

# **Intesa Sanpaolo Group profile**

# The Intesa Sanpaolo Group

The Intesa Sanpaolo Group, with 11.1 million customers and approximately 4,500 branches in Italy, is the country's leading banking group. It is also one of the top banking groups in Europe.

The Intesa Sanpaolo Group is the leading provider of financial products and services to both households and businesses in Italy. This includes banking intermediation, life insurance premiums, asset management, pension funds, and factoring.

The Group also has strategic operations in central and eastern Europe and in middle eastern and north African countries. It is among the top players in several countries with 8.4 million customers and a network of approximately 1,400 branches. Through its local subsidiary banks, the Intesa Sanpaolo Group ranks first in Serbia, second in Croatia and Slovakia, third in Albania, fifth in Egypt, sixth in Hungary, seventh in Bosnia and Herzegovina and Slovenia.

Moreover, an international network of specialists in support of corporate customers spreads across 29 countries, in particular in the Middle East and North Africa and in those areas where Italian companies are most active, such as the United States, Russia, China and India.

As at December 31st 2014, the Intesa Sanpaolo Group had total assets of 646,427 million euro, customer loans of 339,105 million euro, direct deposits from banking business of 359,629 million euro and direct deposits from insurance business and technical reserves of 118,612 million euro.

The Group operates through seven business units (The Banca dei Territori division, the Corporate and Investment Banking division, the International Subsidiary Banks division, the Private Banking division, the Asset Management division, the Insurance division and the Capital Light Bank) which serve different types of customers. In addition there are the Governance Centres comprising: Chief Governance Officer, Chief Innovation Officer, Chief Financial Officer, Chief Operating Officer, Chief Lending Officer e Chief Risk Officer for guidance, coordination and control of the whole Group.

The detail of Intesa Sanpaolo's organisational structure is available on the Group's Internet site [\[i\]](#).

## ITALY

4,473 Branches

## OTHER EUROPEAN COUNTRIES

1,217 Branches 5 Representative Offices

## AMERICA

2 Branches 2 Representative Offices

## ASIA

5 Branches 6 Representative Offices

## AFRICA

170 Branches 3 Representative Offices

## OCEANIA

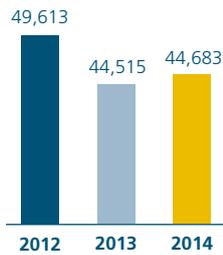
1 Representative Office



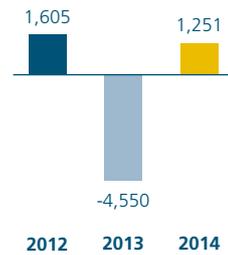
# Key indicators

## FINANCIAL INDICATORS<sup>1</sup>

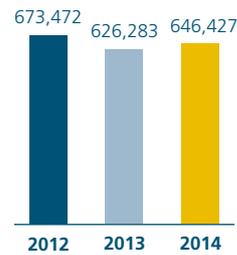
**Group shareholders' equity**  
[millions of euro]



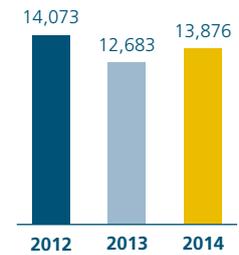
**Group net income**  
[millions of euro]



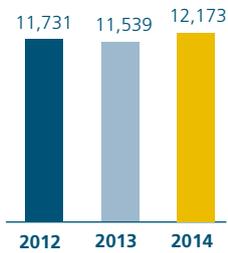
**Total assets**  
[millions of euro]



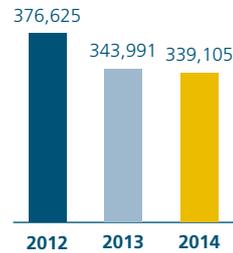
**Economic value generated**  
[millions of euro]<sup>2</sup>



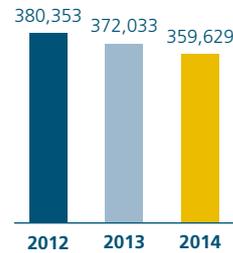
**Economic value distributed**  
[millions of euro]<sup>3</sup>



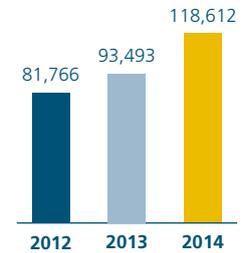
**Loans to customers**  
[millions of euro]



**Direct deposits from banking business**  
[millions of euro]



**Direct deposits from insurance business and technical reserves**  
[millions of euro]



1. Economic indicators refer to the scope of consolidation for the Consolidated Financial Statements.

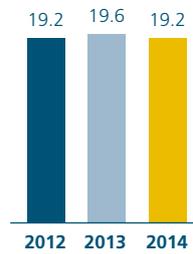
2. The economic value generated expresses the value of the wealth produced in the year as required by the Global Reporting Initiative, GRI G4. For more details, see the Chapter "Protection of solidity and profitability".

3. The distributed economic value is the share of generated economic value attributed to the different stakeholders. For more details, see the Chapter "Protection of solidity and profitability".

## NON-FINANCIAL INDICATORS<sup>1</sup>

### CUSTOMERS

**Customers [millions]**

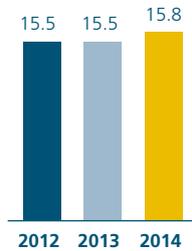


**Average duration of relations [years]**

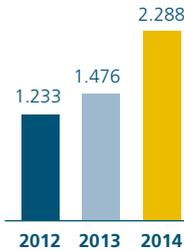


### SHAREHOLDERS

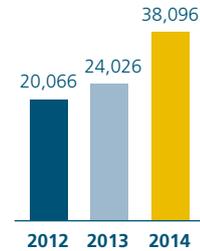
**No. of ordinary shares [billions]**



**Average listed price for the period – ordinary share [euro]**

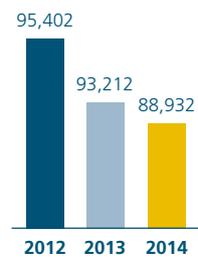


**Stock Exchange mid-cap [millions]**

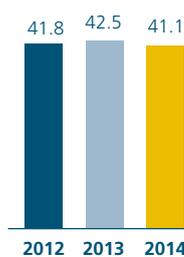


### EMPLOYEES

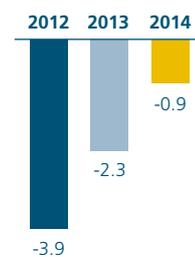
**Employees [no.]**



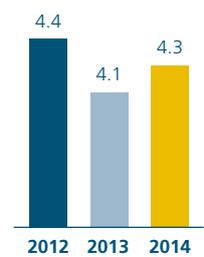
**Graduate employees [%]**



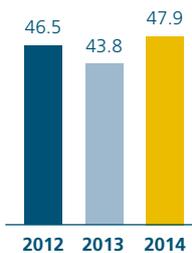
**Staff turnover rate [%]**



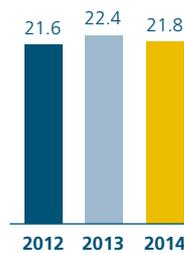
**Training hours provided (classroom + distance)<sup>2</sup> [millions]**



**Training hours per employee**



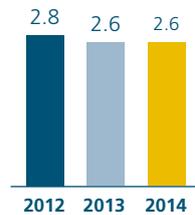
**Female management/total management ratio [%]**



1. Non-economic indicators were based on the Sustainability Report boundary which includes operating companies with an impact on sustainability reporting  
 2. Does not include Web TV training.

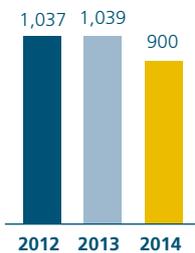
## SUPPLIERS

### Purchasing expenses [billions of euro]

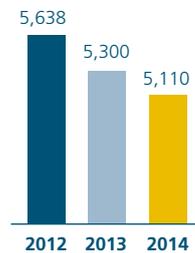


## ENVIRONMENT

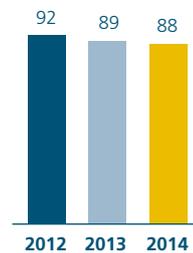
### CO<sub>2</sub> emissions per employee - excluding company fleet [Kg]



### Electricity consumption per employee [KWh]

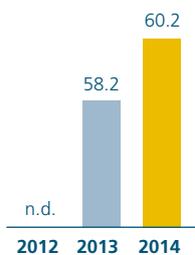


### Paper consumption per employee [Kg]

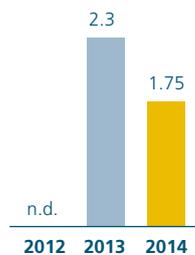


## COMMUNITY

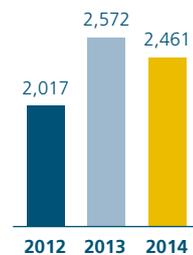
### Contributions to the community [millions of euro]<sup>3</sup>



### Contributions to the community: % of income before tax from continuing operations<sup>4</sup>



### Tax contribution - current direct and indirect taxes [millions of euro]



3. Indicator introduced in 2013 after becoming a member of the London Benchmarking Group. It includes cash contributions, in-kind contributions, time contributions and management costs.

4. Income before tax from continuing operations, totalling 3,435 million euro, presented in the reclassified income statement in the 2014 Financial Statements of Intesa Sanpaolo.

# Vision and values

*Conscious of the value of our activities in Italy and abroad, we promote a style of growth that focuses on sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area.*

*Our growth strategy aims at creating solid and sustainable values from economic and financial, social and environmental standpoints, built on the trust of all our stakeholders and based on our values.*

(from the Code of Ethics [i])

Integrity, excellence, transparency, respect for specific qualities, equality, values of the individual and responsibility in the use of resources: these are the values, stated in the Code of Ethics, on which the Intesa Sanpaolo Group bases its banking methods and its relations with stakeholders.

The Group is also committed to complying with sustainable development principles and has adopted important international initiatives that promote dialogue between companies, international organisations and civil society and pursue respect for the environment and human rights.

## CSR IN CORPORATE ACTIVITIES

In its implementation methods, the Code of Ethics sets out the management model which is centred around the concept of direct responsibility: every company function is called upon to guarantee its commitment to ensuring that business activities remain consistent with the values stated and that the improvement objectives expressed in the Sustainability Report are gradually achieved.

Corporate Social Responsibility provides support to Top Management in defining sustainability strategies and policies designed to generate value for stakeholders. Through the Chief Governance Officer, CSR reports to the Managing Director and CEO, the Chairman of the Management Board and the Chairman of the Supervisory Board.



The CSR Delegates network is made up of more than 70 employees working in the various departments in Italy and abroad, who cooperate with the CSR Unit to manage the relations with the reference stakeholders, implement projects and define the improvement objectives, manage non-compliance with the Code of Ethics, and monitor and report on the activities undertaken.

## **CSR IN CORPORATE GOVERNANCE**

The values and principles of the Code of Ethics are referred to in the Code of Conduct. In addition, the CSR Unit takes action to ensure that the social responsibility criteria become a characteristic element of the entire regulatory framework and that specific policies are issued when business activities could have a significant impact on society and the environment.

The Bank's governance bodies are periodically informed by the Corporate Social Responsibility Unit on significant issues and their integration into business activities (see Chapter "Control of social and environmental risks in the governance processes" p. 59).

## **DIALOGUE WITH STAKEHOLDERS**

For the Intesa Sanpaolo Group, the stakeholder engagement is a key listening and dialogue activity in order to understand the stakeholder level of satisfaction in relation to the work carried out by the Bank. Structured dialogue is arranged every year, using different engagement approaches: multi-stakeholder forums, focus groups and online questionnaires for employees and the Trade Unions, interviews with shareholders, customers and Non-Government Organisations, customer satisfaction surveys and surveys with suppliers. Stakeholder expectations, within the corporate business strategies, allow Intesa Sanpaolo to identify the improvement objectives.

## **ACTIVITY MONITORING**

Monitoring of the effectiveness of the Bank's social responsibility commitment is conducted through two integrating processes: on the one hand, there is a process originating from dialogue with the most significant stakeholders, leads to the definition of improvement objectives followed by monitoring through KPIs of the implementation status of commitments and, lastly, by reporting in the Sustainability Report; on the other hand, based on the ISO 26000 Guidelines, there is a process which leads to assessment of the level of integration of Code of Ethics values into the business activities, through a self-assessment performed by the structures, followed by an independent third-party verification where the self-assessment brings to light potential aspects of reputational risk.

# Business model



## Effectiveness of the governance system

Intesa Sanpaolo adopts the dual management and control model, consisting of a Supervisory Board and a Management Board.

Detailed information on the corporate governance system is provided in the “Report on Corporate Governance and Ownership Structures – Remuneration Report” [i].

### THE SUPERVISORY BOARD

In addition to the supervisory duties – which under the traditional management and control model are the responsibility of the Board of Statutory Auditors – the Supervisory Board also performs tasks that traditionally lie with the Shareholders' Meeting, such as the appointment and removal of members of the Management Board, taking responsibility-related action with regard to members of the Management Board and approval of the Parent Company financial statements.

As regards strategic supervision, the Supervisory Board is entrusted with other functions that strengthen its steering duties and recognise the joint involvement of its members in the main governance decisions of the Bank and the Group. Reports are submitted, at least on a quarterly basis, to the Supervisory Board on operations during the period and comparison with the system, on significant balance sheet, income statement and financial transactions, and on transactions with related parties.

### THE MANAGEMENT BOARD

This Board has sole responsibility for corporate management. It ensures the implementation of strategic guidelines and risk governance policies defined and approved by the Supervisory Board, with which it cooperates, to the extent of its own duties, in performing the strategic supervisory role. For this purpose, the Management Board resolves on all transactions considered useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration. The Management Board is responsible for certain matters of greater importance, beyond those strictly envisaged in the regulations. On such matters, joint decision-making makes it possible to actively involve Board Members who therefore participate with independent judgement in the Bank's key operational governance issues.

### INTERNAL COMMITTEES OF THE SUPERVISORY BOARD

Up to 31 December 2014, the Supervisory Board had set up six Committees: Remuneration Committee, Nominations Committee, Control Committee, Strategy Committee, Financial Statements Committee and Committee for Transactions with Related Parties.

In application of the new Supervisory regulations framework, from 1 January 2015 the Supervisory Board began a comprehensive review of the Committees system which envisages the setup of two new Committees: the Risks Committee and the Internal Control Committee, with dissolution of the Control Committee, the Financial Statements Committee and the Strategy Committee, whose duties are mainly taken over by the Risks Committee. The Nominations Committee, the Remuneration Committee and the Committee for Transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group are instead reconfirmed.

**Characteristics of the Supervisory Board and its Committees (2014 figures)**

Body	Body N° of members	Independent*	% of women	Age <=30	Age 30-50	Age >50	N° of meetings	Attendance
Supervisory Board	19	16	26%	0	3	16	15	99%
Control Committee	5	5	40%				51	99%
Remuneration Committee	3	3	33%				14	100%
Nominations Committee	5	3	0%				2	100%
Strategy Committee	5	3	0%				5	92%
Financial Statements Committee	5	4	60%				20	99%
Committee for Transactions with Related Parties	4 (1 alternate)	4	0%				18	97%

\* Independence requirements met according to the Corporate Governance Code.

The Chairman of the Supervisory Board is non-executive and is independent pursuant to criteria established in the Consolidated Law on Finance, and is non-independent pursuant to the Corporate Governance Code. All the Supervisory Board members are non-executive. The Supervisory Board remains in office for three financial years.

**Characteristics of the Management Board (2014 figures)**

Body	Body N° of members	Executive	% of women	Age <=30	Age 30-50	Age >50	N° of meetings	Attendance
Management Board	10	6*	20%	0	1	9	26	98.8%

\* Includes the Managing Director as Chief Executive Officer and in relation to his/her role as head of operational management of the Bank and the Group, three Executive Members from the Group's Management and two "external" Deputy Chairpersons, whose executive status derives from their participation, with voting rights, in the Group's managerial committees and from assignment to specific duties.

The Chairman of the Management Board – independent according to Consolidated Law on Finance criteria – qualifies as a non-executive member. In fact, he/she has no operating powers and the current organisational structure of the Bank separates his/her duties from those of the Managing Director.

**LEADERSHIP AND MEMBER DUTIES**

High quality leadership is Intesa Sanpaolo's trump card. Our Group is governed by a team of top level Members whose quality and expertise are a source of inspiration for top management and the other managers.

As regards the **Supervisory Board**, four Members are entered in the auditors' register and have exercised auditor activities for at least three years. In general terms, the duties of the Board – relating to banking and/or insurance and/or financial business, the structure of the economic and financial system, regulation of financial activities and markets, risk management and control methods, accounting and financial issues and remuneration policies, internal control and corporate

organisation – are all complementary and ensure adequate resources for the size and complexity of the Bank and the Group. In reference to risk management, the Supervisory Board approves the definition of the maximum acceptable risk level for the Group (its "risk appetite") and the correlated system of limits at the level of overall risk and specific risks (the "Risk Appetite Framework"). For this activity, the Board receives support from in-depth studies performed by the Committees, each to the extent of their duties. In terms of the professional experience of Members, five of these have held this office since 2007, three have gained experience since 2010 and one member joined the Board in June 2012.

As regards the **Management Board**, all Members have overall experience of at least three years in qualified professional activities suitable for such office. The Chairman has more than five years' experience (he held other offices in leading listed Italian companies), whilst the Managing Director has specific managerial experience having held management roles in various departments of the Bank (Head of the Planning and Control Department, Head of the Risk Management Department, Head of the Value Governance Area, Chief Financial Officer, etc.). In addition, the presence of executive Members from the Group's management has contributed to increasing Board professionalism, with particular regard to banking business, the structure of the economic and financial system, banking and finance regulations and risk management and control methods.

## TRAINING AND UPDATING OF MEMBERS

Once again in 2014, members' attendance at Board and Committee meetings was high and constant, ensuring a systematic contribution to all activities and an increased business and corporate awareness of the Bank and the Group, as well as the main new legal and regulatory aspects.

For this purpose, at the initiative of the Chairmen of the Supervisory and Management Boards, specific in-depth induction seminars were held in relation to: control system gap analysis; performing the self-assessment process; supervisory regulations on corporate governance and on the control system in order to ensure full updating of the Articles of Association to the new regulatory structure; presentation and analysis of the results of the comprehensive assessment conducted by the European Central Bank.

## GOVERNANCE BODY SELF-ASSESSMENT

With regard to the periodic verification of their adequacy in terms of powers, size, composition and operations, until 2013 the Members performed an annual self-assessment using internal tools only. In 2014, the Boards decided to make use of a specialist external advisor appointed to provide support to the governance Bodies in reviewing the self-assessment processes used thus far and their formalisation into specific internal Regulations which were later adopted. The Self-Assessment Regulations were prepared in application of the Supervisory regulations and in compliance with European Banking Association "Guidelines on Internal Governance" and "Guidelines on the Assessment of the Suitability of Members of the Management Body and Key Function Holders", issued in September 2011 and November 2012 respectively, which also take into account national and international best practices on this matter.

The self-assessment process is divided into a preparatory stage (information gathering, issue of questionnaires,

interviews with individual members) to survey the operating, efficiency and effectiveness profiles of the Body and opportunities for improvement.

The information gathered at the preparatory stage is then processed and consolidated into a document showing the qualitative and quantitative results of the self-assessment, the compliance and performance levels and the areas of excellence and for improvement indicated by Members. This document is then submitted to the Boards for examination and joint discussion.

Details of the successful outcome of the 2014 assessment can be found in the "Report on Corporate Governance and Ownership Structures – Remuneration Report" [i].

## THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

- the first is represented by the line controls which are carried out by the operational structures, are built into our procedures and are part of back-office activities;
- the second is entrusted to the Chief Risk Officer and, in addition to the legal area, includes controls on risk management, compliance with standards, anti-money laundering risk, credit granting process, and internal validation;
- the third is the internal audit, carried out by the Internal Auditing Department, which operates independently and separately from the operational structures, to identify anomalous trends, violations of procedures and regulations, and to assess the good order of the overall internal control system.

Also taking into account the Management Board's proposals and making use of the support of specific Committees, the Supervisory Board defines and approves the risk governance policies at Group level and the guidelines for the internal control system, including those relating to values and principles of the Code of Ethics, whilst both Boards make use of the Chief Risk Officer's action, reporting directly to the Chief Executive Officer.

The Supervisory Board and the Management Board also approve the Sustainability Report, which reports to stakeholders on activities carried out during the year and demonstrates the Bank's ability to pursue its objectives in line with stated values and with corporate development plans. The Report illustrates the results of stakeholder engagement activities and the materiality matrix, which represents the "significant" areas of operations resulting from the integration into corporate strategic plans of considerations of an economic, social and environmental impact.

## REMUNERATION

All members of the Supervisory Board and the non-executive Management Board Members receive remuneration which is fixed for the entire period of office and not based on financial instruments, nor on incentives related to economic results, in order to guarantee independence in the performance of their activities, which must not depend on expectations of higher remuneration based on the results achieved by the Bank.

The remuneration policies for Management Board Members, approved by the Shareholders' Meeting on recommendation of the Supervisory Board, are aimed at increasing the Bank and Group's competitiveness, attracting qualified professionals suited to the management requirements, aligning the interests of Members to achieve the objective of creating value for shareholders in the medium/long-term with a view to prudent risk management and responsibility towards all stakeholders and, finally, at promoting sustainability of the remuneration policies over time.

Remuneration of the executive Management Board Members – including the Managing Director – and of top management consists of a fixed portion and a variable portion. Limitations are based on a fair balance of fixed and variable components and, for the latter, weighting systems for the risks are applied, as well as evaluation mechanisms designed to ensure a connection to effective, long-term performance.

## OPERATIONAL STRUCTURE

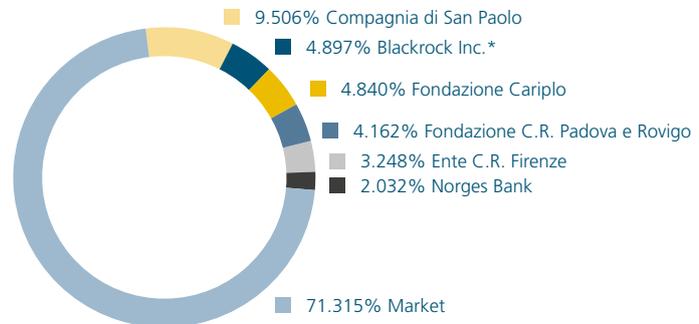
*Divisions and Business Units, Governance Areas and Head Office Departments*

In terms of organisational logic and to ensure that Group governance has the necessary coherence, the Parent Company is divided into seven Business Units, comprising the aggregation of business lines with similar characteristics in terms of products and services provided and in terms of the regulatory framework, six Governance Areas, Head Office Departments and Staff Units under the direct responsibility of the Managing Director and CEO that carry out steering, coordination, control, support and service duties at Group level [i].

## SHAREHOLDER BASE

Share capital subscribed and paid-in totals 8,724,861,778.88 euro, divided into 16,778,580,344 shares of a nominal value of 0.52 euro each, of which 15,846,089,783 ordinary shares (equal to 94.44% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.56% of share capital).

*As of 31 December 2014, Intesa Sanpaolo's shareholder base is composed as follows (holders of shares exceeding 2%)*



\* for asset management

## RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

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

During 2014, in a still very difficult economic scenario, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a safe point of reference for stakeholders. To guarantee access to all, again in 2014 this information was made available quickly, easily and economically through a number of channels: Internet, conference calls via a toll-free number and the free distribution of financial statements on request. The Investor Relations section of the website [\[i\]](#) has a well-organised content and theme updates, always providing stakeholders with extensive, systematic information.

In order to contribute to the creation of sustainable value over time, regular and frequent meetings were held with the financial community that consolidated long-term relations based on mutual trust.

## SHAREHOLDERS' MEETING

For Intesa Sanpaolo the Shareholders' Meetings are one of the main opportunities for contact and dialogue with its shareholders, as well as an occasion for the disclosure of news, in accordance with the principles of non-selective disclosure and rules on price sensitive information.

The Meeting is called by the Management Board or upon request by the shareholders in accordance with the law, through a notice published on Intesa Sanpaolo's website and, in abridged form, in at least one national newspaper (generally "Il Sole 24 Ore" and other national and international newspapers).

### Right to attend and vote:

Each ordinary share confers the right to cast one vote. Savings shares, which may be in bearer form, do not confer the right to vote in ordinary and extraordinary shareholders' meetings but entitle the holder only to attend and vote at the Special Meeting of savings shareholders.

# Materiality analysis

The 2014 Sustainability Report concentrates on the issues that are of greatest relevance to our core business and the Group's stakeholders. Issue identification was conducted through a structured process in accordance with GRI G4 guidelines. The materiality analysis led to the identification and summary of our priorities and those of our stakeholders. The material aspects are those that reflect the significant economic, social and environmental impacts of the organisation or which have substantial influence over stakeholders' assessments and decisions. The process recommended by the GRI involves three steps:



## IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

In 2014 we implemented a stakeholder map validation process defined in recent years according to AA1000SES principles. The identification of economic, environmental and social sustainability issues significant to the financial sector and significant to Group business and our stakeholders was carried out by analysing:

- sustainability aspects and topics identified by the Global Reporting Initiative reporting standard;
- document sources within the Group including, for example, top management communications, Shareholders' Meeting minutes, communications to shareholders, Sustainability Reports for the last three years, policies adopted by the Group and complaints to the Code of Ethics;
- external document sources, including the reference standards for reporting sustainability performance (G4, SASB), the questionnaires of ESG rating agencies, the Sustainability Reports of other national and international financial groups;
- press reviews and planning documents of Italian public entities and multilateral organisations.

The assessments of the results deriving from these document sources and from the stakeholder engagement path (see p. 81), bear in mind the GRI principles of stakeholder inclusiveness and the sustainability context.

The issues identified were organised into a tree arranged into three increasing levels of detail: these issues were the subject of listening and dialogue with our key stakeholders.

## PRIORITISATION AND DEFINITION OF THE MATERIALITY MATRIX

To prioritise the issues identified, for each issue we first assessed its significance compared to corporate strategies and commitments defined in the Business Plan, and then the degree to which it represents the interests and expectations of stakeholders (thus evaluating the principles of stakeholder materiality and inclusiveness). These two aspects are indicated by the two axes of the materiality matrix, illustrated below.

## THE 2014 MATERIALITY MATRIX



Of all the issues identified, those in the quadrant of high significance on both axes are recognised as priorities for 2014. Therefore, the Sustainability Report comments on the related issues in detail, their management methods, significant indicators and the status of issues compared to progress in the Business Plan. These issues are covered by the following seven macro-areas:

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

Relations with suppliers and the community do not qualify as material issues, but Intesa Sanpaolo recognises their high social and environmental value and therefore provides detailed disclosures on the website [i] and in single-issue notebooks [ii] [ii]. A summary disclosure is in any event provided in the Sustainability Report.

The main differences compared to the 2013 materiality matrix refer to issues of strong significance in the 2014-2017 Business Plan: support to the business system becomes an even more strategic success factor for the Bank and fundamental leverage for Italy's growth. Innovation, both from a Service Model viewpoint and from that of new business on which the Bank will focus its efforts, has made the issue of offering value to customers crucial.

## MATRIX VALIDATION

The final step recommended by the GRI is validation. To define the scope of the issues identified, all impacts – positive and negative – the issue might have on stakeholders or in the reference context of its value chain were considered. In particular, the risks and opportunities arising from the issue and its potential influence over long-term Group strategy were considered with a view to assessing the wider context of sustainability.

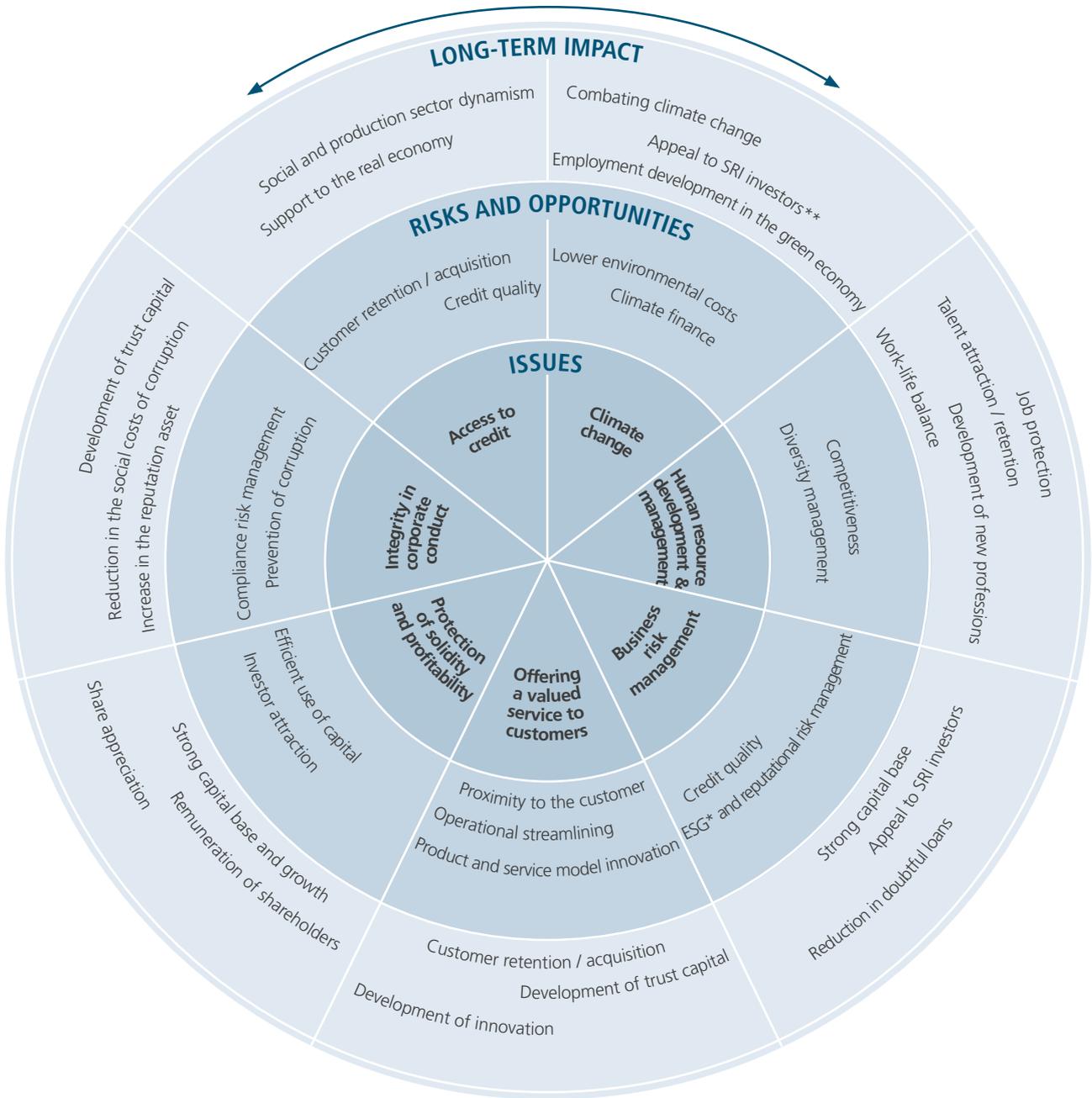
The application of GRI principles of completeness and inclusiveness for stakeholders has allowed us to evaluate for each material subject the boundaries within which relative impacts arise (both within the Bank and externally), with the aim of offering stakeholders a complete view of our performance (see GRI – Impact boundaries on p. 186).

The assessments were discussed with Delegates from the Chief Risk Officer, Chief Financial Officer and Chief Operating Officer Governance Areas, identifying the reporting structure and management disclosures associated with each issue.

## ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

This Report illustrates the Bank's performance in the wider context of sustainability. In other words, in the presentation of the Report's contents, Intesa Sanpaolo aims to show how business activities help to improve or deteriorate social, economic and environmental conditions in a local, regional or global framework.

To clarify these concepts, a concentric chart is provided below (Figure 2) that shows the seven issues proved to be the most significant (as per the materiality matrix), the risks and opportunities associated with each issue and the agreed long-term value intended as the outcome, i.e. positive impacts for the Bank, the environment and for society in general.



\* ESG refers to Environmental Social and Governance Risks.

\*\* SRI (Social Responsible Investments) investors: investors that not only assess the financial performance of businesses, but also their commitment to society and the environment.

# Protection of solidity and profitability

## WHY THIS ISSUE IS SIGNIFICANT

One of the Group's priority objectives is to preserve the sustainability of results in a macroeconomic scenario still unstable due to the continuing crisis. Considerable attention - in addition to profitability targets - is given to actions aimed at further strengthening the strong capital base and improving the risk and liquidity profiles. The capital base remains high, whilst the risk profile remains relatively low. The results of the assessment conducted in 2014 by the European Central Bank and the European Banking Authority on asset quality and on the impact simulation of a negative macroeconomic scenario on capital base were well above the minimum thresholds set by the Comprehensive Assessment. Being a solid bank with growing profitability means that we can make a positive contribution to the interests of shareholders and all stakeholders. With the new 2014-2017 Business Plan, quarter by quarter we have begun to achieve important results that demonstrate our capacity to hold true to commitments made to the markets. In 2014 the revenues generated allowed us to resolve to distribute dividends amounting to 1.2 billion euro, maintain the commitment to protect jobs for employees and to operate alongside our customers, including those in potential difficulty, implementing processes and internal structures to avoid the deterioration of our credit fundamentals.

## RELATED TOPICS

Economic and financial performance	page 55
Business risk management	page 57
Relations with the community	page 102

## RESULTS ACHIEVED IN 2014

The consolidated results as at 31 December 2014 recorded strong profitability growth, above the 2014-2017 Business Plan targets, proposed cash dividends amounting to 1.2 billion euro to be distributed to shareholders, strong capital base, net income of 1,251 million euro, with a positive trend in net interest income and strong growth in net fee and commission income, strong asset management performance and reduction in provisions reflecting an improving credit trend.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Supervisory Board is responsible for guidance, strategic supervision and control of the Bank and, taking Management Board proposals into account, decides on the general planning and strategic guidelines of the Bank and the Group, approves the business and/or financial plans and the budget of the Bank and the Group, along with any amendments, authorises strategic transactions and approves the strategic guidelines and policies on risk management.

## HOW IT IS MANAGED

All the company departments are involved in implementing business solidity and profitability protection policies. Among other things, the Management Board of the Parent Company is responsible for: formulating proposals on general planning and strategic guidelines of the Bank and the Group to be submitted to the Supervisory Board for approval; preparing business and/or financial plans and the budget of the Bank and the Group to be submitted to the Supervisory Board for approval; periodically monitoring the implementation of strategic, business and/or financial plans of the Bank and the Group; proposing risk management guidelines and policies to be submitted to the Supervisory Board for approval.

The corporate policies take into consideration the analysis and economic debate of Italy's main structural problems and of issues relating to the international economy important to the Group. The aim is to continue being a reference Bank for the country's real economy, with the reciprocal benefit of long-term growth.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2014 progress status	Expected 2017 result
Growth in Revenues	+4% vs. 2013	+4% (2013-2017 average)
Percentage of Net fee and commission income/Total revenues	40% (+2 pp vs. 2013)	43%
Cost/Income	50.6% (-50 bps vs. 2013)	46.1%
Cost of credit	134 bps (-73 bps vs. 2013)	80 bps
CET1 – Fully Loaded	13.3% (+1 pp vs. 2013)	12.2%
LCR and NSFR	>100%	>100%
Financial Leverage*	17 approx.	17 approx.

\* Total Tangible Assets/Total Return on Tangible Equity, including Net Income, net of dividends paid or payable and excluding Goodwill and other intangible items.

# Business risk management

## WHY THIS ISSUE IS SIGNIFICANT

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk.

Intesa Sanpaolo has a moderate risk profile in which capital adequacy, earnings stability, liquidity and a strong reputation are the key factors to protecting its current and prospective profitability.

The risk management strategy aims to achieve a complete and consistent overview of risks, given both the macroeconomic scenario and the Group's risk profile, by fostering a culture of risk-awareness and enhancing the transparent and accurate representation of the risk level of the Group's activities. Such management also includes measurement of the social and environmental variables in lending activities, particularly when our customers' business projects are implemented in developing countries, for which local regulations do not offer suitable safeguarding clauses, and in "sensitive" sectors, i.e. those for which the external output generated has a greater probability of negative social and environmental impact on the community.

## RELATED TOPICS

Control of social and environmental risks in the governance processes	page 59
Climate change: management of potential environmental risks and impact	page 121
Reputational risk assessment and management	page 60
Value of the Brand	page 60
Management of social and environmental risks in loans	page 61
Health and safety risk management	page 64

## RESULTS ACHIEVED IN 2014

Intesa Sanpaolo has reached a strong capital base and is in a leadership position among the strongest European competitors.

Ready for a change in the economic scenario, the Bank has taken steps to implement latest generation rating models, dedicated to Italian businesses, to measure the sector and competitive variables.

In particular, in order to immediately seize the opportunities arising from potential new economic prospects, a strategic analysis module was implemented to measure the income and financial performance of the business and its competitive position, used by the Group's sales Networks to support the rating assessment for loan disbursement purposes.

As part of the environmental and social risk monitoring in project financing, from 1 January 2014 the application of the Equator Principles was extended beyond the scope of Project Finance activities to include also project-related corporate loans. Later during the year the new Operating Guidelines were drafted and published as corporate policy. To ensure correct use by all the parties involved in the lending processes, a training plan – well-articulated in terms of teaching methods and in the choice of participating departments – was launched.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The definition of the Risk Appetite Framework and the resulting operating limits for the main specific risks, the use of risk measurement instruments in loan management and operational risk control processes, and the assessment of capital adequacy within the Group represent fundamental milestones in the risk strategy, defined by the Supervisory Board and the Management Board along the Group's entire decision-making chain, down to the single business units and single desks.

The Supervisory Board carries out its activities through specific internal committees, among which there are the Internal Control Committee and the Risks Committee. The Management Board relies on the action of managerial Committees, including the Group Risk Governance Committee. Both Corporate Bodies receive support from the Chief Risk Officer, who is a member of the Management Board and reports directly to the Chief Executive Officer. The Corporate Social Responsibility Unit participates in the social and environmental risk assessment processes for loans covered by the scope of application of the Equator Principles.

## HOW IT IS MANAGED

The Group has implemented specific processes and responsibilities to understand and manage risks in such a way as to ensure long-term solidity and going concern assumptions, extending the benefits to its employees, customers and investors.

The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance and control procedures.

The main risk-acceptance strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Management Board and Supervisory Board. The RAF, introduced in 2011 to ensure that risk-acceptance activities remain in line with shareholders' expectations, is established by taking account of the Intesa Sanpaolo Group's risk position and the economic situation.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicators	2014 progress status
Definition of systematic monitoring to manage Significant Transactions (STs), i.e. transactions with a potentially significant impact on the Group risk profile.	<ul style="list-style-type: none"> <li>▪ A dedicated structure has been established to provide prior opinions on the coherence of each proposed transaction with the desired risk profile defined in the RAF.</li> <li>▪ Guidelines issued for Group ST governance.</li> </ul>
Breakdown of Group RAF limits on subsidiaries with a high contribution to risks and/or specific local features.	RAF limits defined as specific to Banca IMI, Intesa Sanpaolo Vita and the International Subsidiary Banks.
Overall value of loans granted for projects subjected to Equator Principles screening and percentage of total project finance loans	830 million euro (7.7%)
Number of projects under the Equator Principles screening	19
Number of specialists trained in Equator Principles and number of training hours	30 specialists 450 training hours
Definition of systematic monitoring of reputational risk management and mitigation	<ul style="list-style-type: none"> <li>▪ Dedicated structure established</li> <li>▪ Guidelines issued on reputational risk governance</li> <li>▪ A Reputational Risk Management process defined</li> </ul>
Extension of the scope of application of the Equator Principles to project-related corporate loans	<ul style="list-style-type: none"> <li>▪ Guidelines issued on the implementation of Equator Principles according to the new scope</li> </ul>

# Integrity and rigour in corporate conduct

## WHY THIS ISSUE IS SIGNIFICANT

The Intesa Sanpaolo Group recognises the strategic importance of activities to ensure compliance with internal and external regulations and codes of conduct, 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. We believe that compliance with standards encourages the creation and maintenance of a soundly competitive economic context, in which merit can be measured and shared value can be created, contributing to the area and community development. Intesa Sanpaolo aims to be a reliable, qualified contact for the regulators, relating with these in a transparent manner and helping to develop the regulatory context through the identification of common objectives for banks and stakeholders. The Group actively supports the United Nations' Global Compact principles that envisage the development of activities to combat corruption and to protect rights in the global context.

## RELATED TOPICS

Prevention of corruption	page 84
Prevention of money laundering	page 84
Compliance with tax regulations	page 85
Protection of privacy	page 85
Protection of free competition	page 85
Fraud prevention	page 86
Litigation	page 86

## RESULTS ACHIEVED IN 2014

Anti-money laundering has been further enhanced, aligning company regulations with the control and conduct principles envisaged by the 231 Model, now even stricter as a result of the provisions of Italian Law (Law 190/2012). New monitoring aspects have been introduced for money laundering and tax risk to which the Group is exposed on entering new markets, and new tax risk management and monitoring rules have been defined in relation to transactions executed with customers resident for tax purposes in other countries.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Parent Company Corporate Bodies are responsible, each to the extent of their own duties and prerogatives, for ensuring suitable monitoring of compliance risk to which the Group is or could be exposed. In Intesa Sanpaolo the duties assigned by Regulators to the compliance function are handled by the Compliance Head Office Department, a permanent and independent department with its own resources and duties that reports directly to the Corporate Bodies. For specific regulatory areas the risk monitoring activities are assigned to Specialised Functions, required to adopt the methods envisaged in the Compliance Guidelines. The Antitrust Affairs and Strategic Support Service, the Safety and Protection Unit, the Anti-money Laundering Service, the Administration and Tax Department and the Employment Policy Department operate to guarantee the correct application of antitrust, privacy, occupational safety, anti-money laundering, tax and employment regulations. For all areas, the Internal Auditing Department performs controls on the regular nature of operations and on monitoring adequacy and efficiency, proposing any corrective action required.

## HOW IT IS MANAGED

We pursue the respect for rules through synergic operations between all company departments. The operating and business units are required to abide by company processes and procedures, verifying their application with suitable controls, with a view to full compliance with applicable regulations and standards of conduct. We promote a corporate culture founded on integrity (honesty, fairness and responsibility) and substantial compliance with regulations, and we disseminate a management culture aware of the risks and individual responsibilities, also through numerous employee training initiatives. The Compliance Guidelines provide a detailed description of the compliance risk management processes. Rules to prevent corruption form an integral part of the internal regulatory sources: Code of Ethics, Internal Code of Conduct, Organisational and Control Model pursuant to Italian Legislative Decree 231/01; company processes potentially instrumental to committing corruption-related crimes are identified and specifically regulated. The Compliance and Audit departments constantly verify the consistency between the control and conduct principles stated in the 231 Model, including those relating to corruption, and the internal regulations in force, and guarantee compliance with these.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

### Indicators

Specialist training to prevent corruption and money laundering

### 2014 progress status

- 53,504 employees trained (Italy 43,495; abroad 10,009)
- 60.2% of employees trained (Italy 67.2; abroad 41.4)

### Associated risks

- the process and procedural changes to adapt to regulatory requirements could cause discontinuity that has a potential impact on service to customers;
- the impact of regulatory changes can force an increase in operating costs
- cases of non-compliance and failure to adapt can result in fines and penalties

### Opportunities

- thorough advocacy activity, by interacting with authorities and regulators, helps to identify common objectives for the Group and for stakeholders
- adaptation to all consumer protection requirements guarantees that our processes are designed to deal with our customers honestly and fairly, supporting our ability to acquire and retain them.

# Human resource development and management

## WHY THIS ISSUE IS SIGNIFICANT

Our Business Plan has identified that enhancement, people motivation and a stronger sense of belonging represent essential leverage in achieving the Group's strategic objectives. Through a new and more balanced internal cohesion, the managers are required to create an environment that is motivating, facilitating, based on trust and encouraging individual engagement. Without losing sight of enhancement of diversity, training accessible to all – focusing on listening and discussion among individuals – plays a crucial role in supporting development, company reorganisation and improved customer service.

Within a context of persisting economic crisis, the Intesa Sanpaolo Group continues to be a workplace that attracts talents and provides permanent jobs to over 86,000 people in Italy and in other countries – including more than 6,800 young people. Important among the Business Plan objectives is the reallocation of 4,500 human resources in order to achieve the strategic plan, without cutting jobs.

## RELATED TOPICS

Job protection	page 106
Employee enhancement	page 106
Training	page 109
The quality of life in the Company	page 94

## RESULTS ACHIEVED IN 2014

In 2014 Intesa Sanpaolo laid the foundations and began the implementation of development and reorganisation programmes to strengthen its market competitiveness, also through service and product innovation. Approximately 60% of surplus human resources were already absorbed during the first year of the Plan through priority initiatives based on job protection and the new Plan objectives. For employee enhancement, the new Banca dei Territori incentive system was launched in compliance with the new service model adopted at the beginning of 2015.

The Training activity updated the skills necessary for the continuous consolidation of corporate professionalism and provided specific support for change through projects fostering banking sector and customer need developments without disregarding the expectations of all Stakeholders.

Welfare was confirmed as another priority area on which action should focus in order to support human resource motivation and involvement in terms of flexibility, efficiency and productivity.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Chief Operating Officer is responsible for defining Group Human Resources guidelines and policies. The structures in charge of specific duties are the "Planning and Development" and "Employment Policy" units of the Human Resources Head Office Department, which make use of the relevant structures of Intesa Sanpaolo Group Services, including those in charge of Training. The Personnel units of the Business Units and Group companies not included in the business divisions report to the Human Resources Head Office Department. With support from the Remuneration Committee, the Supervisory Board approves the remuneration and incentive policies for Group Human Resources.

## HOW IT IS MANAGED

Through an integrated system of transparent internal regulations, widely-distributed multichannel communications and effective training at all levels of knowledge and awareness, human resources are supported through their current and future career paths. The constant dialogue that characterises industrial relations has led to the set-up of company-trade union bodies with the aim of arranging joint solutions: the Welfare, Safety and Sustainable Development Committee and the Inclusion and Equal Opportunities Committee. The projects and initiatives developed with the aim to continue creating value in terms of social sustainability and equal treatment are constantly monitored in order to measure and disclose the progress made.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2014 progress status	2017 objectives
Personnel expenses	5.1 billion euro	Approx. 21 billion euro
Human resources reabsorbed in the professional reallocation	2,600, of which 120 already involved in training activities	4,500
Technical and management training for professional development	1,169,569 training days	5 million training days
Employee share ownership contributing to the share capital increase	No. employees subscribed: 50,298 % subscribed: 79% Value: 150,112,726	
Development: growth strategies for employees to be assigned to coordination duties: <ul style="list-style-type: none"> <li>■ OnAir: no. assessments and development plans activated</li> <li>■ Feedback 180: no. employees involved</li> </ul>	OnAir: 2,466 assessments. 574 individual development plans then activated on the Consequence Management Platform  Direct Job Offering: 1760 contacts for 170 positions  Master Class: 40 Risk Management Department employees involved Feedback 180: 37 managers involved	Enhancement of talent potential and adoption of systems that reward professionalism and leadership
Investments for the Safety Management System and number of accidents	Accidents 775 (812 in 2013 in Italy) Investments in Health and Safety training for 689,000 euro	

# Offering a valued service to customers

## WHY THIS ISSUE IS SIGNIFICANT

Offering an excellent and reliable service, guaranteeing differentiated support to the various customer types allows us to achieve our greatest aim: to contribute to the well-being and progress of the communities in which we operate. Enhancing relations with our customers, through in-depth and systematic listening, customer satisfaction surveys and effective complaint handling is fundamental in achieving our overall growth strategy and in responding to the needs of trust and proximity expressed by our customers.

The service models adopted by the Business Units aim to guarantee a high degree of customer protection and excellent quality of the products and services offered, and allow us to remain close to customers when and where they wish. The commercial model based on advisory services allows us to tailor the product mix according to the needs of customers, raising purchase awareness. Special attention is given to disabled persons in order to facilitate access to our proposed services.

We operate according to a multichannel approach so that banking services become increasingly accessible, simple, efficient, flexible and less expensive. This allows us to guarantee multiple points of virtual contact and assure our customers of greater access to services.

We promote innovation, seek and analyse innovative solutions available on the domestic and international markets to identify Group development opportunities, also through partnerships with universities and research centres.

## RELATED TOPICS

Business model	page 86
Proximity to the customer	page 87
Accessibility	page 91
Customer satisfaction and complaint handling activities	page 91
Relations with the Consumer Associations	page 93
Service model development	page 114
Multi-channel bank	page 116
Innovation for growth	page 118

## RESULTS ACHIEVED IN 2014

In 2014 we implemented customer proximity projects and launched new initiatives dedicated to welcoming and improving customer relations. These initiatives referred both to employee conduct and the space given to the products and services offered. By ensuring fair relations with customers, we contributed to reducing operational, reputational and legal risks. There were strong developments in the integrated multichannel platforms and the number of customers actively using Internet and mobile banking services increased. Physical access was expanded for persons with sight impairment, also through agreements with specialist entities. We continued to monitor customer satisfaction in all segments and the various Business Units, and the results of the surveys fostered the review of service models and the creation of new products, also in co-production with customers. In Italy complaints increased, but by a limited extent, also as a result of effective management to quickly identify reasons for customers' inconvenience in order to take suitable corrective action, and projects were launched to reduce response times.

## DEPARTMENTS/FUNCTIONS IN CHARGE

The marketing functions of the Business Units define the commercial model for customer relations and the methods for analysing satisfaction, complaint handling and the development of new initiatives. The Head Office Department Services provide support to the Business Units' activities to the extent of their responsibilities. The Savings Committee is the Intesa Sanpaolo Group technical body that plays a reporting and decision-making role, focused on issues of asset management for retail customers.

## HOW IT IS MANAGED

Through internal rules and operating guidelines, which also comply with current regulations, dedicated processes and service models, we supervise and manage customer relations, customer satisfaction, complaints and multichannel platforms, monitoring the results over time.

Innovation is monitored by the structuring and coordination of the Innovation Portfolio and is developed through the Innovation Monitor, the Experience Design Lab for product prototyping, a dedicated training mix for employees as well as products and services for businesses.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2014 progress status	2017 objectives
Maintenance of the average response times to customer complaints and claims (Parent Company) in line with reference regulations	45 days for service and investment-related complaints vs. 90 days envisaged in reference regulations 20 days for ordinary complaints (banking and financial products and services) vs. 30 days envisaged in reference regulations 22 days for customer claims vs. 30 days envisaged in internal regulations	
Customer Experience systematic surveys	E-mail surveys on Branch sales (cards, accounts, mortgages, loans and small business loans) and Advisory Services to Retail Customers. <ul style="list-style-type: none"> <li>▪ 656,000 target customers</li> <li>▪ 83,000 opinions expressed</li> <li>▪ 6,400 customers contacted by Contact Unit</li> <li>▪ Net satisfaction index: 38</li> </ul>	
Corporate simplification	<ul style="list-style-type: none"> <li>▪ Already achieved from 2014: 7 product companies combined into 1, Mediocredito</li> <li>▪ From 17 to 14 banks: merger of Banca di Credito Sardo and Cassa di Risparmio di Venezia; merger of Banca di Trento e Bolzano approved</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1 product company</li> <li>▪ 6 banks</li> </ul>
Integrated multichannel development	4.923 million multichannel customers (approx. +500,000)	7.879 million multichannel customers
Creation of the Chief Innovation Officer Governance Area	Established with the role of identifying, analysing and developing national and international innovation activities, guaranteeing monitoring, coordination and coherence at Group level.	

# Access to credit and savings management

## WHY THIS ISSUE IS SIGNIFICANT

The products and services mix that can facilitate access to credit and the financial inclusion of individuals, businesses, entities and public administrations is essential leverage in guaranteeing profitable business for our Bank that is sustainable in the long term. The correct allocation of resources and the ability to identify local players with whom agreements and synergies can be developed to facilitate inclusion also for vulnerable people, preferring counterparties that meet requirements in terms of repayment capacity, guarantee the correct flow of resources to the real economy and allow our Bank and the community in which we operate to develop and grow.

Asset management activities also expect to see great innovation in the development of customer services, both with a view to the investments offered and in the forms of protection and welfare, becoming an increasingly determining factor in the long-term well-being of households. The portfolio of solutions makes available funds that apply SRI (Socially Responsible Investment) selection criteria in compliance with the principles of our Code of Ethics, also with a view to triggering sustainability trends in the businesses and in the decisions of our customers.

## ARGOMENTI CORRELATI

Financial inclusion and economic empowerment	page 66
Support to the business system	page 74
Loans and services for the green economy	page 122

## RESULTS ACHIEVED IN 2014

Intesa Sanpaolo has never stopped believing in Italy and provides support to those wishing to relaunch their business. In 2014 a total of 34 billion euro was granted to households and businesses. In a still difficult economic context, the initiatives that confirm the traditional vocation of being a Bank in the real economy have continued: real responses to households for home purchases, loans and agreements to support the vulnerable social groups and the launch of initiatives designed to create subsidised loans to the Third Sector, an industry with a great capacity to set positive trends in the areas in which we operate. To encourage production we have developed new agreements to facilitate access to credit through support to employment for young people, innovation and business growth.

## DEPARTMENTS/FUNCTIONS IN CHARGE

A fundamental role in managing and controlling credit risk is played by the Corporate Bodies, which, to the extent of their responsibilities, ensure adequate monitoring by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and defining the tasks and responsibilities of the company functions and departments involved in the processes.

The monitoring and governance is reflected in the current organisational structure which, in addition to the Business Units, identifies important central responsibility areas. These areas – suitably segregated – guarantee that the management duties are carried out and the risk control activities are implemented.

## HOW IT IS MANAGED

As the Parent Company, Intesa Sanpaolo has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure credit quality, thereby guaranteeing risk monitoring and constant monitoring of trends in these variables.

In the credit granting phase, coordination mechanisms have been introduced – from the Granting and Management Powers and Rules to the detailed Operating Guides – with which Intesa Sanpaolo exercises its direction, governance and support of the Group.

With regard to Third Sector customers, a version of the rating model has been developed that is better suited to the characteristics of this type of clientele.

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2014 progress status	2017 objectives
Households and businesses: New medium/long-term credit granted to the real economy	34 billion euro granted	Approx. 170 billion euro
Third sector: New medium/long-term credit granted to social businesses	0.20 billion euro granted	Approx. 1.2 billion euro
Financial inclusion: Credit granted to the vulnerable social groups in 2014	More than 3.6 billion euro: 12.9% of the total loans granted by the Intesa Sanpaolo Group	

# Climate Change

## WHY THIS ISSUE IS SIGNIFICANT

The impact of climate change goes well beyond the environmental issue and involves different aspects, from the economy to technology, from safety to respect for human rights, with potentially significant repercussions on customers, the community and consequently on our operations.

Intesa Sanpaolo is fully aware of the importance of pursuing a clear and effective strategy to combat climate change and set precise qualitative and quantitative objectives in order to prevent and firmly restrict the impact that this phenomenon can generate.

Through climate finance activities and the development of innovative products and services we help our customers to reduce their environmental footprint and to respond effectively to the pressure of environmental challenges. The development of new products means that we can transform climate change challenges into profit generation opportunities.

Environmental catastrophes can cause damage to the premises in which we work, generate business discontinuity and consequently increase operating costs. Careful planning and more sustainable management of these buildings allows us to reduce our risks and at the same time to reduce the impact on the environment, achieving consistent energy and paper consumption savings and decreasing climate-altering gas emissions.

## RELATED TOPICS

Management of potential environmental risks and impact	page 121
Loans and services for the green economy	page 122
Reduction of atmospheric emissions	page 125
Energy consumption and efficiency	page 126
Paper, waste and water	page 130

## RESULTS ACHIEVED IN 2014

In 2014 Intesa Sanpaolo continued action to reduce its environmental footprint and that of its customers. Despite the reduction in incentives, the offer of loans targeting the SME's, small business and retail customer segments wishing to invest in energy savings and renewable sources continued throughout the year and totalled 643 million euro. Energy efficiency action and the management optimisation of properties instrumental to the Group in Italy led to a further drop in electricity consumption (-6.8%) and in related emissions (approx. -10,000 metric tons of CO<sub>2</sub>).

## DEPARTMENTS/FUNCTIONS IN CHARGE

The Chief Governance Officer is responsible for the strategy on combating climate change, reporting to the Chief Executive Officer of Intesa Sanpaolo, the Management Board and the Supervisory Board. He/she receives support in this duty from the Corporate Social Responsibility Unit, which acts as the coordination centre at Group level on this issue.

## HOW IT IS MANAGED

Environmental protection and the focus on climate change are key areas of our CSR commitment, as set out in the Rules on environmental and energy policy and in the specific sub-policies. The declared commitments refer to direct and indirect impacts, with the aim of assessing the risks and opportunities associated with environmental issues, thus reducing our environmental footprint and that of our customers and suppliers. Through monitoring and management processes for the Code of Ethics and the Sustainability Report we assess risks associated with climate change and identify objectives and guidelines that aim to implement specific management and mitigation action plans. The risks and opportunities associated with climate change are regularly monitored also through specific stakeholder engagement activities.

We actively promote product and service innovation to facilitate the reduction in emissions of our retail and SME customers, also through periodic meetings of an interdepartmental workgroup that discusses current topics on such matters and offers a forum for sharing new regulations and best practices in the sector. We thoroughly assess loans in sectors with a considerable environmental impact by applying the Equator Principles, which we adopted in 2007.

With the aim of responsibly managing the environmental and energy impacts related to its business, the Intesa Sanpaolo Group has for some time had an Energy Manager and a Mobility Manager, and has launched a monitoring process for its own environmental and energy impacts. Specific objectives were published in the SEAP (Sustainable Energy Action Plan).

## PERFORMANCE INDICATORS AND OBJECTIVES ACHIEVED

Indicator	2014 results	2016 objectives*
Reduction in electricity consumption in Italy compared to 2012	15% reduction in electricity consumption	17% reduction in electricity consumption
Purchase of paper in Italy	Environment-friendly or recycled paper accounts for 93% of purchases	Environment-friendly or recycled paper to account for 98% of purchases
Reduction in potentially generated "indirect emissions" in Italy - Scope 2	Potentially generated indirect emissions (Scope 2) reduced by 13%	Reduction in potentially generated "indirect emissions" (Scope 2) by 13% (aligned to reduction in electricity consumption)
Extension of "other indirect emissions" reporting (Scope 3)	Scope 3 reporting includes emissions relating to waste and office equipment	Progressive widening of boundary and improvement in reporting
Environmental certifications	UNI EN ISO 14001, UNI CEI EN ISO 50001 e UNI EN ISO 14064 already carried out for several years on a significant sample of sites	Maintain environmental certifications on a significant sample of sites, adopting all the required updates in regulations
Environmental loans: Loans granted in 2014 to finance the renewable energies, agriculture and environmental protection sectors	643 million euro: more than 2.3% of the total loans granted by the Intesa Sanpaolo Group.	Continue to support the renewable energy and energy efficiency sector through dedicated loans

\* The SEAP (multi-year Sustainable Energy Action Plan) was prepared for the period 2012-2016.

# Adoption of international standards and commitments



## Global Compact [i]

A UN initiative that aims to promote corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, environmental protection and the fight against corruption.



## Equator Principles [i]

Guidelines for social and environmental risk assessment and management in project financing, based on criteria recommended by the International Finance Corporation, a World Bank organisation.



## UNEP Finance Initiative [i]

The UN Environmental Programme that promotes dialogue among financial institutions on economic performance, environmental protection and sustainable development.



## Global Reporting Initiative [i]

Intesa Sanpaolo is accredited as a GRI Organisational Stakeholder and supports its mission for the development of guidelines on sustainability which are globally recognised through a multi-stakeholder process.



## CDP [i]

An independent non-profit organisation that holds and manages the most extensive database worldwide of information on climate change in the corporate sector. Membership of the Carbon Disclosure Project requires commitment to making public the emissions of greenhouse gases and corporate strategies implemented to manage the issues regarding climate change.



## London Benchmarking Group [i]

An international recognised reporting standard on the investments in the community by businesses.

# Global compact: the 10 principles of the United Nations

Intesa Sanpaolo participates in the Global Compact Advanced Programme and reports on actions taken in compliance with its commitments in the “Advanced Level” disclosure available on the Global Compact website

	The 10 Principles	Performance Indicators
<b>Human Rights</b> [i] [i]	1. Promote and respect the protection of internationally proclaimed human rights within their spheres of influence	Human Rights: G4-HR2 (Investment), G4-HR8 (Indigenous Rights), G4-HR9 (Assessment), G4-HR12 (Human Rights Grievance Mechanisms) Social: G4-SO1, G4-SO2 (Local Communities)
	2. Ensure that they are not complicit, albeit indirectly, in human rights abuse	Human Rights: G4-HR1 (Investment)
<b>Job protection</b> [i] [i]	3. Uphold the freedom of association and the effective recognition of the right to collective bargaining	Organisational profile: G4-11 (Employees covered by collective bargaining agreements) Human Rights: G4-HR4 (Freedom of Association and Collective Bargaining) Labour: G4-LA4 (Labour/Management Relations)
	4. Eliminate all forms of forced or compulsory labour	Human Rights: G4-HR6 (Forced or Compulsory Labour)
	5. Ensure the effective abolition of child labour	Human Rights: G4-HR5 (Child Labour)
	6. Eliminate all forms of discrimination in employment and occupation	Organisational profile: G4-10 (Employees by type) Economic: G4-EC5, G4-EC6 (Market Presence) Labour practices and decent work: G4-LA1, G4-LA3 (Employment); G4-LA9, G4-LA11 (Training and Education); G4-LA12 (Diversity and Equal Opportunities); G4-LA13 (Equal Remuneration for Women and Men) Human Rights: G4-HR3 (Non-discrimination)
<b>Environmental</b> [i] [i]	7. Support a precautionary approach to environmental challenges	Economic: G4-EC2 (Economic Performance) Environmental: G4-EN1 (Materials); G4-EN3 (Energy) G4-EN8 (Water); G4-EN15, G4-EN16, G4-EN17, G4-EN21 (Emissions); G4-EN27 (Products and Services) G4-EN31 (Overall)
	8. Undertake initiatives to promote greater environmental responsibility	Environmental: G4-EN1, G4-EN2 (Materials); G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7 (Energy); G4-EN8 (Water); G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN21 (Emissions); G4-EN23 (Effluents and Waste); G4-EN27 (Products and Services); G4-EN29 (Compliance); G4-EN30 (Transport); G4-EN31 (Overall); G4-EN34 (Environmental Grievance Mechanisms)
	9. Encourage the development and diffusion of environmentally friendly technologies	Environmental: G4-EN6, G4-EN7 (Energy); G4-EN19 (Emissions); G4-EN27 (Products and Services); G4-EN31 (Overall)
<b>Corruption</b> [i] [i]	10. Promote initiatives to work against corruption in all its forms, including extortion and bribery	Ethics and Integrity: G4-56, G4-57, G4-58 Society: G4-SO3, G4-SO4, G4-SO5 (Anti-corruption); G4-SO6 (Public Policy)

## PROMOTING HUMAN RIGHTS

Intesa Sanpaolo supports Human Rights at local and international level through targeted initiatives in areas particularly in need and through action in support of communities in its areas of operation.

In countries where the Group has international subsidiaries, numerous actions have continued and been developed in partnership with foundations, NGOs, UN agencies, municipal authorities and cooperatives, which in certain cases have seen the direct involvement of Group employees as voluntary workers.

On **the issue of personal safety**, in Croatia Privredna Banka Zagreb has continued to finance anti-personnel mine removal in 2014, concentrated in the regions of Sisak and Moslavina.

As regards **the right to a lifestyle guaranteeing personal health and well-being**, in Egypt Alexbank supported the "Water for Life" projects in partnership with UNICEF, which provided drinking water to numerous homes in the village of Bani Korra in the Asyut Governorate, "Building a better future" through which several poor families in Minya, Upper Egypt, have had access to improved housing, and the "School Feeding Programme" in partnership with the World Food Programme, which involved numerous elementary schools in Upper Egypt in the fight against hunger, stimulating schools' participation and increasing the awareness of teachers and children of health, hygiene and nutrition. Again with regard to food, Intesa Sanpaolo Bank Albania helped to distribute food parcels to people in need on World Hunger Day. In Hungary, for the fourth consecutive year CIB Bank supported the national food collection for families in difficulty, with the active participation of its employees.

The Group contributed to implementing **labour rights** through the continuing support guaranteed by VUB Banka to protected workshops in Slovakia whose operations involve the access to the job market by disabled people. The subsidiary fulfilled significant orders for advertising material, graphics services and catering from these cooperatives. Banca Intesa Beograd in Serbia acted in favour of marginalised social groups to which it made the bank's premises available for the sale of street newspapers, also inviting its employees to buy them.

On the **issue of social security rights**, the Albanian subsidiary guaranteed support to a centre for socially vulnerable people where socio-psychological services, physiotherapy and nutritional support are provided. Intesa Sanpaolo Bank Romania supported one of the best medical centres in Central and Eastern Europe for the care of advanced cancer patients and children with congenital malformations. Alexbank in Egypt supported various actions in favour of street children: the participation of the Egyptian football team in the Street Child World Cup in Brazil, which aimed to create new protection and care possibilities for abandoned children and the organisation of an educational summer camp focused on developing talent and personal interests.

With regard to **the right to education**, the Serbian subsidiary supported the educational path of children with no parental support and personal enhancement programmes.

There was a special focus on the issue of **disabilities**, with action in favour of autistic children in Serbia (awareness-raising initiatives also via the Internet, and education and recreational activities dedicated to children) and in Romania; disabled children (animal-assisted therapy) and seriously ill children (recreational camps at different times of year in environments renovated and modernised by the bank's employees) in Hungary; visually impaired or blind people in Albania (the development of software to facilitate PC-aided reading) and in Bosnia (education, care and rehabilitation).

## Awards and inclusion in indices

Intesa Sanpaolo is present in some of the major sustainability indices, where the selection of securities is based not only on financial performance but also on conduct marked by corporate social and environmental responsibility. The analysis carried out for admission to these indices therefore relates to environmental, social, governance and business ethics issues (ESG analysis - Environment, Social, Governance).

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In Collaboration with RobecoSAM

### DJSI World and DJSI Europe [i].

Selection is dependent on an annual assessment carried out by Robeco SAM, with a best-in-class criterion based on three aspects: economic and governance, social and environmental.



### FTSE4Good Global and FTSE4Good Europe [i].

The analysis conducted uses only publicly available information on the three ESG areas, with assessment in 14 sectors and the use of approximately 350 indicators.



### "The A list: The CDP Climate Performance Leadership Index 2014" [i].

Includes 187 listed companies selected for their advanced approach to climate change mitigation.



### Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120 [i].

Inclusion is based on an assessment conducted on the three ESG areas and also includes analysis of any disputes.



### Ethibel Excellence Investment Register (Ethibel Excellence Index Global e Europe) [i].

The assessment is conducted by Vigeo on the three ESG areas and also includes analysis of any disputes.



### UN Global Compact 100 stock index [i].

Covers the 100 businesses that have adopted the UN Global Compact's ten principles and are distinguished at global level for their attention to sustainability issues and for their financial performance.



**Standard Ethics Italian Banks [i]**, with assessment based solely on corporate governance.  
**Standard Ethics Italian [i]** on corporate social responsibility and corporate governance



**MSCI Global Sustainability [i]**, with assessment based on the three ESG areas  
**MSCI Low Carbon [i]**, for which carbon emissions are assessed.



### ECPI Indices [i].

The assessment is based on an analysis of public information on the three ESG areas and also assesses risks and any disputes.

In 2014 Intesa Sanpaolo gained numerous awards. For its environmental initiatives, the Bank was included among the top twenty "green" banks in Bloomberg's "World's Greenest Banks" classification, and among the top hundred companies worldwide in Newsweek's "World's Greenest Companies 2014".

From Osservatorio HR Innovation Practice the Bank received the best company award for the innovation of human resource management and development processes for the Training Department's Capusability project, designed to increase company training effectiveness. On the issue of inclusion, an important recognition came from the "Diversity & Inclusion Award Diversitalavoro".

"INNOV@RETAIL", the award for innovation of customer data management services, promoted by Accenture and Il Sole 24 Ore, was granted for the ABC analytics project, a new system of indicators made available to managers to improve their customer-related activities.