mandatory insurance coverage, provided by a third-party company, to protect heirs in the event of the early death of the applicant. 7,709 applications were received in 2018, 5,442 of which were accepted, with a total of 93.2 million euro disbursed.

## REMITTANCE MANAGEMENT

Immigrants constitute an important segment of Intesa Sanpaolo's customers: at the end of 2018, they totalled 1.2 million (a similar figure to 2017). The money transfer services offered include three complementary modules which in terms of characteristics and costs make the product range complete and competitive: Getmoney to Family, which makes it possible to send money to the main countries of origin of immigrants (Bangladesh, Brazil, Bulgaria, Ecuador, India, Moldova, Morocco, Peru, Thailand, Tunisia, Ukraine and Vietnam). This is thanks to collaboration agreements with banks in these countries: Express to Family, to transfer money to Intesa Sanpaolo Group Banks located in Albania, Egypt, Serbia and Ukraine; and Money Transfer Western Union which, thanks to its widespread network of agents, makes it possible to receive money all over the world. In 2018, around 101,000 remittances were made, amounting to approximately 51.4 million euro. In 2018, just under 85,000 transfers were made through Western Union, amounting to almost 24 million euro.

## PROJECT FOR THE FINANCIAL INCLUSION OF IMMIGRANTS

The financial inclusion project for immigrants was developed on the basis of the results of a study/analysis on the current process and the future impact of immigrant integration dynamics on the sustainable growth of the country. The analysis resulted in internal Intesa Sanpaolo Group projects focused on training and change management, as well as business development. The training aspect revolves around modules for employees in approaching this customer group. On the other hand, the business development side is geared to planning initiatives with Banca 5 for expansion within the network of participating remittance stores and other transactional services for immigrants, and is also focused on the assessment of a pilot credit project with the Impact Department.

## SUPPORTING THE THIRD SECTOR

The Third Sector is a significant part of the Italian economy and society, and Intesa Sanpaolo has long recognised its importance by providing services, mainly through Banca Prossima, to third sector organisations and the religious world. At the end of 2018, Banca Prossima had just under 65,000 customers, and direct and indirect deposits of nearly 5.3 billion euro, of which roughly 3.7 billion euro was in direct deposits and just under 2 billion euro in loans. Specific relational models were developed for Third Sector customers that take account of the fact that the intangible assets of these entities play an important and specific role in making their long-term financial exposure sustainable. These models were integrated into a variant of the Group's rating process that better suits the characteristics of customers from the non-profit and religious sectors, particularly with respect to the qualitative section. Lastly, to guarantee support for Third Sector entities, Banca Prossima set up a Fund, on a statutory basis, for the development of social enterprise which every year receives at least 50% of the profits that remain after allocations to legal and statutory reserves and the reconstitution of the share premium reserve initially used to set up the Fund. Thanks to this instrument, since 2011 about 1,000 entities with ratings below the minimum level required by the Group to access credit have been given loans with a default rate of below 10%. This Fund will continue to function also after the incorporation of Banca Prossima into Intesa Sanpaolo, scheduled to take place in 2019, through the creation of a plafond of around 0.1% of the shareholders' equity of Intesa Sanpaolo that can be activated in the event of providing loans to categories of customers of borderline bankability.

## CROWDFUNDING PLATFORMS

For Funding is the crowdfunding donation platform of the Intesa Sanpaolo Group aimed at organisations, non-profit associations and foundations which want to launch a fundraising campaign with the participation of a wider donor community.

The fundraising initiatives on the platform are selected by the Intesa Sanpaolo team. This is done to develop only the most deserving projects and not to waste the donations: both the beneficiary organisation and the project type are assessed.

Once a project is published online, donors may contribute to the fundraising process with a donation made through the website using a credit card, by online bank transfer (Pago Online and My Bank), or with a bank transfer made at their own bank or at any Intesa Sanpaolo branch. Transactions are performed without any fees borne by the donor or the beneficiary.

Since the launch of the platform in September 2017, 18 projects have been presented with a total of almost 670,000 euro collected from donors.

This initiative is supported by Terzo Valore, the portal developed by Banca Prossima that enables non-profit organisations to finance themselves by appealing to communities of supporters who grant them resources as debt to be paid back. Terzo Valore is characterised by a guarantee mechanism that was prepared for the lenders: Banca Prossima provides a line of credit that can be activated if the non-profit organisation has difficulty in repaying the funds. Via the website [www.terzovalore.com](http://www.terzovalore.com), supporters can underwrite part of the loan at a rate of their own choosing that is below a maximum level stated by the organisation itself. In fact, about 50% of lenders lend at zero interest.

Between its launch in 2011 and the end of 2018, Terzo Valore accepted over 100 projects submitted through the website. 113 have been completed (15 of which in 2018), for a total of 12 million euro disbursed by Banca Prossima and a further 9.2 million euro by third parties (the total value of the projects involved was over 21 million euro). In 2018, these figures were close to 1.3 million euro and 1.2 million euro respectively.

## EDUCATION AND SPREAD OF FINANCIAL CULTURE

The spread of basic money management knowledge is very important in enabling large swathes of the population to access the increasingly vast array of traditional and alternative financial services available in an informed manner, as well as to avoid situations of over-indebtedness. These are the reasons that led Intesa Sanpaolo to support a series of pilot financial literacy initiatives, designed and developed by the Museo del Risparmio (Savings Museum), the first multimedia financial education workshop in the world, developed by the Bank in 2012. To go beyond the geographical constraints of the fixed museum, some initiatives have been replicated at a national and international level for a number of years.

The lead project for 2018 was the SAVE Tour (Sustainability, Action, Voyage, Experience), a journey through the Italian regions developed in collaboration with Italscania and the European Investment Bank Institute, with the aim of primarily involving students of all levels and age groups. The initiative consists of multimedia courses and didactic workshops, developed on the basis of the content of the Museum, revolving around economic-financial education and environmental sustainability and held in a Discovery Truck set up with video and games stations. At the end of October, the Discovery Truck began its tour of central and southern Italy, which will see it visit eight regions and 22 cities, focusing particularly on the areas affected by the recent earthquake (for more information [1]).

Keeping within the area of initiatives for children and teenagers, the following projects were held in 2018:

- the third year of the MOneY LEarning project, carried out with the support of the European Investment Bank and Fondazione Scuola della Compagnia di Sanpaolo, which between September 2016 and December 2018 gave 4,700 children and 540 teachers from primary schools in the Piedmont region the opportunity to take part in a free educational course on the history of money and the meaning of saving at the Museum. The project underwent an impact assessment conducted by the University of Turin, which confirmed its effectiveness among its target audience;
- third year of the Fuoriclasse della Scuola project, organised in collaboration with the Italian Ministry of Education, Universities and Research, Foundation for Financial Education and Savings (Feduf), Confindustria and ABI, which saw the Savings Museum organise the Financial and Business Education Campus for winners of the student School Olympics from all over Italy. The Campus benefited from the collaboration of the Intesa Sanpaolo Development Policies Head Office Department and Learning Academy;
- development of an online financial education course for upper secondary school teachers accessible from the Savings Museum website.

Particular attention was also focused on vulnerable sections of the population through the development and implementation of pilot activities, such as:

- the Welcom-ED project, set up in 2017 in collaboration with the University of Turin and made available to over 300 immigrants in 2018 via local associations and Centres for Adult Education (CPIA). This project made it possible to develop an interactive modular course on the topics of saving, planning, risks and investments. This project also underwent an impact assessment conducted by the University of Turin, which confirmed its effectiveness among its target audience;
- the Labour - Emancipation - Inclusion project (LEI), in partnership with Compagnia di Sanpaolo, Casa Circondariale di Torino (Turin prison) and its cooperatives, for the development of an innovative model for the reintegration of women inmates into society, with a special focus based on the informed management of money and self-employment;
- the Eurexa ideas competition, developed together with Fondazione Specchio dei Tempi and Intesa Sanpaolo Innovation Center to promote the development of technological tools and/or supports for allowing people with mild cognitive disabilities to be more independent;
- The Sky is the Limit project launched in November 2018 in collaboration with Global Thinking Foundation, with the aim of enriching teaching in “outlying” schools, located in underprivileged neighbourhoods, helping students to develop a long-term vision.

There were also numerous initiatives aimed at adults and the acquisition of economic citizenship skills, including:

- the “Time is money” series of workshops, in collaboration with the Turin Coordinamento delle Banche del Tempo (“Coordination of Time Banks”) and the Metropolitan City of Turin, aimed at exploring correct ways of managing time and money;
- the “At the confines of the economy” series of book presentations, to reflect on the most recent and innovative developments in the economics sphere such as cryptocurrencies, the gig economy, ethical finance and the philosophical concept of money;

- the Art of Saving initiative, a week of events promoted and coordinated by the Savings Museum to celebrate World Savings Day (31 October), with the participation of the International Subsidiary Banks Division, Gallerie d'Italia, the Historical Archive and Banca dei Territori Division. All in all, the activities carried out as part of the Art of Saving involved over 10,000 people in Italy and the Group's overseas banks in 2018. The participation of the International Subsidiary Banks was particularly significant, and was bolstered by the contribution of Pravex Bank (Ukraine) and a broader and more diversified range of educational schemes. More specifically, among the activities scheduled for 2018, two banks - Privredna Banka Zagreb–PBZ (Croatia) and Banca Intesa Beograd - held a number of workshops on the topic of Women and Finance, inspired by the “Risk is a women's business” educational approach conceived by the Savings Museum. Compared with 2017, there was an increase in the number of people involved in the initiative in terms of both employees that took part as Financial Education Ambassadors (272 people) and the overall number of individuals benefiting from the initiative: over 9,300 students from 168 schools and 286 women;
- participation, through a specific range of financial education and sustainability workshops, in national events such as the International Book Fair, the Salone del Gusto, the Sustainable Finance Forum, World Investor Week, European Money Week, and the Gaeta Festival of Youth.

Two new financial education apps (L'isola che non c'è and It's my life) were also made available in 2018 via the Savings Museum website.

In support of the products launched to help youngsters learn how to manage their money, starting in December the Savings Museum dedicated a series of financial education workshops to children aged between 7 and 12 at 16 Italian branches with every event graced with the interactive presence of Pepper the humanoid robot. Participants were given the guide “Pocket Money & Tips: Knowing it, understanding it and experimenting with it”, written by the Savings Museum to help give guidance to parents on the issue.

Finally, international networking activities were consolidated through the organisation, together with the European Banking Federation (EBF) and the International Federation of Finance Museums (IFFM), of the Financial Education Summit in Brussels on 6-7 November, which brought together the main stakeholders working at a European level on the issues of financial inclusion and literacy.

Another milestone in the process of improving the scientific culture and cultural growth of young people was the partnership with Osservatorio Permanente Giovani-Editori for the Financial Culture at School project. Designed for schools, its goal is to help children become the citizens of tomorrow also through critical reading and the act of referring to quality information. In the 2017/2018 academic year, the project involved 2,176 schools, 22,908 classes and 595,608 students.

## FINANCIAL EDUCATION TRAINING INITIATIVES WITH CONSUMERS

The “Mettere in comune competenze” (“Skills pooling”) project, launched in 2011, aims to improve shared knowledge and collaboration skills for the benefit of customers and consumers. The project is divided into four activity sectors: training of Consumer Association middle managers; development of a training plan targeted at all Intesa Sanpaolo employees; training and information initiatives across the local structures of the Associations; meetings with Intesa Sanpaolo Group top managers and middle and junior managers of the Associations to share skills and proposals in the main business areas.

## SUPPORTING PRODUCTION AND INNOVATION

Intesa Sanpaolo has helped support the Italian economy through every period, even during its most difficult moments, by providing credit.

Intesa Sanpaolo currently puts itself forward as a point of reference, and not just financially, for the business and associative world: the Group helps its customers to identify new shared paths and participates in businesses in all aspects, from the conception of the business idea to all of the key milestones in its development, as part of a consolidated and long-term model founded on quality, reliability and trust.

Particularly with regard to over a million of companies it has assisted overall and its 200,000 SME customers, the bedrock of our country, the Group puts forward solutions that support the future of Made in Italy in the world and contribute to sharing their internationalisation, capitalisation, innovation and development processes.

Its business approach is focused on simple, thorough solutions in line with different business needs to manage daily operations as well as solutions dedicated to raising the value of customer companies in various business areas. The marketing structures develop a range of products and services for different types of customers, in collaboration with the Planning and Management Control function when drawing up commercial plans.

## SUPPORT FOR BUSINESSES

Intesa Sanpaolo also continues to support the development of the real economy and of the communities in which the Group operates with the 2018-2021 Business Plan.

In 2018, Intesa Sanpaolo allocated about 60 billion euro of new medium-long term loans to the real economy. Around 50 billion euro was granted in Italy, 42 billion euro of which to households and SMEs; around 20,000 Italian companies returned to performing status from non-performing loan positions, protecting around 100,000 jobs in the process. Since 2014, the bank has now helped around 93,000 businesses in this way, positively impacting on employment to the tune of over 460,000 jobs.

Intesa Sanpaolo confirms its role as the driver of development of Italian business, contributing to increasing the value of 'Made in Italy' across the world. Worthy businesses with projects of value are also supported in times of difficulty, with assistance in the creation of innovative restructuring, revitalisation and growth solutions. The internationalisation process of Italian businesses is supported, directly or through the Group's main subsidiaries abroad, by an active Group network with consolidated presence (subsidiary banks, corporate branches and representative offices) in around 40 countries worldwide and coverage across 85 countries thanks to agreements with other banks. Companies can also count on the Italian Desks at international branches, with consultancy provided by specialists in financial support and Trade and Cash Management needs.

Considering that growth in size is key to the success of Italian SMEs, Intesa Sanpaolo founded a structure for Structured Finance and Advisory services for SMEs which, thanks to the collaboration between the Banca IMI and Mediocredito Italiano subsidiaries, responds to complex strategic and financial requirements emerging in the panorama of businesses, with revenues of up to 350 million euro (area presided over by the Banca dei Territori Division).

Banca IMI, in particular, has dedicated an Investment Banking unit specifically to SMEs for Mergers & Acquisitions, Equity Capital Market and Debt Capital Market operations and, despite the prudence of the 2018 market, stood out in the Mid-Cap segment for its Initial Public Offerings (IPOs) and capital increases in Italy.

According to the Mergermarket league table, Mediocredito Italiano was the leading bank in Italy and sixth in Europe for the number of Acquisition Finance operations supported in 2018 for SMEs.

Intesa Sanpaolo also developed its partnership with the Borsa Italiana Elite programme, supporting SMEs as part of a growth process that not only relates to size, but also culture and relations. In 2018, it welcomed 53 companies representing Italy and the sectoral diversification of the Italian economy to two Elite Lounges (the international platform supporting the most ambitious businesses in their development stages). These companies embody the Italian excellence that Intesa Sanpaolo, together with partners Elite and Confindustria, has helped champion and promote across the world.

Intesa Sanpaolo provides concrete support for the creation of new production companies right across Italy, focusing closely on the regions of southern Italy where it helps to drive social development and economic growth. More particularly, in this area affected by high unemployment and social hardship, the Group, which holds a market share of 20%, has increased its stock of loans for households and businesses by 25% in the last three years, the common denominator being investment in these regions and more specifically in young people and innovative start-ups.

## INDUSTRIAL DIALOGUE AND THE PRODUCTION CHAINS DEVELOPMENT PROGRAM

In order to best harness the qualities and intangible aspects of entrepreneurial activities, in 2018 the Dialogo Industriale ("Industrial Dialogue") project was launched in Corporate branches. This new relational approach is designed to help business managers liaise with entrepreneurs in a more informed way, and to strengthen their relationships, improving their ability to listen to and understand the needs of businesses. A stronger and higher quality relationship allows the dedicated operating structures to support entrepreneurs in their development paths, with a more complete understanding of the characteristics of each company and the sector in which they operate, as well as the ability to provide answers and solutions more closely tailored to their goals.

Meetings with entrepreneurs and managers to listen to their needs and identify a common language made it possible to develop a platform in order to:

- enhance the knowledge base and help Business Managers understand the industrial needs of businesses by discussing requirements, strategies and issues that go beyond financial and transactional support;
- identify and process the most relevant qualitative and quantitative information, providing a simple, clear and quick overview of the businesses;
- combine company requirements and credit quality, identifying the best way of creating sustainable business together.

By examining the current situation and future prospects of customer companies, Dialogo Industriale also provides benefits for credit management structures which, as well as boasting high-quality solutions, also have a large amount of information at hand to make the overall risk assessment and credit process faster and more fluid. The positive consequences of Dialogo Industriale make it possible to successfully combine the efficiency of the credit process and the positive impact on the quality of loans, and to improve the credit access potential of Italian SMEs, often organised into systems of production chains with very strong local relations.

Indeed, the Sviluppo Filiere ("Supply Chain Development") programme continued concurrently with Dialogo Industriale, with the aim of facilitating access to credit, focusing on the relationship that links lead companies with the suppliers' network and enabling a more detailed understanding of the financial requirements of individual supply chains. At the end of 2018, there were around 630 participating lead companies with potentially 15,000 suppliers, for a turnover of over 70 billion euro and a workforce of 92,000 employees.

## CORPORATE CREDIT AGREEMENTS

A new Credit Agreement was signed by ABI and the main trade associations in November 2018. The "Imprese in Ripresa 2.0" ("Recovering companies") initiative, launched on 1 January 2019, introduced adjustments to the SME loan suspension and extension measures set out in the previous Credit Agreement of 2015 and extended until the end of 2018 to guarantee their continuity, with the aim of continuing to provide support to businesses and to respond to the developments occurring within the European regulatory context. In 2018, the Group received 417 requests for the suspension or extension of loans, making a total of over 5,100 since the initiative began. As part of the same agreement, the factoring of company receivables due from the Public Administration also made it possible to provide 120 loans of a value of 3.8 million euro between 2015 and the end of December 2018.

Within the framework of the Industria 4.0 national plan, in order to support and foster innovation processes, investment in new technologies and the digitalisation of businesses, new sectoral agreements were entered into with:

- ANFIA, the Italian Association of the Automotive Industry, for actions to support the production chain, the development of human capital, and the provision of non-financial services to businesses;
- Confindustria Piccola Industria, extended to April 2018 with the addendum "Promoting a new business culture for sustainable growth", to provide financial support for training, generational handover, supply chains and economic, social and environmental sustainability;
- SACE, for the support of the international activities of Italian businesses through measures involving international guarantees and documentary credit, medium to long-term loans from Mediocredito Italiano to Small and Medium-sized enterprises (International+) and foreign loan recovery services;
- The Italian Ministry of Heritage and Cultural Activities - Directorate General for Tourism, with the aim of developing a "Pact for Tourism 4.0" in order to enhance the value of the sector in credit assessments, with a three-year funding plan of 5 billion euro for companies and supply chains, in order to renovate and modernise hospitality facilities, improve the accessibility of holiday destinations, and improve the quality of hospitality. All in all, in 2018 the Banca dei Territori Division provided 1 billion euro of loans to businesses in the tourism industry.

Within the context of Industry 4.0, in 2018 support for SMEs took the form of over 1.3 billion euro of loans issued in response to over 4,800 requests processed.

Thanks to its collaboration with the European Investment Bank (EIB), over time the Group has intensified its support for the financing of Italian businesses through Mediocredito Italiano, sole manager of EIB funds for the Banca dei Territori Division: since 2017, new agreements have been signed for the disbursement of around 1.5 billion euro, primarily to SMEs and Mid-Caps, and for special projects in the agro-industrial, agri-food and energy efficiency sectors.

In 2018, the Group signed an agreement with the European Investment Fund for the creation of a portfolio with the InnovFin guarantee for new loans of up to 300 million euro for research, innovation and development projects. In July 2018, Intesa Sanpaolo launched a new activity to support the economy through tranching operations, i.e. newly-issued portfolios of loans guaranteed by the SME Guarantee Fund (established by the supplementary decree of the Italian Ministry of Economic Development of 18 March 2015) and structured into two tranches. The Group was admitted to the Fund for four portfolios of loans of an overall value of 1.2 billion euro. The Intesa Sanpaolo Group has more commitments in the Italian financial world than any other group, confirming its key role as a driver of Italy's real economy.

### SUPPORT FOR NEW BUSINESSES

Intesa Sanpaolo has joined 'Resto al Sud', an initiative aimed at young people for the launch of start-ups in southern Italian regions and promoted by the Italian Ministry of the Economy, with 1.25 billion euro made available in funding by the Development and Cohesion Fund. The project supports young adults aged between 18 and 35 with specific loan solutions to help them make their business projects a reality in the areas of manufacturing, handicraft, the transformation of farming, fishing and aquaculture products, service provision to businesses or individuals and tourism. This support can cover a maximum of 65% of their expenses with the other 35% covered by public funding, equating to up to 50,000 euro per applicant with a maximum of 200,000 euro for projects with multiple applicants.

Intesa Sanpaolo was the first bank to offer financing in response to the initiative, raising awareness about the project among some 5,000 young people at 38 stop-offs in branches in southern Italy.

Overall, 132 loans were disbursed for a total of 6.3 million euro in 2018.

"Finanziamento Microcredito Imprenditoriale" ("Business microcredit financing") is designed for young people and micro-enterprises in order to help them launch a new business or invest in growth projects, enabling them to access credit even without collateral. This opportunity was made possible by a special section of the SME Guarantee Fund. The medium/long-term loan, with a maximum duration of 7 years and a maximum amount of 25,000 euro, is designed for the purchase of goods (including raw materials) or key business services (including lease payments), to pay for salaries to new employees or working partners, or to pay for training courses to improve professional quality and technical and managerial skills. In 2018, over 800 loans were disbursed for a total of 18.2 million euro.

### CORPORATE WELFARE SERVICES

The Welfare Hub service, launched in 2017 for the management of welfare programmes in companies, continued in 2018. Through access to a digital, multichannel and multimedia platform (accessible on PCs, tablets and smartphones), companies can grant their employees goods and services for the exercise of their welfare credit (a performance bonus that the employee can request to convert into Flexible Benefits or bonuses paid by the company in that form). Welfare Hub allows company employees to access opportunities offered by tax laws and make a conscious choice about opting in for the Flexible Benefits. As well as the possibility of subscribing to six different areas of financial and insurance product offers, in 2018 the Welfare Hub was expanded, with two new sections with benefits on an external platform that offers discounts on goods and services in various product segments.

At the end of 2018, around 800 companies were using the platform.

### WOMEN'S ENTERPRISE SOLUTIONS

The Business Gemma programme provided a multi-year credit line of 600 million euro for businesses run by women and for self-employed women from 2014 to 2017, which was subsequently extended to 2018. In 2018, 408 loans were disbursed for a total of 15.4 million euro. The initiative also offers the chance to freely benefit from the special segment guarantee of the SME Fund dedicated to businesses run by women, and

to request, during the repayment period, a suspension of up to twelve months on the principal amount of the loan's repayment instalments in the event of maternity leave, serious illness (including also of a spouse or child), or the disabling illness of a parent, blood relative or relative by marriage up to the third degree who lives with the applicant. The Business Gemma range also includes an insurance policy that offers insurance cover and welfare services which aim to provide a real solution to the problem of work-life balance. The action areas covered are health, maternity leave, assistance, help and legal protection in times of difficulty in the private life of the businesswoman. 66 new policies were taken out in 2018.

As regards the International Subsidiary Banks, Banca Intesa Beograd and Intesa Sanpaolo Bank Albania continued with their women's enterprise initiatives, launched thanks to the partnership with the European Bank for Reconstruction and Development (EBRD) as part of the Women in Business programme. This programme, which seeks to support micro, small and medium-sized enterprises managed by women in the Western Balkans, has three components: subsidised loans, technical consultancy services offered by the EBRD for partners of the banks, and the extension of the know-how of women that benefit from the initiative. In 2018, around 400 new customers benefited from this subsidised loan. A major contribution was provided by Banca Intesa Beograd which in 2018 disbursed more than 3.3 million euro of subsidised loans to 386 new customers. Intesa Sanpaolo Bank Albania, after having disbursed 2 million euro to customers in the loan's first year (2017), disbursed more than 300,000 euro in 2018. Considering the growing number of applications, Intesa Sanpaolo Bank Albania began negotiations for a second credit line of 5 million euro, which was finalised in January 2019.

### WOMAN VALUE COMPANY AWARD

In support of gender equality and the development of the role of women in the business world, Intesa Sanpaolo promoted a number of initiatives and sponsors some major awards. In particular, together with the Marisa Bellisario Foundation, Intesa Sanpaolo founded the "Women Value Company – Intesa Sanpaolo" award in 2016. In its third iteration in 2018, the award is given to small and medium-sized enterprises that have implemented concrete and innovative policies and strategies to guarantee men and women equal opportunities and equal recognition in their careers. The Group intends to keep encouraging the implementation of gender diversity management projects and, at the end of the third iteration, the organisation of an Elite Lounge dedicated exclusively to female businesses is scheduled.

### SUPPORT FOR INNOVATION

March 2018 saw the launch of the Intesa Sanpaolo Innovation Center, which liaises with the innovation ecosystem with the goal of supporting the development of the new economy in Italy, exploring innovative business models to develop the necessary expertise to support the long-term competitiveness of the Group and its customers.

### DEVELOPMENT AND GROWTH OF START UPS

First and foremost, the Intesa Sanpaolo Innovation Center handles the promotion and mobilisation of know-how in the field of innovation, which includes the assessment of start-ups, the analysis of innovation trends, and the development and coordination of applied research workshops for the creation of new assets and expertise, including through collaborations and partnerships with research institutes and universities.

It focuses specific attention on the development of start-ups through the planning and implementation of innovative business services (coaching, acceleration and scale-up programmes), as well as products designed to finance their growth.

In this area, the Intesa Sanpaolo Start up Initiative [1] continued, an international acceleration program that selects the most promising innovative companies, prepares them to face the market with coaching initiatives, and introduces them to players in the innovation ecosystem. The best start-ups are presented at specific events (Arena Meetings): seven initiatives were held in 2018 (Social Ventures, two in Biotech, Healthcare, Agritech, Cleantech and Fashiontech). In 2018, around 520 start-ups in the various sectors involved took part, with over 110 receiving training. Of these, 60 were presented to around 770 guests who were potential investors, corporate customers and stakeholders in the innovation ecosystem.

In addition, the 'Officine Formative' project provides online acceleration courses for early-stage start-ups aimed at providing the necessary entrepreneurial skills, free of charge, to create and launch a start-up on the market and raise capital from investors. There are 21 courses on the site, with over 100 lessons on various topics. So far, over 1,500 hours of lessons have been provided on the website to over 3,400 registered users.

Programmes for enhancing the potential to internationalise were also held, with assistance and consultancy services for innovative start-ups, and professionalisation courses aimed at bridging the skills gap in order to operate abroad were organised. Business development services were offered, with support given to innovative start-ups in the analysis of the potential target markets and competition's characteristics, as well as in identifying the most suitable business opportunities and technological solutions.

The Intesa Sanpaolo Innovation Center worked collaboratively on the introduction of a qualitative pricing model for innovative early-stage businesses in the Group. The Diligence Assessment Tool Scorecard (DATS), which supports traditional credit assessment based on economic and financial aspects, aims to support managers and lending decision-makers during the loan application assessment phase, supplementing assessments with a long-term vision that harnesses the growth potential of start-ups and enables these businesses to access credit more easily.

## OPEN INNOVATION

Open innovation includes the range of consultancy services for new solutions and enabling technologies for the transition of businesses to the Circular Economy, and more generally for supporting the innovation of businesses, as well as the development of platforms and initiatives designed to help match innovative supply and demand by pairing businesses and tech start-ups.

In particular, in collaboration with the Intesa Sanpaolo Innovation Center, Intesa Sanpaolo manages the Tech-Marketplace, a digital platform that promotes interactions between start-ups and small/medium-sized enterprises, with approximately 5,200 businesses representing the demand for innovation and around 11,000 technology supplier profiles.

Specific R&D workshops were also set up by the Intesa Sanpaolo Innovation Center to create new assets and skills, also through collaborations with research institutes and universities. The model used by the workshops is based on know-how transfer and mutual exchanges between the academic world, the Group and corporate customers. In particular, the Artificial Intelligence workshop was launched in partnership with the ISI Fondazione of Turin with the aim of designing, developing and trialling mathematical models and algorithms as part of applied research projects on issues of interest to the Group and/or customers.

For the second consecutive year, Intesa Sanpaolo was main partner of B Heroes, a business talent and acceleration course aimed at highly innovative start-ups and businesses designed to reward and provide the selected companies with various training support, mentoring, empowerment and coaching services, as well as access to financing.

Finally, the Intesa Sanpaolo Innovation Center oversees the development of the network and culture of innovation with events and information initiatives both inside and outside the Group, that are also promoted via a network of specialist representatives that work for the Regional Governance Centres of Banca dei Territori Division. These initiatives contribute to strengthening the Group's position as an innovation leader, developing relations with other institutional stakeholders in the national and international ecosystem in order to maximise all possible collaborations.

## LOANS AND SERVICES FOR COMPANIES INVESTING IN INNOVATION

The Group provides many loans for businesses that invest in innovation and research, most notably Nova+, a loan issued on the basis of a technical and industrial assessment of the innovation and research project conducted by a team of engineers specialising in various product sectors, with the cooperation of prestigious Italian universities. 46 projects were financed in 2018 at a cost of around 54 million euro, an increase compared with 2017 (34 projects for around 32 million euro) thanks to the use of the FEI-InnovFin Guarantee.

In May 2018 on behalf of the Group, Mediocredito Italiano signed an agreement with the European Investment Fund (EIF) for the creation of a portfolio with an overall plafond of 300 million euro for new loans linked to research, innovation and development projects.

The InnovFin guarantee is issued by the EIF with the financial support of the EU, and aims to enable SMEs with specific innovation requirements and medium-low ratings to access credit more easily. 47 loans worth over 70 million euro were issued in 2018, while in 2014-2018 a total of 274 projects of a value close to 332 million euro were financed.

Moreover, as a Bank that grants specific public subsidies for research and innovation (in particular the Sustainable Growth Fund, managed by the Italian Ministry of Economic Development), Mediocredito Italiano financed 40 projects in 2018 with around 258 million euro of investments in the "Digital Agenda" and "Sustainable Industry" tenders, as well as in the Framework and Innovation Agreements. Overall, 174 Sustainable Growth Fund projects were financed in the 2014-2018 period, with a total investment of 857 million euro.

# Responsible asset management and customer protection

## COMPANY POLICIES

Asset management and the insurance coverage of customers are central to the activities of the Intesa Sanpaolo Group, and are ensured through organisational structures in business areas specialising in asset management, private banking and protection requirements with financial and insurance products and services. Based on the response to the customers' portfolio diversification requests on the basis of their needs (expenses, reserves, investments, pensions and protection) and specific goals in terms of the effective allocation of resources, the product and service range offered was gradually expanded from financial management and consultancy to the area of protection, which concerns all customers, from small to large assets, and from SMEs to large companies, with the due adjustment of the guarantees. The activity is therefore aimed at the development of financial and insurance products and advisory services to meet the welfare and protection needs of households and businesses, including in the long term.

Guidelines and Rules for the marketing of financial and insurance products clearly explain the obligation of operators to act in a transparent, fair and diligent way in the provision of investment services, as required by applicable legislation as well.

In the Group's Code of Ethics, as regards the principles of conduct towards customers, asset management's focus is to increasingly highlight social, environmental and good corporate governance criteria in investment assessments in order to promote balanced and sustainable development. With this in mind, the portfolio offered includes funds that apply selection criteria in compliance with the Principles for Responsible Investment, also with the aim of introducing sustainability dynamics in businesses and in customer choices. Eurizon Capital has also signed up to the Italian Stewardship Principles, which define the procedures for exercising administrative and voting rights in listed companies, in order to stimulate discussion and cooperation about social and environmental sustainability issues with listed issuers that the company invests in. In 2018, Eurizon adopted its own Engagement Policy in which it reiterates its commitment to carrying out in-depth research and to instilling a fruitful dialogue with the management and/or control bodies of the relevant issuers.

Describing itself in the 2018-2021 Business Plan as the leading Wealth Management and Protection company in Italy and Europe, and in its role as bank and insurance company, the Intesa Sanpaolo Group seeks to be a partner that is able to manage all of the assets and risks of households and businesses through a structured array of family welfare solutions and targeted insurance policies, also including protection products as pension saving, business continuity and corporate welfare choices.

## SUSTAINABLE INVESTMENTS

### EURIZON

Eurizon is the leading Italian asset management company in the sustainable and responsible funds category<sup>1</sup> that for years has been committed to formulating and promoting new rules and conduct that focus on sustainable investment issues.

As well as adopting the UN Principles for Responsible Investment (PRI), Eurizon Capital is particularly conscious of the policies implemented by the issuers that it invests in, in the belief that healthy corporate governance policies and practices, which incorporate environmental, social and correct governance issues, are able to create value for shareholders in the long term.

To strengthen its control over the sustainability of its investments, Eurizon is assisted by its internal Sustainable and Responsible Investments (SRI) Committee (chaired by the CEO) and the Sustainability Committee (an autonomous and independent body that helps with the management of Ethical Funds).

The SRI Committee, set up in 2017, supports the Chief Executive Officer in setting out ESG-related (Environment Social and Governance) proposals to present to the Board of Directors by monitoring the exposure of assets in relation to the relative assessment indicators identified, and overseeing the escalation

<sup>1</sup> According to market data from Assogestioni's Quarterly Map of Assets under Management of the 4th Quarter of 2018 (table 7) at the end of the year, its market share was 30.4%, with a range comprising 24 dedicated products (21 ESG funds and 3 ethical funds), assets of 5.6 billion euro and inflows of 2 billion euro since the beginning of the year. The Intesa Sanpaolo Group is first in the ranking, with an overall market share of 31%, 26 sustainable and responsible open-ended funds, assets of 5.7 billion euro and deposits of over 2.1 billion euro from the start of the year.

process relating to the securities of “critical issuers”. As well as the Chief Executive Officer, the Heads of the Investments Department, the Heads of the Control Functions, and the Corporate Governance, Corporate Affairs and Sustainability Heads also sit on the Committee.

The Sustainability Committee was set up in compliance with the provisions of the Regulation on managing open-ended mutual investment funds belonging to the Ethics System, and is composed of external persons of recognised probity and morality. It is responsible for periodically monitoring the investment choices of the ethical funds and the management strategy adopted by these funds during the reference period. If it comes to light that fund managers have diverged from the guidelines of the Committee, the Committee can make a request Eurizon to provide a detailed justification for the investment decisions taken. It then establishes guidelines for the methods of donating the proceeds from the Ethical System funds to social projects. In December, the Eurizon Board of Directors approved the donation of 120,000 euro to 13 deserving social associations/bodies/organisations that received a particularly positive assessment.

Eurizon Capital SGR has adopted a method for the selection of financial instruments that takes into account environmental, social and governance factors as an integral part of the investment process, aimed at curbing risks, including those of a reputational nature. The ESG and SRI principles are applied to all actively managed funds, whether they are benchmark or flexible ones (ESG criteria are not applied to passive/indexed products or investment solutions such as, for example, funds of funds and retail portfolio and unit-linked management).

In terms of actively managed funds, specialised ESG products were made which use an appropriate and specific internal rating system, and ethical products with specific benchmarks.

The selection made by the asset management company is structured on the basis of three phases:

- creation, by the Long-Term Sustainable Strategies office of the Investments Department, of a list of issuers with high exposure to ESG risks (critical issuers) and a list of issuers operating in sectors regarded as not socially responsible;
- sharing and verification of these lists with the Investments Department and the SRI Committee;
- monitoring of the observance (ex ante during the order preparation phase and ex post during the portfolio optimisation phase) of specific operating limits on investments in issuers operating in non-socially responsible sectors by the Compliance Department.

Operating limits are set in various ways with the following specifications:

- for products whose investment policy is characterised by the presence of a benchmark, the maximum direct investment allowed is equal to the weight of the issuer in the benchmark;
- for products whose investment policy does not provide for the presence of a benchmark, direct investment in securities of issuing bodies belonging to the list is ruled out.

With particular reference to the list of critical issuers, the SRI Committee of the asset management company coordinates and implements an engagement process, i.e. an active share ownership procedure formulated and enacted at various levels, from dialogue with the companies subject to scrutiny through to the activation of voting rights at shareholders’ meetings. It is implemented differently for:

- securities already in the portfolio. An 18-month observation period begins upon the activation of the engagement process to assess whether the issuer should be removed from the critical issuer list, after which time - in the event of a negative outcome - the process of the divestment of assets under management begins, according to timeframes that fit with the interests of the customer and, in any case, within three months of the decision;
- securities invested in for the first time (new securities). Purchases are conditional on the drafting of an Investment Case subject to the prior analysis of the SRI Committee, the results of which are presented to the Board of Directors for approval.

In 2018, Eurizon carried out 600 engagement initiatives with 450 issuers, with almost 22% (130 initiatives with 120 companies) primarily related to ESG issues.

At the end of the engagement activity (18 months of monitoring from June 2017), the process of divesting all securities (50 issuers) which did not provide proof of convincing actions that may have a short-term effect on the sustainability profile began at the start of 2019. The only exceptions were two issuers for whom the engagement process was extended.

With regard to active share ownership activities, the asset management company adheres to the Italian Stewardship Principles for the responsible exercising of the administrative and voting rights of listed companies, with the commitment to promote high standards of corporate governance. These rights are exercised transparently in the interest of the portfolio subscribers and market integrity, while maintaining a strong focus on limiting potential conflicts of interest.

In 2018, Eurizon Capital SGR took part in 102 shareholders’ meetings of select companies with listed shares on Borsa Italiana (62%) and the international markets (38%), voting on around 1,000 resolutions on the agenda.

In terms of actively managed funds, specialised ESG products which use a proprietary internal rating system were developed and offered to the public. The overall number of funds focused on this type of investment came to 21 products related to six families, with issue windows for different deadlines: the ten funds of the four families already active in 2017 (seven products from the Flexible Equity family, one ESG Target 40, one Sustainable Discipline and one Sustainable Global Equity) were joined by 11 new products, consisting of Absolute Green Bonds, Bond Corporate Smart ESG, the Eurizon Sustainable Discipline family with four products, and the Flexible Equity family of five products.

Consolidating its commitment to sustainable investments, in 2018 Eurizon Capital SGR began, on the appointment of Eurizon Capital SA (a wholly-owned subsidiary), to manage the Eurizon Fund Absolute Green Bonds. This Fund is an investment opportunity on the international bond markets that makes it possible to finance products related to the environment, with diversification by issuer and by geographical area. The managers select the bonds, mainly investment grade, using the criteria defined by the Green Bond Principles in order to support the growth of environmental investments.

### EURIZON FUND ABSOLUTE GREEN BONDS - GLOBAL IMPACT REPORT

In November 2018, the asset management company drafted the first Global Impact Report regarding Eurizon Fund Absolute Green Bonds, which details the results of the quantitative impact analysis and the contribution to the UN's Sustainable Development Goals (SDGs).

The investments made in the first nine months (10 January - 30 September 2018) helped achieve key environmental and social impact results, such as:

- a generating capacity of 18 megawatts, thanks to the financing of plants that produce renewable energy; these plants produced around 28,000 megawatt/hours of energy;
- energy savings of around 480,000 kilowatt/hours thanks to investments in sustainable infrastructure (real estate and transport);
- a reduction in annual emissions of harmful gases of over 19,000 tonnes of CO<sub>2</sub>;
- the saving and purification of over 74,000 litres of water through investments in plants and production processes;
- the recycling of 13 tonnes of waste;
- 20 jobs created by the entire portfolio.

For every million euro invested, the following results are obtained: 241 megawatt/hours produced, 640 litres of water saved or purified, 166 tonnes of CO<sub>2</sub> saved.

The Fund also contributes to meeting various Sustainable Development Goals (SDGs) - every bond in the portfolio can contribute to one or more goals - including: 9. Industry, innovation and infrastructure (76% of the portfolio), 7. Affordable and clean energy (71% of the portfolio), 3. Good health and well-being (65% of the portfolio), 13. Climate action (64% of the portfolio), 11. Sustainable cities and communities (64% of the portfolio), 8. Decent work and economic growth (42% of the portfolio), 12. Responsible production and consumption (28% of the portfolio), 6. Clean water and sanitation (25% of the portfolio).

At the end of 2018, the fund's assets amounted to 152 million euro.

The assets of the funds of the asset management company that meet sustainability criteria (ESG) amounted to almost 4.5 billion euro (just under 1.5% of the total and around 6.6% of the assets of Italian funds).

The range of products and services is completed with the management of three ethical funds, characterised by the a priori exclusion from the investable universe of all companies involved in activities considered unethical, such as nuclear energy, arms and tobacco). All the products belonging to the "Ethics System" envisage the donation of proceeds. The amount of assets under management in the area of Ethical Funds amounted to over 1.1 billion euro in 2018 (1.7% of the total amount managed in Italian funds).

All in all, the assets under management in funds meeting sustainable and ethical criteria (24 products at the end of 2018) amounted to over 5.6 billion euro (over 1.8% of the total and around 8.2% of Italian funds). In general, the performances of both ethical funds and funds managed with ESG criteria were negative due to the market's own performance, with the results largely in line with the market or the reference benchmark.

In addition, Eurizon manages 13 mandates relating to 11 customers characterised by sustainability criteria, making for almost 2.6 billion euro. In particular, the services provided for these mandates concern the choice of ad hoc benchmarks, supporting engagement and corporate governance activities, and the creation of exclusion lists when selecting investments.

Eurizon is involved in spreading awareness of issues, approaches and best practices relating to sustainability through public information events and also at an academic level. In 2018, Eurizon contributed as joint head of the ESG business simulation as part of the Executive Master's in Finance at SDA Bocconi, and held a course day at Politecnico di Milano (RIDEF 2.0 Reinventing Energy Master's).

In 2018, Eurizon regularly participated in working groups on sustainable finance (European Fund and Asset Management Association, European Banking Federation, Italian Banking Association and the Italian Observatory on Sustainable Finance of the Italian Ministry of the Environment).

## FIDEURAM INTESA SANPAOLO PRIVATE BANKING

Fideuram Intesa Sanpaolo Private Banking specialises in offering advisory services to meet the financial, pension and insurance needs of Private customers and High Net Worth Individuals.

As well as listening to and entering into a dialogue with customers for the continuous improvement of its service quality, it is also committed to spreading an appropriate financial culture in order to improve people's knowledge and awareness with regard to investment choices, including in relation to issues of social and environmental interest.

In the area of sustainable investments, Fideuram Intesa Sanpaolo Private Banking offers its customers two different products: Fonditalia Ethical Investment and Fonditalia Millennials Equity.

Initially proposed as a flexible bond, Fonditalia Ethical Investment expanded its mandate to include the equity segment and the use of third-party funds. The investment decision-making process combines principles of environmental and social responsibility (ESG) at an overall portfolio level with the goal of producing clear and measurable positive impacts for people and the environment at an individual investment level. The task of ensuring consistency between the actual composition of the portfolio and the ethical principles it is based on is entrusted to an Ethics Committee consisting of managers and experts from different academic and professional areas. In 2018, the fund was particularly active in the subscription of themed bonds. Performance results were negative due to the downturn in both the stock and bond markets.

Since June 2018, Fonditalia Millennials Equity has also been available: it invests in equity instruments, mainly issued by companies with a clearly defined business model, to fully capture the consumer habits of the Millennials (people born between 1980 and 2000, who are particularly conscious of ESG topics). The investment decision-making process combines financial and sustainability analysis in accordance with the following criteria:

- companies that do not respect the principles of the UN Global Compact and whose revenues partially derive from activities deemed harmful to people and the environment (e.g. fossil fuels, arms, pornography) are excluded;
- ESG assessment of securities in the portfolio, in order to assign a sustainability rating based on the quantitative analysis of data from external sources and a qualitative audit by expert analysts. The rating ranges from 0 to 5, with 3 being the minimum threshold for the initial inclusion of the security in the portfolio;
- creation of a system to measure the maximum weighting in the growing portfolio, according to the sustainability rating of the companies in which the investment is made;
- continuous controls of risk situations (disputes or relevant issues in the area of ESG) in order to enable the management team to carry out constant monitoring which, in particularly significant cases, can result in a red flag and a subsequent assessment of the merits of disposing of the investment in the company involved;
- establishment of a minimum sustainability rating goal for the portfolio (for the portion covered by the rating).

Around 12% of the portfolio is currently managed with a sustainability rating which has fallen below 3 over time, and there are no red flags in this area.

Also regarding the lines of portfolio management, Fideuram has developed new individual investment solutions, listening to expert advice on the selection of underlying instruments that fulfil the ethics and sustainability criteria. Indeed, the Fideuram Omnia Portfolio Management range was expanded during the first half of 2018, with the introduction of the Ego Sustainable line that invests in assets relating to a respect for social and environmental issues. Through the investments it makes, the line seeks to achieve the following Sustainable Development Goals: 7. Affordable and clean energy, 13. Climate action, 8. Decent work and economic growth, 12. Responsible production and consumption, 5. Gender equality, 10. Reduced inequalities.

Intesa Sanpaolo Private Banking offers its customers GP Mix Sustainable, a portfolio management line available since 2017 which involves an investment process aimed at identifying financial instruments using not only financial and economic criteria, but also specific sustainability assessments.

The assessment of countries and sectors is subject to criteria that recognises their contribution to the positive development of society and the protection of the planet.

In particular, the assessment of bonds and funds that invest in bonds issued by governments, companies and

supranational bodies is based on a combination of:

- negative criteria, to exclude direct investments that are harmful to people and/or the environment, such as fossil fuels, tobacco, arms, alcohol, gambling;
- positive criteria, to assess the capacity of each issuer and/or single issue to generate a positive impact on society and/or the environment (ESG);
- best in class, to select investments based on their ability to stand out in their segment or geographical area for their sustainability criteria.

The equity investment assessment follows the above criteria and also includes an analysis of the ability of companies to create positive impacts and/or proactively pursue social and environmental goals, as well as financial objectives, with regard to areas such as financial inclusion, climate change, health and quality of life, knowledge and technology, food and sustainable farming, water, sustainable transport and homes, to just name a few.

In the direct and indirect choice of financial instruments, the portfolio management prioritises, non-exclusively, governments, companies and supranational bodies aligned with the UN Sustainable Development Goals.

### PHILANTHROPIC FUNDS

In the context of supporting the HNWI (High Net Worth Individual Unit) Department, Intesa Sanpaolo Private Banking has introduced philanthropic funds into its range of products and services, giving them impetus.

Philanthropic funding constitutes a legal instrument that stands midway between establishing one's own foundation and making a simple donation to non-profit organisations: this provides the donor with the option of retaining control and determining allocated funds, without being encumbered by management and administrative issues, because the community foundation identified acts as a philanthropic intermediary.

This funding can be done via community foundations promoted by banking foundations (such as Fondazione Cariplo, Compagnia di Sanpaolo and Fondazione con il Sud), representing a new and additional solution tailored to HNWI customers' requirements.

### PENSION FUND WITH DEFINED CONTRIBUTION OF THE INTESA SANPAOLO GROUP

The defined contribution Pension Fund of the Intesa Sanpaolo Group has adopted selection criteria consistent with the Principles for Responsible Investment. It is regulated by a Code of Ethics that defines the principles of conduct to adopt in the area of sustainability and responsibility. During the year, guidelines for socially responsible investments were issued.

In 2018 the Fund decided to participate in two new engagement initiatives on the following issues:

- Governance, to examine the transparency of tax policies in major businesses. The top 20 businesses on the MSCI World index were asked to provide information on their tax risk policies and the consistency of these with their sustainability goals. Being multinationals, they were also asked for information on tax reporting in the various countries in which they operate;
- Environmental, to assess transparency on climate change risks, as established by the Task Force on Climate-related financial Disclosures, TCFD. The top 20 businesses on the MSCI Europe index were asked to state what measures they have taken in relation to transparency obligations concerning the disclosure of information on climate impact, particularly concerning the financial implications of climate change.

## DIGITAL ECOSYSTEM FOR INVESTMENTS AND PENSIONS

In 2018, the concept for the new digital ecosystem for investments and pensions was developed, promoting a fully digital customer experience via an app. The basis was set out for the creation of new features that will allow Intesa Sanpaolo to continue its digital innovation process in the world of financial consultancy as well, thanks to the creation of new services conceived and designed to be 'mobile-first'. The priority development area in 2019 will be mutual investment funds, with the implementation of an app function that helps people, including young customers, to make their first investments in a simple and intuitive way. Subsequently the areas of Portfolio Management, Pensions and Life Insurance Policies will be developed. The process of dematerialising complementary pension plan products will also begin in 2019. The new ecosystem, which forms part of the Group's process of digitalising its products and services, allows greater interaction with investor customers with innovative and simple methods, also appealing to occasional savers.

## INSURANCE SECTOR WITH SOCIAL IMPACT

Aware of the important role it plays as a driver of the social economy and supporter of people's well-being, the Intesa Sanpaolo Group is able to manage all of the assets and risks of households and businesses through a structured array of family welfare and risk coverage insurance policies. At an operational level, the Group's mission to develop a range of insurance products to meet the growing protection requirements of its customers is enacted through a strong partnership between the Intesa Sanpaolo Insurance Division, highly skilled in the insurance sector and strongly focused on broadening the series of products for households and SMEs, and the distribution network of branches which maintain an ongoing dialogue with the customer.

Indeed, the branch manager is the key figure in this consultancy model: with their skills always up to date, they are able to assess the future financial situation of customers, "take care" of them, and help them to embark on their personal and family projects with peace of mind, also thanks to the help and collaboration of around 220 insurance specialists that support the branches.

The Intesa Sanpaolo Insurance Division, made up of Intesa Sanpaolo Vita S.p.A., Intesa Sanpaolo Assicura S.p.A., Fideuram Vita S.p.A. and Intesa Sanpaolo Life D.A.C. (Designated Activity Company), plays an important role in developing the Intesa Sanpaolo insurance bank service model, seeking to establish it as an Asset & Risk manager for its customers, and in achieving the goals of the 2018-2021 Business Plan, which outlines the Bank's intention to become Europe's leading Wealth Management and Protection Company, focusing close attention on the development of the non-life business.

XME Protezione is the Intesa Sanpaolo Group's new modular and customisable insurance solution and satisfies, in a simple way, the numerous protection needs of customers in the Family, Health and Assets areas during all the stages of their life.

Thanks to XME Protezione, customers are able to combine guarantees belonging to different protection areas in a single contract and also to insure their loved ones, choosing diversified forms of coverage and benefiting from discounts that increase on the basis of the number of guarantees purchased.

XME Protezione enables policy holders to vary their guarantees and/or limits of liability in the life cycle, to meet the changing needs and circumstances of life while maintaining the same policy.

More specifically, with regard to the home, XME Protezione gives customers the opportunity to take out insurance for their property and its contents against fire, theft and other accidents such as the leaking of broken water pipes. In addition, in response to the growing demand for protection against the natural disasters that impact Italy on an increasingly frequent basis, the XME Protezione insurance solution was recently expanded to include coverage of damage caused to homes and their content by earthquakes, floods and cloudbursts.

With regard to health, the insurance offering ranges from the prevention of serious illnesses, providing specific solutions to the wide-ranging needs of customers. It also provides the option of integrating the cover and healthcare services included in the insurance package, with an additional service that will be launched shortly – XME Salute - which will allow access to a network of healthcare facilities (e.g. specialist consultations, physiotherapy services, laboratory tests) at discounted prices.

With regard to XME Protection, since it was made available in July 2018 across the Network, around 150,000 contracts have been entered into, with premiums of almost 33 million euro.