

# Integrity in corporate conduct

## RELEVANT ISSUES

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

## WHY THESE ISSUES ARE RELEVANT

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

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

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

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

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

## PERFORMANCE INDICATORS AND RESULTS ACHIEVED

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

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

## FIGHTING AGAINST CORRUPTION

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

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

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

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

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

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

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

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

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

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

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

During 2020, the Model was subject to two updates:

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

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

To provide the Surveillance Body with an overall picture of the planning of the various control structure activities (compliance, anti-money laundering, administrative/financial governance, internal audit), the Compliance function collects the respective plans from the relevant structures on an annual basis regarding the scheduled supervision of sensitive areas and incorporates them into the 231 Audit Plan. On the basis of this document, the Surveillance Body assesses the adequacy of the programme of audits on individual sensitive company activities and identifies any further actions needed to strengthen the audit plans proposed by the structures concerned.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## COMBATING MONEY LAUNDERING

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

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

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

the sharing of information at a consolidated level.

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

## RELATIONS WITH POLITICAL PARTIES AND MOVEMENTS

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

## COMPLIANCE WITH TAX REGULATIONS

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

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

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

The principles set out in the document are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During 2020\*, the Group, in addition to indirect taxes of 1,017 million euro (including UBI's contribution, equal to 170 million), recorded accrued income taxes for the year of 1,360 million euro (including UBI's contribution, equal to 110 million), for the most part in Italy, where the majority of operating income was earned, as per the table below.

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

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

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

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

## PROTECTION OF FREE COMPETITION

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

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

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

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



## PRIVACY PROTECTION

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

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

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

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

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

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

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

## COMPLIANCE WITH LABOUR LAWS

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

## AUDITS

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

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

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

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

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

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

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

## WHISTLEBLOWING

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

## DISPUTES AND FINES

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

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

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

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

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

For information on the legal risks and the most significant civil, administrative and penal lawsuits, please refer to the Consolidated Financial Statements (see pages 522-535) [1].

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