

Natural capital



Natural capital includes environmental resources and ecosystems services, on which the company, its wellbeing, the development of society and all economic activities are based, and on which the protection and sustainability of future generations depend.

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RESOURCES	ACTIONS AND RESULTS	IMPACT ON STAKEHOLDERS
Electricity consumption: 445,754 MWh Paper consumption: 7,493 t Production of renewable energy: 1,067 MWh	A 735,000 euro reduction in energy costs for the production of electricity and heat	Potential CO ₂ emissions reduced by 15,000 tonnes thanks to lower energy consumption
	A 2,965,000 euro reduction in paper costs thanks to digitalisation	Potential CO ₂ emissions reduced by 360 tonnes thanks to lower paper consumption
	A decrease of over 181,000 euro in energy costs thanks to the production of renewable energy	Potential CO ₂ emissions reduced by 342 tonnes thanks to the production of renewable energy

Table summarising Group environmental data

	Unit of measurement	2016	2015	2014
Environmental loans	m	1,730	1,495	643
Electricity	MWh	445,754	467,845	469,131
Heat energy	MWh	195,756	219,714	229,731
Paper	t	7,493	7,992	8,093
Waste	t	3,456	3,534	3,245
Water	m ³	2,359,444	2,381,310	2,140,026

CLIMATE CHANGE: MANAGEMENT OF POTENTIAL ENVIRONMENTAL RISKS AND IMPACT

Intesa Sanpaolo is aware that climate change is a challenge the Group must take up. Environmental responsibility – namely the commitment to offset climate change – is set out in the Code of Ethics and Rules on Environmental and Energy Policies, which identify the Group's responsibilities; these include the careful evaluation of the consequences of its activities on ecosystems and reducing its ecological footprint. In this framework, Intesa Sanpaolo considers the management of environmental risk and the mitigation of relative impact an integral part of its business strategy. Analysing and understanding risks and opportunities, environmental impact and relative interdependence are fundamentally important for defining concrete environmental action plans.

In particular, the Group systematically monitors risks and opportunities related to climate change, also considering developments in the international context. After the historical Paris Agreement in 2015, when all countries joined forces for the first time ever to tackle global warming, a UN Climate Change Conference was held in Marrakesh in 2016, to define the relative implementation plan. The agreement also has implications for Intesa Sanpaolo and its customers and business partners. The climate change conference outlined a vision for the next decades: to accelerate the process of transition towards a low-emission economy and focus on the growing role of renewable energies and green technologies, with an increasingly marginal

role of fossil fuels. Intesa Sanpaolo is a financial player in this scenario, funding its own contribution towards this transition.

Besides reducing greenhouse gas emissions (mitigation), the Bank's strategy includes actions to adapt to climate change underway or that has already taken place. In recent years, extreme atmospheric events have taken place at a global level, that have had considerable impact on the Bank's structures and on the activities and daily lives of our corporate and retail customers.

One such example is the flooding of the Po river and Sangone river in 2016 in Italy, with the flooding of offices at Moncalieri. Prevention measures made it possible to avoid damage to the Data Centre and guarantee customers service continuity throughout the emergency. Intesa Sanpaolo also supports families and economic operators damaged by adverse weather and climate emergencies, granting specific loans with special terms (for more than 2.9 million euro) and suspending repayments on existing loans.

For the loan disbursement process, environmental risk monitoring is ensured by an evaluation based on Equator principles and review (ongoing) of the internal credit rating process (see the section Financial capital page 50).

In 2016, a questionnaire on suppliers' social and environmental responsibility was included in the "New Suppliers' Portal" (see the section "Social and relational capital", page 77).

The following table shows the main risks, impact and actions on climate change (for complete mapping, see the Intesa Sanpaolo “Carbon Disclosure Project” questionnaire [i]).

Potential risks	Potential impact	Actions
Changes in environmental laws	Possible sanctions in the event of non-compliance with new regulations	Ongoing, preventive monitoring of possible changes to national and European laws
Uncertainty surrounding environmental regulations	Negative impact on the possibility of implementing new products and services	Active collaboration with policy makers to highlight the need for stable and clear regulations and to be kept up-to-date on ongoing changes
Changes in environmental regulations and standards which the Group complies with on a voluntary basis (ISO)	Costs for aligning certification process procedures if standards and regulations change	Ongoing, preventive monitoring of possible changes to standards and participation in training courses and specific workshops
Regulations and incentives on renewable energy	Negative impact on the loans of customers that want to invest in renewable energies, due to uncertainty in Italy and a considerable reduction in public incentives	Advisory services for customers on new regulations and incentives for energy efficiency sectors
Extreme atmospheric events	Possible damage to Bank infrastructure, an increase in costs related to the change in average temperature and possible interruptions to banking activities. Financial implications related to the default risk of businesses seriously damaged by extreme atmospheric events	Adoption of a business continuity plan and actions to prevent damage to Bank structures Suspension of the repayments of loans and allocation of specific funding at special conditions for customers sustaining damages
Reputational risk: involvement with corporate customers or projects that are perceived negatively by the general public, by specialist NGOs, investors, the media and other stakeholders, due to their impact on climate change	Reputational damage or crises	Implementation of Equator Principles in the finance project, with particular reference to environmental risk assessment Engagement with investors, analysts and NGOs Participation in working groups and initiatives related to the climate (UNEP FI, Italian Ministry of the Environment, the Global Compact Environment Work Group)

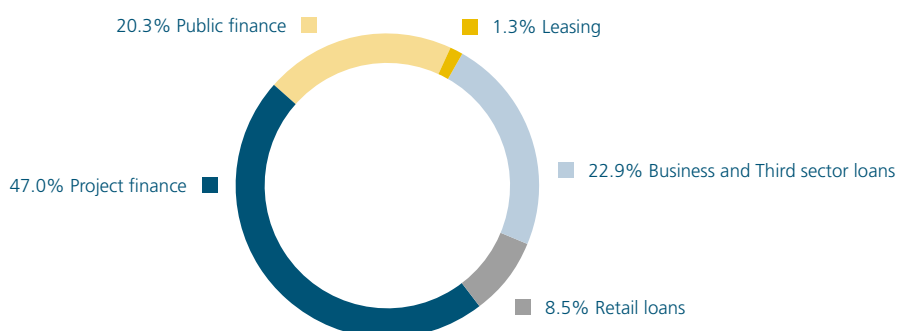
LOANS AND SERVICES FOR THE GREEN ECONOMY

The Intesa Sanpaolo group offers a wide range of environmentally-friendly products and services with a 100% focus on quality and innovation that also improve sustainability. In 2016, activities continued to support and finance renewable energies, energy saving and environmental protection, with measures for all public and private customer segments: retail

customers, SMEs, large companies, the public administration, start-ups, third sector and major projects in Italy and abroad.

In 2016, 3.1% of all group loans concerned investments in the green sector for a total of 1.7 Billion euro, up by approximately 15% compared to 2015.

Environmental loans [%]



RETAIL CUSTOMERS

In 2016, the Bank continued to disburse retail customer loans for environmental purposes. These loans were for, among others, the replacement of door and window fixtures and high-performance boilers, the energy-efficiency renovation of property, the purchase of ecological equipment and installation of solar and photovoltaic panels. With its loan for "prefabricated timber-frame houses", the bank also responded to the needs of customers who are more aware of environmental issues, allocating resources to the purchase of these types of houses that meet certain safety and construction standards.

"Viaggia con me" (Travel with me) is an important product range for customers to reduce insurance costs as well as environmental impact. In 2016, the range was extended to include a distance formula, offering customers considerable discounts on travelled distances of up to 3,500 Km; this allows customers to save and encourages them to be more careful about vehicle use.

CORPORATE CUSTOMERS

Short and medium/long term business loans supporting projects for photovoltaic panels, biomass plants, hydropower plants and energy efficiency measures continued in 2016.

7,800 "Business - Trade protection" and "Business - Agriculture Protection" policies were stipulated in 2016, which provide optional coverage for potential damage caused by wind or rain. At an international level, Banca Intesa Beograd offered its "Agroprotect" product to

fund business development projects for different types of crops, which includes an insurance policy covering crop damage caused by hail, fire and rain.

In 2016, 23 start-ups in the cleantech sector, of which 11 with investor meetings, took place as part of the "Start-up Initiative" project (see the section "Intellectual and infrastructure capital", page 110). Moreover, the first "Circular Economy Start up Initiative" event was held in London, involving 60 investors and 8 international start-ups. The "Tech Marketplace" platform also has a considerable number of green companies among its users, with over 1,400 companies in the "Environmental Technology", "Energy" and "Smart Cities" sectors.

In Italy, Mediocredito Italiano made an important contribution with its "tailor-made" financial solutions for businesses and the public administration investing in renewable energy plants or in energy efficiency processes developed by energy intensive or energy service companies. These loans, overseen by the Energy Desk, are preceded by project appraisals that provide advice for customers and also support the Bank's credit rating process.

The Leasenergy product continued its downturn (10 new contracts worth 22.4 million), in line with trends in the energy lease sector in Italy. Approximately 1,600 lease agreements are in place, contributing to the construction of power plants for the production of over 2 Gigawatts of energy from renewable sources. New lease agreements in 2016 will result in an estimated annual emission saving of approximately 13,300 tonnes of CO₂.

Through its “Circular Economy” project, the Intesa Sanpaolo Group is seizing strategic opportunities to become an innovative and exclusive financial leader for the circular economy, redefining traditional financial tools to support transition to a new model for economic development, which is sustainable over time. As a Global Partner of the Ellen MacArthur Foundation, Intesa Sanpaolo promotes the best experience of leading international companies with Italian SMEs, creating synergies and shared value. During 2016, numerous initiatives took place and significant partnerships were forged. Firstly, a tool to evaluate the circular nature of businesses, with a specific questionnaire for production, service and distribution companies, was tested on an initial group of 13 companies. Opportunities were analysed with some 30 national and international companies active in the circular economy, to evaluate the characteristics of new business models and possibilities for partnership with the Intesa Sanpaolo Group in this sector.

THIRD SECTOR

Banca Prossima continues to support Third sector companies that want to invest in energy efficient projects with solutions to save on energy costs and increase the overall sustainability of social activities. In 2016, approximately 1.2 million euro of funds was earmarked for projects through an operating agreement with Federesco (the National Federation of Energy Service Companies) and Banca Prossima won the “Green Globe Banking Award” in the “indirect impact” category. Initiatives resulted in savings of around 3,215 MWh in 2016, corresponding to reduced emissions of approximately 1,045 tonnes of CO₂, of which 2,525 MWh alone for the project launched with Sermig of Turin.

Biodiversity is the central theme of the partnership agreement signed in December 2016 by Federparchi, Fondazione FITS! (Foundation for Third Sector Innovation of Banca Prossima) and Rinnovabili.it, for development of the “Parchi a Impatto Zero” (Zero Impact Parks) Project, supporting initiatives for land/area conservation, development and stewardship. The agreement facilitates environmental and social sustainability projects in all development and financial stages, and will be activated during 2017.

DIRECT INVESTMENTS

Investees already involved in environmental issues and challenges include Equiter, in which Intesa Sanpaolo has a 38.3% share alongside Compagnia di San Paolo and Fondazione CRT. Besides committing its own risk capital to the environment, infrastructure and energy sectors in order to promote the social/economic development of local areas, Equiter provides advisory services for third-party funds.

In particular, with funding of approximately 190 million euro, Equiter is the first operator in Italy for the amount of assets managed in the JESSICA (Joint European Support for Sustainable Investment in City Areas) programme. JESSICA is an initiative of the European Commission developed in cooperation with the European Investment Bank (EIB) which enables Regions to use structural funds for sustainable urban development, including projects for energy efficiency and the production of energy from renewable sources, through financial engineering mechanisms such as Urban Development Funds. These funds invest by acquiring shareholdings or granting loans in profitable projects, that can generate sufficient cash flows to guarantee repayment and a return on invested capital. In Italy, the JESSICA programme has been implemented by the regions of Sicily, Campania and Sardinia, and during 2016 Equiter completed its investment in resources managed by the three regions, with funding for 41 projects, of which 29 for energy efficiency in Sardinia (for a value of 37 million euro) and 12 on urban development in Sicily (90 million euro) and Campania (63 million euro). Equiter is advisor, and also a direct investor with a 26.8% stake, of the first closed fund in Italy wholly dedicated to infrastructure in public/private partnerships. This fund (PPP Italia Fund), with 120 million euro, has invested in the development of 10 projects in the green sector for an annual production of approximately 130 GWh of electricity from renewable sources, which is equivalent to over 42,000 tonnes of avoided CO₂ emissions.

As regards direct investments, Equiter is the sole shareholder of Equiter Energia, an investment vehicle boasting a portfolio of photovoltaic and wind energy plants with a total capacity of 13 MWh and an annual production of around 28.5 GWh.

A GREEN CULTURE AND INITIATIVES

Intesa Sanpaolo's environmental and energy policy objectives include promoting sustainability among partners and customers.

TRAINING

The "Ambientiamo" platform encourages virtuous behaviour to adopt in the home and at work. In 2016, an interactive course was adopted for the correct management of waste and materials used daily by staff. The Bank also provides specific training for personnel working at operating units and central departments where the Environmental and Energy Management System is adopted. This training focuses on the requirements of applicable international standards, the System's objectives and procedures adopted to comply with requirements, and involved around 250 staff in 2016. Following the start of new maintenance and personal service agreements, specific awareness sessions on environmental issues were held, with representatives from 34 companies operating throughout Italy taking part. CIB Bank (Hungary) made a considerable contribution, implementing the new Energy Management System and training over 2,200 staff in energy efficiency and energy saving issues.

As regards funding, initiatives were dedicated to the culture of innovation in the circular economy. Various meetings were also organised between Italian and international staff on agribusiness issues, with a focus on safeguarding biodiversity.

MEETINGS AND ROAD SHOWS

Engagement centering on the green economy continued in 2016, with meetings and road shows being held.

The "Tavolo Verde" interfunctional work team discussed new frontiers in sustainable logistics and sector opportunities, thanks to the partnership with SRM - Studi e Ricerche per il Mezzogiorno (the Research Centre for Southern Italy connected with the Intesa Sanpaolo Group) and SOSLog, a nationwide association that promotes sustainability in logistics targeting challenges and innovative solutions. Sustainable logistics were also the focus of the "Premio Rassegna Economica" (Economic Review Award) held by SRM and won by a young researcher from Urbino University, who submitted a study on RO-RO ferries that can reduce CO₂ emissions and the risk of accidents. SRM also oversees

an Observatory on the Maritime Economy, with the aim of providing updated figures and statistics on the most important economic and financial indicators of the maritime economy, in commercial terms and as regards alternative fuels and LNG and LPg transport (considered the sectors of the future).

On the issue of renewable energies and energy efficiency, Intesa Sanpaolo supported the Municipality of Turin, SITI-Politecnico di Torino and the Al Engineering Group during the road show in the United Arab Emirates, presenting the three-year "Renewable Energies for Palestine" project on the development of a study and pilot site at Hebron for the energy efficiency of residential buildings and storage of energy from renewable sources.

The Group made considerable contributions to panels on sustainable finance. The Bank took an active part in the panel promoted by the Ministry for the Environment, Land and Sea and by UNEP - Finance Initiative, in association with the Bank of Italy and the Ministry for the Economy and Finance, to produce the first "Italian Engagement on Sustainable Finance" report. The Group also made an important contribution to the technical panel "Sustainable finance and climate change" promoted by the Forum for Sustainable Finance together with the Italian Banking Association, ABI and Italy's National Association of Insurance Companies, ANIA. The aim of this technical panel was to increase the Italian financial community's awareness of the risks and opportunities related to climate change, facilitating integration with investment policies and with product innovation processes of banks, fund managers and insurance companies.

The Bank was also involved in numerous institutional panels on the circular economy with companies, public and private organisations, multilateral agencies and universities taking part. Initiatives included the conference on the "Circular Economy in the Fashion Industry" in association with IEF Bocconi and the conference "Innovation and Competitiveness: the Italian approach to the Circular Economy" in association with ENEA, ENEL, Costa Crociere and Barilla, as well as involvement in the first master's course in Italy on the bio/circular economy in association with Novamont and four leading Italian universities (Turin, Milan Bicocca, Bologna and Naples Federico II) in order to promote this new paradigm and the talent generation.

“THINK GREEN” TRAINING COURSE

With the signing of the cooperation agreement between Intesa Sanpaolo and the Ministry for Agricultural, Food and Forestry Policies to support agriculture and the food and agriculture industries, the Intesa Sanpaolo Group's non-profit training centre, Intesa Sanpaolo Formazione, held the training course “Think Green” on guidance and benchmarking opportunities for all entrepreneurs in the food and agriculture industries that want to innovate and develop their businesses.

The course lasts for two or four days and aims to facilitate the digitalisation and internationalisation of Italian production chains, and further knowledge of investments in research, experiments, technological innovation and product promotion.

In 2016, around 140 farmers took part, discussing, among others, EU Agricultural Planning, biodiversity, the short supply chain and new tools for market sales.

STUDIES

In 2016, the company continues its focus on environmental studies and research.

Some of the most important publications of the Intesa Sanpaolo Group are listed below:

- “Local Public Transport: state of the art and prospects”: this report provides an overview of a crucial sector for the economic and social development of every local area, with considerable impact in terms of environmental protection, reducing pollution, sustainability and in general the quality of life;
- “Waste management policies in the Circular Economy”: this publication takes a look at waste management and its dynamics, in view of policies and strategies encouraging transition to the circular economy;
- Innovation “Trend Report”: this report is based on the in-depth analysis of data and information obtained from hundreds of national and international sources. It looks at main mega trends, including “sustainability”, to understand what these trends are, the impact they have on consumers and how companies interpret them;
- “Fishing industry report”, which shows how the sector is increasingly trending towards models that protect sustainable fishing and international regulations to protect fish resources.

Intesa Sanpaolo has also been involved in the following, with other partners:

- “Observatory on the Metropolitan City of Milan”: on the theme of metropolitan cities, in association with Miword, Makno and Milan Polytechnic, presenting a study on prospects for development in the Milan area. Research has shown how predicted growth will give rise to the adoption of a sustainable development model, that can have a positive impact on the quality of life of the entire community, with solutions that can mitigate problems such as unemployment, economic, social and gender-related inequality and environmental degradation;
- “Renewables Energy”, “Intelligent Mobility” and “Sustainability Fashion Trend”: three studies on innovation in the renewable energies, vehicle and eco-fashion sectors, in association with Frost & Sullivan and FashionBI.

The Group was also involved in preparing numerous research reports of international partners. The most important include: the “Energy Efficiency Report”, published by the Energy & Strategy Group of the School of Management of Milan Polytechnic and the analytical study on “Italian Metropolitan Cities” promoted by the National Association of Italian Municipalities (ANCI) and developed by The European House-Ambrosetti.

GREEN EVENTS

To raise customers' and staff's awareness of green issues, the Group is involved in various initiatives to further disseminate a culture of sustainability and good practices. Main international events, taking place in Italy and abroad, include the “World Environment Day” promoted by UNEP (United Nations Environment Programme), the “European Week for Waste Reduction” and “European Week for Sustainable Mobility” promoted by the European Commission. In Italy, the Group takes part in the Energy Saving Day, which is part of the “M'illumino di meno” initiative, while some international banks are involved in the “Earth Hour” promoted by WWF.

ENVIRONMENTAL ASPECTS

REDUCING ATMOSPHERIC EMISSIONS

Mitigating CO₂ emissions has always played an important part in the company's strategies. In this framework, Intesa Sanpaolo pursues the goal of reducing waste and gradually and continually improving waste management, as well as researching plant engineering solutions with a greater efficiency.

As regards electricity and heating use and in line with company commitments, the Group's CO₂ equivalent emissions in 2016 went down by 10.5%: this decrease is significant and was partly affected by a favourable climate during some winter months, particularly in Italy. Updates to transformation factors also had an impact, which helped reduce CO₂ equivalent emissions by 2.7%, resulting in an overall decrease of around 13% compared to 2015.

Greenhouse gas emissions are conventionally indicated as CO₂ equivalent, in order to consider the contribution of main gases directly responsible for the greenhouse effect, as defined in the Kyoto protocol and include methane (CH₄), nitrous oxide (N₂O) and obviously carbon dioxide (CO₂); all of these gases are appropriately referred to the CO₂ equivalent, using a specific (Global Warming Potential) value. Separate reporting is also provided for some gases that are most harmful to the ozone layer, including sulphur dioxide (SO₂) and nitrogen oxides (NO_x).

CO₂ equivalent emissions are reported, in line with the GHG (Greenhouse Gas Protocol) standard, as: direct emissions (Scope1), arising from the direct use of fuels (heating and the company fleet of vehicles); indirect emissions (Scope2) from energy transformation purchased used in the company (centralised air

conditioning and electricity); other types of indirect emissions generated externally (Scope3), as a result of activities related to the company but not directly controlled (personal mobility, paper, waste, etc.).

Scope1 and Scope2 CO₂ equivalent emissions generated in 2016 decreased by 8.4% and 10.9% respectively compared to 2015.

For purchased electricity, Scope2 data consider the contribution, as of contracts, of Certificates of the Guarantee of Origin from renewable sources (market based) and thus with zero emissions. The same Scope2 emissions, without certificates and calculating national (location based) transformation factors, would account for a reduction of 9.2%, equal to over 15,000 tonnes of CO₂ equivalent.

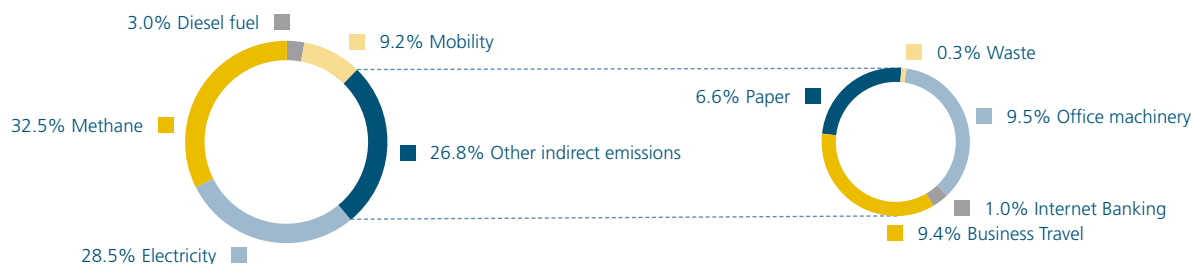
The Bank has been awarded UNI EN ISO 14064 certification for greenhouse gas emissions at over 200 sites (the same scope as its Environment and Energy Management System), quantifying and reporting on an annual basis its emissions from the production and use of thermal energy, use of electricity, conditioning systems, use of paper and fuels used by company vehicles; in 2016, negligible emissions of ozone damaging substances were recorded.

With a view to continual improvement, reporting was extended to other indirect emissions referable to Scope3 and evaluation methods were improved in 2016. In particular, the international sector was also analysed for indirect emissions from customers' use of internet banking, while the reliability and precision of evaluations was improved for other aspects. Results are affected by the disposal of office machinery and purchase of new equipment.

Table summarising environmental emissions verified by an independent party

Totals in tCO ₂ e	2016	2015	2014
Scope1	40,226	43,930	45,277
Scope2 (market based)	35,857	40,225	46,207
Scope2 (location based)	150,426	165,726	185,963
Scope3 (annual figures not comparable due to the reporting scope being extended)	27,868	27,297	25,365
CO ₂ e performance indicators (Scope1 and 2)	2016	2015	2014
tCO ₂ e per million euro of net operating income	4.494	4.907	5.414
tCO ₂ e per m ²	0.021	0.023	0.025
tCO ₂ e per full-time employees	0.825	0.923	0.997

Breakdown as a percentage of CO₂e emissions



ENERGY

Use of renewable sources

In 2016, 80% of the electricity used by the Intesa Sanpaolo Group, which is committed to gradually reducing its dependence on fossil fuels, came from renewable sources. In Italy, 97% of the electricity used has a guarantee of origin from renewable sources. On an international level, Intesa Sanpaolo Bank (Slovenia) confirmed it was buying all its electricity in 2016 from a renewable source of hydropower. Intesa Sanpaolo Bank Albania used only renewable electricity from the national grid. Intesa Sanpaolo Bank Romania, Privredna Banka Zagreb and VÚB Banka use renewable sources that account for at least 15% of all energy sources used.

As for the Group's own production of electricity from photovoltaics, the plant at the New Headquarters in

Turin helped to generate more than 1,000 MWh, a figure up by around 2% compared to 2015. Sixteen plants are currently operating, four, large-sized plants (> 100 kWp) and twelve small/medium-sized facilities.

In Italy, with state incentives for feed-in tariffs, and savings from phasing out energy purchases, the economic return on the photovoltaic plants at Moncalieri, Settimo Torinese and Sarameola di Rubano amounted to around 298,000 euro in the last 12 months.

The Group also has a cogeneration plant at the Parma accounting centre which provides thermal energy for the site and meets around 3% of the Group's electricity requirements in Italy, with savings of around 735,000 euro. In compliance with Legislative Decree No. 28/11, the energy produced in Italy by heat pump conditioning systems was considered as renewable. This meant that the contribution in terms of avoided CO₂ emissions was around 2,000 tonnes.

ENVIRONMENTAL CERTIFICATION

2016 was an important year for certification in Italy and abroad.

The Environmental and Energy Management System is a voluntary scheme, enabling the Intesa Sanpaolo Group in Italy to adopt a method to monitor environmental aspects and energy use which are considered significant, such as waste management, the use of resources and operation of technological plants.

This has led to a number of internal procedures and operating practices that make it possible to manage the direct and indirect impact of banking activities, with a view to continual improvement. The System, certified to UNI EN ISO 14001 and UNI CEI EN ISO 50001, is adopted for over 200 operating sites that represent a best practice nationwide. The scope of certification has been gradually and continually extended and in 2016 included a Representative Office of all Group Banks as well as the New Headquarters in Turin, as the system coordination site: the headquarters feature the latest technological and engineering solutions and the building is one of the most eco-sustainable skyscrapers worldwide as reflected by LEED (Leadership in Energy and Environmental Design) Platinum international certification. During 2016, Intesa Sanpaolo started activities to align its own Environmental Management System with requirements of the new ISO 14001 standard, ahead of deadlines. Systems are audited by an independent body, DNV, which certifies the efficiency of procedures and operating practices adopted, conducting audits at head office and at a suitable number of operating sites.

In view of Hungary's legal requirements on Energy Diagnosis and the need to deal with ever increasing energy costs, CIB Bank (Hungary) also decided to certify its own sites and services to UNI CEI EN ISO 50001 in 2016. The challenging and extensive process resulted in internal regulations for data management being drawn up. Considerable effort went into training bank personnel and identifying analysis and indicator metrics. The results have been more than satisfactory and the certification body, SCS, only reported a few minor criticalities and some areas for improvement, relating above all to increasing awareness among staff and taking action based on energy efficiency logics.

Energy efficiency

At a Group level, activities continued in 2016 to reduce electricity and thermal energy use, in line with the "2013-2016 Environmental Sustainability Action Plan". Energy consumption fell by 6.7% in 2016 compared to 2015, with an estimated economic return of over 800,000 euro. This important target was achieved through management optimisation and energy efficiency actions in Italy and abroad, including a greater distribution of web-based metering systems, the replacement of boilers with condensation systems, high-performance heat pumps and refrigerating units, the modernisation of electrical systems and introduction of LED lighting.

Electricity consumption, which accounts for around 70% of all Group consumption, went down by 4.7% overall compared to 2015.

2016 figures confirmed the long-term reduction trend: from 2010 to 2016, electricity consumption went down by 28%, reinforcing the Group's commitment to reducing its own environmental footprint and placing Intesa Sanpaolo among leaders in this sector.

Figures for heating use are based on bills and not on actual consumption for most offices and headquarters. Analysis shows an overall reduction in consumption of approximately 11%, due in part to mild temperatures. Actual heating is appropriately monitored at ISO 50001 certified branches, which have a Building Heating Check-up Procedure in place. This makes it possible to monitor actual meter readings and correctly manage the heating system based on the building's level of thermal insulation, which has generated overall savings of 21% over the last five years, equal to around 45,000 euro. Lastly, in line with the internal policy on sustainable branches, site renovation or the construction of new branches is based on energy efficiency and improved management criteria. Thanks to actions taken over the last few years, the Group has benefited from tax subsidies in Italy, with an economic return of around 5 million euro from 2014 to 2016, of which 1 million relative to 2016.

Some of the Group's initiatives are listed below:

Project	Description	Forecast annual savings
Measurement of electricity consumption (Italy) Investment: 454,000 euro	Around 227 dataloggers were installed. Managed via the web, they can activate programmes for switching lighting and air conditioning systems on and off	Energy Saving: 1,771,000 kWh Cost Saving: 357,162 euro CO ₂ Reduction: 575 t
Modernisation of conditioning systems (Italy) Investment: 3,490,000 euro	Activities continued to replace winter and summer conditioning systems	Energy Saving: 1,449,000 kWh Cost Saving: 271,994 euro CO ₂ Reduction: 471 t
Replacement of systems containing gases which are harmful to the environment (Italy) Investment: 5,135,000 euro	In accordance with regulatory requirements, 223 plants containing R22 gas were replaced with units containing R410A gas	Energy Saving: 633,700 kWh Cost Saving: 127,819 euro CO ₂ Reduction: 206 t
Replacing conventional lamps with energy saving LED lamps (Egypt, Croatia, Bosnia and Ukraine) Investment: 42,819 euro	Traditional lamps were replaced with new eco-friendly, energy saving LED lamps at various branches and head offices	Energy Saving: 193,657 kWh Cost Saving: 11,981 euro CO ₂ Reduction: 85 t
Streamlining UPS use (Hungary) Investment: 0 euro	UPS use at CIB Bank head offices in Petrezselyem and Dunaújváros was streamlined, achieving considerable energy savings	Energy Saving: 107,724 kWh Cost Saving: 13.915 euro CO ₂ Reduction: 30 t
Replacing conditioning systems (Croatia and Slovakia) Investment: 450,000 euro	Efficient conditioning systems were installed at the Privredna Banka Zagreb branches in Stradun and Split 3, and at the head offices of VÚB Banka	Energy Saving: 44,000 kWh Cost Saving: 7,000 euro CO ₂ Reduction: 9 t
Renovation based on energy efficiency criteria (Albania) Investment: 585,000 euro	The head office of Intesa Sanpaolo Bank Albania and Tirana branch were renovated adopting energy efficiency criteria	Energy Saving: 92,268 kWh Cost Saving: 11,194 euro CO ₂ Reduction: 0 t <small>(entirely renewable electricity from the national grid)</small>

MOBILITY

An agreement was signed in Italy on local and professional mobility to promote staff working in distant locations and with particular personal needs to move closer to their homes.

Besides preparing the "Home Work Commute Plan" on staff commuting, activities continued to monitor the shuttle service run in Italy, in Turin, Milan, Naples, Padova, Venice and Vicenza: in 2016, an estimated 370 tonnes of CO₂ were avoided, thanks to use of the service. In Turin, a study was conducted in association with Turin Polytechnic on Turin/Moncalieri mobility flows to evaluate how to improve staff commutes. At

an international level, the Bank of Alexandria runs a shuttle service connecting Cairo with Giza Governorate which – with potential users numbering 850 – has made it possible to avoid around 830 tonnes of CO₂.

To facilitate mobility in major urban centres, numerous agreements with local public transport companies were signed in Florence, Milan, Naples, Padova, Turin and Venice, and were extended to Bologna and Rome in 2016. Staff in these areas can purchase a public transport season ticket from the company website (Mobility Office) at special rates, and also pay in instalments if they want; contributions to the season ticket are also available for some areas, through the Intesa Sanpaolo

Workers' Association (ALI). Some agreements with local transport companies were also adopted for CIB Bank (Hungary) and Privredna Banka Zagreb (Croatia).

To promote car sharing, the special rates agreement between "Car2go" and the ALI continued, and a new agreement with the Turin "CarCityClub" was adopted, for car sharing throughout Italy with the "iO guida" service. On the international front, CIB Bank Hungary has a car pool system in place, with colleagues making bookings online, as well as Banca Intesa Beograd (Serbia), which provides both personal and company cars.

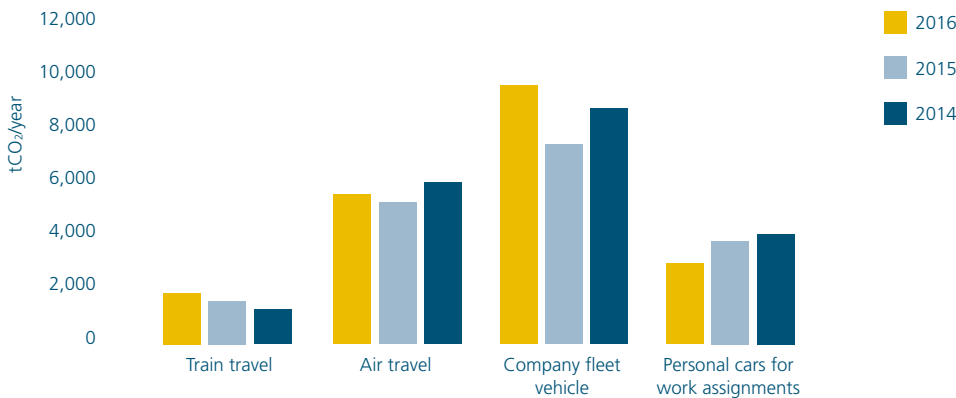
The national bike sharing agreement is continuing in Italy, through ALI, with "BICInCittà" and "BikeMi"; thanks to contributions provided, some 500 subscriptions have been taken out. The bike sharing service is active at four international banks (Intesa Sanpaolo Bank Romania, CIB Bank, Intesa Sanpaolo Bank in Slovenia and Intesa

Sanpaolo Bank Albania) using bicycles owned by the Bank. In Hungary and Croatia, where bicycle use is high, parking spaces and facilities (changing rooms and showers) are available to staff.

International banks have made considerable effort to modernise their vehicle fleets, with cars that have lower CO₂ emissions and fuel consumption. With the replacements made in 2016, an estimated 24 tonnes of CO₂ were avoided.

Lastly, a preliminary feasibility study was conducted for a road safety management system in compliance with ISO 39001 – Road Traffic Safety Management System. The study analysed activities carried out and possible developments to improve employee safety during commutes, business trips and the mobility of suppliers and customers visiting the Group's sites in Italy.

CO₂ emissions from company mobility [tCO₂/year]



THE GROUP'S GREEN PURCHASES

Paper

The Group continued its policy to use less paper, with consumption going down by around 500 tonnes (-6.2%) compared to 2015.

In 2016, the Group focussed on various digitalisation initiatives, including fewer print-outs, information leaflets displayed on screen, online reporting and the Zero Paper project for training events, as well as the digitalisation of contracts.

Thanks to this strategy, the reduction in paper

amounted to 2,700 tonnes in 2016, corresponding to 4,300 tonnes less of CO₂ emissions and savings of around 3 million euro.

Digitalisation at international banks achieved important results. The Danube Project, currently underway at Privredna Banka Zagreb, uses biometric signatures to eliminate paper and has saved on around 49 tonnes of paper.

Multi-channel projects in Italy and the "Digical" project for the Group's international banks were particularly significant (see the section "Intellectual and infrastructure capital", page 110).

DIGITALISATION OF CONTRACTS

In 2016, the project to digitalise contracts continued in Italy (see the section “Intellectual and infrastructure capital”, page 110) with an estimated saving of at least 815 tonnes of CO₂ as well as a saving from the use of electronic signatures of around 230 tonnes of CO₂.

The project started in 2011, with simple electronic signatures and the digitalisation of some categories of bank transactions. Since 2015, with developments in national laws and the publication of Technical Rules of the Digital Administration Code, it has been possible to expand the branch digitalisation process to cover more complex activities, such as signing contracts and investment transactions. Today, at all branches and Personal branches and at all retail branches, contracts and documents for a numerous services, such as opening current accounts, applying for payment cards, personal loans, signing asset management, fund transactions and insurance policies, are digitalised, in addition to teller transactions.

Since 6 June 2016, only electronic or remote digital signatures can be used at all personal and retail Group branches to sign contracts that have already been digitalised.

The new procedure to sign documents for the sale of banking, financial and insurance products and services lets customers display all commercial documents and estimates electronically on tablets and sign contracts electronically or by remote digital signature. Digitalised bank documents are filed electronically in digital document archives, while customer documents may be delivered by Internet Banking, email or, if requested, as hard copies.

Green products

In Italy, over 45 tonnes of green products were purchased in 2016. In particular, pens recycled by 92%, pencils recycled by 57% with NF environment certification, 100% recycled PVC wallets, recycled card folders with Blue Angel certification, recycled paper notebooks, 100% recycled hanging card folders were purchased, and self-inking stamps and CO₂ neutral date stamps were included in the catalogue in 2016.

Office machinery

The Bank has been involved for some time now in evaluating the environmental impact of its purchases and the responsible use of office machinery (desktops, computer monitors and stand alone units, notebooks, photocopiers and printers, in Italy and gradually throughout the entire Group. This evaluation considers not only all laws and applicable conformity requirements, but also specific environmental criteria, for an accurate, measurable assessment. In Italy, these types of purchases totalled 31,600 items in 2016.

WATER

Water is mainly used for hygiene purposes at the Intesa Sanpaolo Group, but in some limited cases is also used for “technological” purposes, for the production of cold air for air-conditioning. In 2016, the Group's use of water per capita went down by around 2% compared to 2015, to below the level of 26 cubic meters per staff member (figures are related to the payment of invoices and not to actual use in the period).

In Italy, the Intesa Sanpaolo Skyscraper is an example of efficient water management, winning the LEED Platinum award in 2015, thanks also to its excellent water management score. The skyscraper was given a maximum score (10 out of 10) thanks to: water saving and/or timer taps, dual flush WCs, dual supply for WCs with rain water, a high-efficiency spray irrigation system and rain water recovery, also for irrigation. As a result, water consumption was around 11 cubic meters per staff member in 2016. With 24 drinking water fountains in break areas at the new Turin headquarters, 192,000 half-litre water bottles were not used, which is equivalent to a saving of 3.8 tonnes of plastic and 18 tonnes of CO₂ emissions avoided.

WASTE

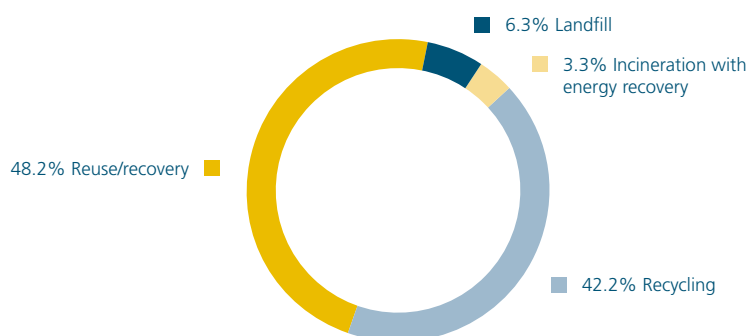
Waste in 2016 amounted to 37 kg per staff member. The overall amount of waste produced by the Intesa Sanpaolo Group went down by 2.2% compared to 2015, with a 7.7% decrease in Italy and an increase at international banks, mainly due to the disposal of office machinery and, for Intesa Sanpaolo Bank Albania, to waste material from renovation/energy efficiency works.

Unlike 2014 and 2015, 2016 results for Italy included used printer cartridges. So, although the total amount of waste produced by the Intesa Sanpaolo Group went down compared to 2015, the updated analysis of produced waste, in accordance with the GHG Protocol (Scope3) Accounting and Reporting

Standard (WBCSD - WRI 2011), showed an increase in the carbon footprint and primary energy compared to the previous year.

With a view to reducing waste and re-using resources to avoid waste, Intesa Sanpaolo Bank Ireland donated the personal computers it was replacing to non-profit associations.

Total weight of waste by disposal method



MANAGEMENT OF SUBSTANCES THAT ARE HAZARDOUS FOR THE ENVIRONMENT

The Intesa Sanpaolo Group gives particular importance to the monitoring and management of substances that are hazardous for the environment, including radon and asbestos.

Radon is a gas that flows out of the subsoil and into buildings. The main points of entry are the permeability of foundations, cracks and discharges from technological systems. In accordance with Italian laws, measurements of the average annual concentration of radon are taken in underground work areas where personnel are present, even if on an occasional basis. According to all measurements taken during 2016, workers' exposure was within acceptability limits. The measurements are repeated annually, arranging for technical mitigation measures and training and information for workers and workers' representatives.

Intesa Sanpaolo work processes do not include work activities that expose workers to asbestos dust or materials containing asbestos. However this material could be in buildings, as it was used in Italy up until 1995. So a specific risk assessment was conducted at all work sites in Italy, to establish preventive and protective measures to adopt. All environmental measures recorded values below the threshold established by applicable laws.

ENVIRONMENTAL MANAGEMENT EXPENDITURE

In 2016, the Intesa Sanpaolo Group continued to invest in the preventive maintenance of plants, implement certified Management Systems, manage special waste properly and provide environmental training for personnel and maintenance operators.

Environmental management expenditure in 2016 totalled approximately 68 million euro, up by 2.4% compared to the previous year.

Environmental management expenditure [thousand euro]

	2016			2015			2014		
	Italy	Abroad	Group	Italy	Abroad	Group	Italy	Abroad	Group
Management of Special Waste	1,383	283	1,666	1,523	359	1,882	1,545	410	1,955
Training	3	103	106	7	97	104	53	78	131
Maintenance, SGAE and Certification	43,553	22,685	66,238	44,560	19,816	64,376	50,407	19,970	70,377
TOTAL	44,939	23,071	68,010	46,090	20,272	66,361	52,005	20,458	72,464