

Letter to stakeholders

In 2016, despite an overall scenario marked by instability and uncertainty, Intesa Sanpaolo continued its 2014-2017 Business Plan. Consolidated results at the end of 2016 reported a significant increase in profitability compared to 2015. Along with a more robust capital strength and risk and liquidity profile, this enabled the company to continue to create value for all stakeholders, starting from its shareholders, with a proposed dividend of 3 billion euro (increasing dividends distributed from 2014 to 2016 to 6.6 billion euro).

For customers, Intesa Sanpaolo confirmed its position as a bank of the real economy, with new medium/long term loans to households and businesses totalling 56 billion euro (137 billion euro from 2014 to 2016) and loans for social enterprises amounting to 200 million (600 million euro since the start of 2014). Specific action was taken for customers in difficulty, transforming 24,000 non-performing loans of Italian businesses into performing loans (over 52,000 since 2014), and renegotiating loans for retail customers (66,000 in 2016) or suspending loan repayments (2,200 in 2016). The company supported education, financial inclusion and more vulnerable customers, providing loans with a high social impact amounting to 4.6 billion euro, of which more than two thirds earmarked for weaker social groups and 76 million euro for micro-credit or anti-usury initiatives. Support for customers was centred around service quality and smart technology, with the Bank adopting digitalisation and dematerialisation policies and offering products through its multichannel platform to 6.4 million customers, up by 1.6 million since the start of 2014.

In line with its Business Plan, Intesa Sanpaolo continued to empower, develop and motivate its personnel. At the end of 2016, thanks to the profit realised and as a measure to safeguard employment, the 4,500 members of staff identified as "excess production capacity" in the Plan were all reallocated to priority initiatives. Training was significant, with 1.3 million days' provided in 2016 (with the aim of reaching 5 million days by the end of 2017). Considerable efforts were made to promote a modern, comprehensive company welfare system, focussed on improving the quality of life. Initiatives include the flexible work project (with over 5,700 staff members involved), company nurseries and the "Time Bank" (providing 2,000 "days" for colleagues in difficulty). In December 2016, the first nursery service at the Paediatric Oncology/Haematology Unit of the Regina Margherita Hospital in Turin was opened. The staff satisfaction rating in Italy went up from 67% in 2014 to 78% in 2016, confirming the company's commitment to its employees.

On the environmental front, the Group focussed further on the pressing need to adopt concrete action to fight climate change, in keeping with its commitments in the Code of Ethics and Environmental and Energy Policy. Energy efficiency actions, the use of energy from renewable sources and dematerialisation reduced emissions by around 10% in 2016, and by over 55% in total since the end of 2008. Financial support for renewable energies and energy efficiency continued, adopting a proactive approach, with funding of around 1.7 billion euro granted in 2016 (around 3.9 billion euro over the last three years).

Numerous initiatives for the community took place, often centred around tradition and the founding values of the Group. In 2016, monetary contributions to the community exceeded 46 million euro (154 million euro in the last three years), with 58% earmarked for art and culture and 26% for charity initiatives.

In this context and on a broad-ranging level, the careful management of business risk, starting from traditional companies, is important and calls for a robust oversight of capital strength, on the one hand, and targeted actions on the other hand. These include actions which are important for CSR purposes, such as direct initiatives to combat corruption, occupational health and safety, monitoring IT risk, including social/environmental risk in credit ratings and in customer investment proposals.

Group activities are based on principles in the Code of Ethics and international initiatives in which the Group takes part, including the UN Global Compact, the United Nations Environment Programme Finance Initiative (UNEP FI) and the Equator Principles for project finance. The Code of Ethics was updated at the end of 2016, to align it with developments at the Bank and its operating context, and to guarantee the ongoing consistency and transparency of the principles on which loyal relations with stakeholders are established.

This Sustainability Report provides an overview of actions taken, from stakeholder engagement to information about initiatives taken and the publication of specific indicators monitoring the Group's commitment over time. The results presented show how the Group has remained focussed on its commitment, showing how different types of capital have brought increased value for all major stakeholders.

Intesa Sanpaolo's efforts to create long-term value for all stakeholders has been recognised, with its inclusion in numerous sustainability indexes, in particular in the Dow Jones Sustainability Index and in the "A List" of the Carbon Disclosure Project. The classification produced by Corporate Knights ranks Intesa Sanpaolo at number 20 on the list of the most sustainable companies worldwide, and the first company in Italy.

All people contributing to these results should be proud of their achievement, which is steering the Group, in its great responsibility towards stakeholders – shareholders, customers, staff, suppliers, the community, the environment – towards a process of continual improvement.

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