

Social and relational capital



Social and relational capital includes the value of relations with key stakeholders and communities in specific contexts where the company operates.

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RESOURCES

Customers: 18.9 m
 Employees: 88,725*
 Investments for the Company Welfare System: 5% of overall labour costs
 No. of suppliers (Procurement carried out by Intesa Sanpaolo and companies within the Italy boundary): 31,734
 Cash contributions to the community of approximately 46.4 m***
 Direct and indirect taxes: approximately 2.3 bn

ACTIONS AND RESULTS

People involved in the "Insieme per la Crescita" (Together for Growth) programme: 38,000 at approximately 4,000 branches
 The new branch model: 80 branches
 SeiOk quality monitoring system - Branch excellence index with a positive rating achieved**:

- 87% of retail branches
- 99% of personal branches
- 97% of SME branches

Turnover rate -1.14 (-1.36 in 2015)
 Integrated Welfare programme fully operative
 Flexible work project: more than 5,700 members of staff at 13 Group companies

A new e-sourcing solution with a supplier ESG evaluation questionnaire
 Progetto Cultura: activities continued including initiatives for disadvantaged and vulnerable groups
 No. of employees who received anti-corruption and anti-money laundering training: 37,269 (42%)

IMPACT ON STAKEHOLDERS

"Insieme per la Crescita": customer satisfaction (with an improved Net Promoter Score for Retail and Personal branches) and employee satisfaction (branch barometer: a synthetic rating of 7.7 on a scale from 1 to 10)
 % of Regional Departments achieving the Net Promoter Score:

- 53% of Retail branches
- 48% of Personal branches
- 65% of SME branches

Job protection: the Plan objective reached, with approximately 4,500 people already re-allocated to priority initiatives
 Climate analysis results: staff satisfaction increasing to 78% in Italy (67% in 2014)
 Services provided by the Healthcare Scheme Fund to over 200,000 people and totalling more than 140 m

Added value for suppliers of 2.6 bn
 More than 84% of national central funding from the Charity Fund allocated to vulnerable and weak groups
 Reduction in social costs arising from corruption activities

*Sustainability Report scope.

**Branch excellence is an overall indicator comprising the weighted average of 4 sub-categories ("Net promoter score", "Service excellence", "Operating excellence" and "Credit excellence").

***Cash contributions to the community are calculated according to the London Benchmarking Group's methodology.

RELATION WITH STAKEHOLDERS: ENGAGEMENT AND LISTENING

To identify stakeholders' areas of interest and expectations, the Group has been involved in stakeholder engagement for years, actively involving all Bank Departments that manage relations with stakeholders. Synergies have been consolidated to define areas of cooperation for engagement activities, that can produce results for everyone. These results refer to the needs and expectations of stakeholders and help define improvement objectives for each department, in line with Business Plan strategies¹.

STAKEHOLDER MAP

The stakeholder map represents the Bank's relations; the results of engagement activities in 2016 are presented in summary form to highlight the most pressing topics identified on a materiality basis.



¹ For more details of the results of engagement activities, see the publication "Stakeholder Engagement and Improvement Objectives. The results of engagement activities with our stakeholders in 2016".

ENGAGEMENT INITIATIVES AND ISSUES

Method of engagement	Issues
EMPLOYEES	
Employees <ul style="list-style-type: none"> ■ Climate survey involving Professional Areas, Middle Managers in Italy, Management Staff, International Banks (all professional categories) ■ 1 focus group with Area Managers 	<ul style="list-style-type: none"> ■ The Group's reputation, brand value and external sources' and customers' perception of the Bank ■ Occupational health and safety ■ Responsible sales and transparency and clarity in customer communications ■ Quality products and services, expertise and professionalism in relations with customers and the Bank, innovation and an integrated multichannel approach
Trade unions <ul style="list-style-type: none"> ■ 1 focus group 	
International Banks Division staff <ul style="list-style-type: none"> ■ Web-focus on the Intesa Sanpaolo Code of Ethics 	<ul style="list-style-type: none"> ■ Employee empowerment and professional training and development ■ Quality of life at the company: welfare and work/life balance ■ Diversity management and inclusion ■ International Banks' implementation of the principles and values of the Code of Ethics
CUSTOMERS	
Corporate customers <ul style="list-style-type: none"> ■ Net Promoter Score (NPS): 50,000 corporate customers involved ■ Companies Benchmark: 8,000 telephone interviews of Companies operating throughout Italy 	<ul style="list-style-type: none"> ■ Analysis of main promotion and detraction issues, their significance and impact on the NPS ■ Identification of Intesa Sanpaolo's competitive positioning, in terms of the NPS and corporate customer satisfaction in areas where the Bank operates ■ Quality and innovation of services for corporate
Retail and personal customers and retail companies <ul style="list-style-type: none"> ■ Net Promoter Score (NPS): 3.9 m retail customers and retail companies involved ■ Customer experience registered at main touchpoints (around 20) used by customers to interact with the Bank: approximately 2 m retail and personal customers and retail companies involved ■ Internal customer experience registered from nearly 40,000 colleagues ■ Needs analysed through surveys involving the Bank's customers and prospects ■ Involvement in themed observatories ■ Mystery shopping surveys at 480 retail and personal branches and 475 mystery shopping surveys for the online branch 	<ul style="list-style-type: none"> ■ Analysis of main promotion and detraction issues, their significance and impact on the NPS ■ Surveys of customer experience through all channels of interaction with the Bank ■ Empowering customer experience by analysing customer perception in order to improve products and services ■ Customer service quality and innovation: quality of products, customer relations and the digital experience ■ Empowering customer experience by analysing customer perception in terms of product and service use, simplicity and efficiency ■ Identifying customer segment needs that have not been met ■ Identifying consumer trends ■ Physical and online branch data, to evaluate and improve service quality
Third sector customers <ul style="list-style-type: none"> Customer satisfaction survey: <ul style="list-style-type: none"> ■ 8 focus groups and 5 interviews ■ 2,000 telephone interviews 	<ul style="list-style-type: none"> ■ Analysis of Third sector customer satisfaction and experience and identification of satisfaction drivers, with a view to improving services
Corporate customers, start-ups and innovative SMEs <ul style="list-style-type: none"> Two multi-stakeholder forums: <ul style="list-style-type: none"> ■ Banca dei Territori Lombardy Department: 21 participants ■ Banca dei Territori Campania, Basilicata, Calabria and Puglia Department: 26 participants 	<ul style="list-style-type: none"> ■ Adoption of credit rating systems that include social and environmental sustainability factors ■ Support for businesses, and in particular consolidating the competitive edge of companies in order to promote innovation, the arrival of new generations and development of a new business spirit, growth and internationalisation, and the creation of networks and business combinations ■ An integrated multichannel approach and innovative services to help businesses network ■ Products and services to encourage business and low environmental impact solutions

	Method of engagement	Issues
Large corporate customers	<ul style="list-style-type: none"> 2 online surveys involving a total of 669 large corporate customers 	<ul style="list-style-type: none"> Monitoring cash counting, deposit and procurement services Monitoring acquiring services*
International bank customers	<p>Telephone interviews:</p> <ul style="list-style-type: none"> Retail customers: 1,600 customers SMEs and large corporate customers: 1,500 customers 	<ul style="list-style-type: none"> Retail customers: surveying customer satisfaction at 5 banks SMEs and large corporate customers: analysing customer satisfaction at CIB Bank and Banca Intesa Beograd

SHAREHOLDERS

Small Shareholders' association	<ul style="list-style-type: none"> Interview with the Small Shareholders' Association – E.di.Va 	<ul style="list-style-type: none"> Protecting the Group's capital strength and profitability Business risk management Financial inclusion
SRI investors	<ul style="list-style-type: none"> Roadshow with investors on ESG issues 	<ul style="list-style-type: none"> Protecting the Group's capital strength and profitability Business risk management Responsible sales practices Personnel management and development issues Integrity and rigour in corporate conduct Service quality and customer satisfaction in engagement and interaction with the Bank Climate change

* Acquiring services: acquiring services are provided by credit card operators to retailers so that they can accept payments with cards belonging to the credit or debit circuit.

OVERVIEW OF NEEDS IDENTIFIED DURING THE STAKEHOLDER ENGAGEMENT PROCESS

Needs identified during the engagement process compared to issues considered as "material" by materiality analysis are summarised below.

Protecting the Group's capital strength and profitability

Protecting the Group's capital strength and profitability was one of the most important issues, not only for investors but for the community in general, as it is considered essential for business sustainability in the short, medium and long term and as a guarantee of customers' investments, in view of the Group's institutional role.

Business risk management

The community, SRI investors and analysts paid particular attention to the management of reputational risk, the brand and to evaluating and monitoring social/environmental risks related to investments. The latter aspect is reflected by a growing increase in recent years in ESG investments.

In a context that is increasingly trending towards digitalisation in general and the digitalisation of information, interest in the management and control of ICT risks has increased and in 2016 specific regulations were introduced for the banking industry.

SRI investors and analysts, customers and the community showed considerable interest in a concrete commitment to using sustainability factors when assessing the credit rating of businesses.

Integrity and rigour in corporate conduct

The development of a business model increasingly focussed on virtual services has raised awareness among stakeholders, and particularly the community and customers, of protecting privacy. In 2016 this aspect was regulated at a European level (Regulation EU 2016/679). The significance of compliance with anti-money laundering regulations has also increased, in view of the Directive (EU) 2015/849 and its implementation in the Italian legal system.

Human resources development, management and empowerment

Achieving a work/life balance and welfare were two Group commitments that staff appreciated considerably; initiatives included flexible work and people care, and new systems to support staff with family and/or personal difficulties, such as the Time Bank.

Interest is growing in training and in tailor-made programmes that meet specific training needs and help with job transfers.

Staff think the Bank could improve its internal communication, and how it uses communication and streamlines information – particularly on standards and operating procedures.

Considering the increasing focus of national and international organisations on unemployment and particularly youth unemployment, and a quickly evolving context, interest in developing and attracting talent has increased, calling for a more proactive approach from the Group.

Offering valued service to customers

The “design thinking” model, which has evolved from the Customer Experience model and is part of the new Banca dei Territori service model, was appreciated in particular; this model addresses how products and services are developed, starting from customer engagement, to understand specific needs. Staff consider personal relations with customers as essential for building a relationship based on trust, with an added value that is unique even when compared to new digital tools.

The integrated multi-channel approach is seen as a strength of Intesa Sanpaolo and a necessary step to remaining competitive on the market. Plus the availability of virtual channels (the website, App, online platform etc.), means bank/customer engagement is 24/7, communication and operations are more effective and efficient (appreciated in particular by younger customers, who are more inclined to use digital channels), and close customer relations can be maintained, even without actual branches.

Lastly, Intesa Sanpaolo's commitment to developing and creating innovative mechanisms for businesses (for example: the tech-market place) and services to facilitate matching and networking between businesses and local players with a high innovative potential was appreciated in general.

Access to credit and asset management

In a context where the effects of the economic and financial crisis are still evident, more vulnerable stakeholders, such as the elderly, the young and immigrants need financial services and products more targeted to meet their specific profiles.

Corporate customers would like to see the development and consolidation of specific sector expertise to support businesses, and the capacity of the banking industry to understand, know and evaluate aspects differentiating each market. The role of the manager and a team of specialists are fundamental in this.

Advice for new businesses and start-ups with a high level of innovation is considered fundamental, with a demand for products dedicated to developing business ideas and advisory services (particularly concerning bureaucratic, administrative and tax aspects), training and networking with investors and other companies to encourage dialogue and business combinations (business networks, innovative hubs, etc.).

Climate change

In 2016, various international initiatives raised awareness of environmental aspects, calling for a concrete commitment to reducing the environmental impact of emissions, energy, and the use and management of resources and waste (COP21, Agenda 2030, SDGs, etc.). Corporate customers consider Bank products encouraging solutions that benefit the environment as fundamental, in particular energy efficiency products that cuts costs for businesses too. Customers are also interested in products and services that provide incentives to improve the environmental performance of buildings, to extend environmental awareness to business issues and to property development or redevelopment for a better management of environmental impact.

Corporate customers hope the Group's commitment to developing a more sustainable economy will engage them further with dedicated initiatives and events, the development of products and services that combine knowledge of the financial industry and green businesses and mechanisms/initiatives to help businesses network.

INTEGRITY AND RIGOUR IN CORPORATE CONDUCT

The Intesa Sanpaolo Group adopts an approach that 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. Moreover, we are aware that we hold specific responsibility in the fight against corruption, money laundering and financial crime, to prevent the banking system from being used for illegal purposes.

We apply the Code of Ethics and Code of Conduct that envisage high standards for all personnel.

To monitor various regulatory areas, procedures are adopted and controlled through risk assessment and an

internal control system in which compliance with the rules is achieved by all company departments and staff working together.

An internal reporting system (whistleblowing) has been in use since 2016, to encourage a culture of lawfulness and improve the organisation and its ethics. This system can be used by any employee who suspects that an infringement of regulations has occurred or could occur. During the year, 22 reports were made, which were all followed up. 3 of these were not relevant, as they did not refer to possible infringements by employees; specific investigations have been started for the remaining 19 reports.

PREVENTION OF CORRUPTION

The Bank has adopted strict internal procedures over time to prevent the risk of corruption and extortion. In addition to the Code of Ethics, the Group's Internal Code of Conduct and Compliance Model pursuant to Legislative Decree 231/2001 on the administrative liability of organisations, a detailed set of internal regulations is in place, which all personnel must be familiar with and adopt. These regulations outline corporate processes that may potentially lead to the commission of this type of offence. The Compliance and Internal Auditing Departments ensure that the principles of control and conduct in the Compliance Model concerning corruption are consistent with applicable internal regulations and that these regulations are complied with.

Focus on the prevention of corruption risks is very high in Group companies, both in Italy and at international level. Subsidiaries operating in countries without "anti-corruption" laws are required to adopt the Group's principles and to monitor areas most at risk. To further consolidate controls on the prevention of corruption, a specific "Anti-corruption Project" was started in 2016, covering two fundamental areas:

- "customers" – to identify any possible risk aspects of customers' behaviour and thus ensure ongoing cooperation with the authorities and action, as part of controls already in place, to combat money laundering and the financing of terrorism;
- the "Bank" – to consolidate internal controls for preventing risk aspects in the Bank's conduct through its officers, top management, employees, external staff and suppliers. In this framework, Group Anti-Corruption Guidelines have been defined and issued to company bodies.

In March 2017, the Anti-Corruption Guidelines were approved as part of the Anti-corruption Project. The guidelines identify the principles, sensitive areas, roles, responsibilities and macro-processes for the Group to manage the risk of corruption and further consolidate existing regulations.

PREVENTION OF MONEY LAUNDERING

The Group's governance system to combat money laundering and the financing of terrorism is based on Guidelines that constitute a systematic and functional framework, with active collaboration by the Group in preventing these illegal activities. Specific processes and procedures have been established on customer due diligence, the reporting of suspicious transactions, registration of relations and transactions, retention of documents, risk assessment and management, internal control and compliance with all relevant provisions to prevent and stop the completion of transactions connected to money laundering or the financing of terrorism. The guidelines and standards defined by the Parent Company are based on and implemented for individual entities, in proportion to the type and complexity of activities carried out and size and structure of the organisation, in compliance with local laws and ensuring that information is shared at a consolidated level.

Procedures have been in place for some now to automatically control Group records and transactions in order to mitigate the risk of having customers registered in black lists subject to restrictions or the freezing of assets. The Group has also adopted a more rigorous approach to legal requirements, with enhanced due diligence for credit and reputational profiles, to prevent its involvement, for any reason whatsoever, in transactions with parties or countries subject to embargoes, even when the transaction is permitted under restrictions issued by international authorities.

Specialised training to prevent Corruption and Money Laundering in 2016

	Italy	Abroad	Group
No. of employees trained	22,914	14,355	37,269
Training hours	116,960	47,366	164,326
% of employees trained	35.7	58.4	42.0

Relations with political parties and movements

According to internal policies, donations or sponsorships for political parties or movements or their organised branches/units etc. are not permitted. Specific rules state that the only type of funding possible for political parties, secondary associations and individual candidates, to be

decided by the Board of Directors, is an annual advance of the "2x1000 contribution" (voluntary tax donation) on sums due to parties for this type of contribution, to be notified in accordance with law. In 2016, funding was not given to political parties or movements.

COMPLIANCE WITH TAX REGULATIONS

The Intesa Sanpaolo Group strictly complies with tax laws, convinced that this is a fundamental contribution towards the community where it operates. Intesa Sanpaolo's positive impact in this respect is confirmed by figures forecast in its Business Plan of a total contribution from 2014 to 2017 of approximately 10 billion euro, an amount comparable to a stability law. Objectives for 2015 were met in full and in particular, all Departments of the Parent Company Tax Division were consolidated. Besides a specific Department for Tax Compliance monitoring being set up, all existing

controls were consolidated and new specific controls introduced for international taxation and structured customer transactions (with training for business units most affected). Engagement with the tax authorities was stepped up considerably, to pave the way for the company to join the "cooperation scheme" (a tax authority scheme to help taxpayers identify tax risks). In addition to indirect taxes of around 877 million euro, the Group recorded accrued direct taxes for 2016 of 1,422 million euro, mainly in Italy, where the majority of operating income was earned, as shown in the table below.

Direct taxes in 2016	Italy	Europe	Rest of world
Tax contribution	1,031	326	65
Operating income	12,940	2,888	1,101

In compliance with applicable laws, Intesa Sanpaolo publishes a "Country by Country" report, with the following information for each country (according to rules established by the Bank of Italy): the gross income; the number of employees; profit or loss before taxes; taxes on profit or loss. The report is available at [\[i\]](#).

PROTECTION OF PRIVACY

The Privacy Sub-Department of the Safety and Protection Head Office Department ensures that personal data are collected and processed in accordance with laws and the principles in the Code of Ethics. All Group personnel receive training and updates on this issue, through mandatory initiatives online, and in classroom sessions and activities focused on specific areas.

During 2016, the website's privacy policy for retaining browsing data, processing with Apps for mobile devices and information on the use of profiling cookies, with particular reference to the combined use of online profiling tools, were all updated, based on Data Protection Authority guidelines.

During the year, the Data Protection Authority issued seven claims procedures against Group companies, with necessary follow-up provided; no cases of Group customer data being lost or stolen were registered (see also the section "Claims Management").

In May 2016, the Regulation (EU) 2016/679 came into force (effective from 25 May 2018), which requires the Group to align with new requirements on privacy, including: the "right to be forgotten", privacy "by design" and "by default" and the pseudonymisation and portability of data. Project activities on this aspect have been started with other specific company functions.

PROTECTION OF FREE COMPETITION

The International and Regulatory Affairs Department is committed at all times to managing relations with institutions and organisations, monitoring existing regulations and overseeing advocacy activities for any bills that could impact the activities of the Group and its stakeholders at a national, European and international level, with a view to limiting legal, economic and reputational risk and developing new opportunities.

The Department constantly monitors and promotes free competition, working to ensure that international, European and national rules and procedures on competition are effectively applied and complied with. It is committed to disseminating a culture of compliance with the antitrust regulations at all levels of the Group and with third-party stakeholders, trade partners, suppliers and customers.

With a view to further strengthening monitoring activities, a partial review of the Policy of Compliance with European Union Competition Law – adopted in 2009 – was started, to align with some regulatory developments and new legislative and case law guidelines regarding the Supervisory Authorities' acknowledgement and promotion of antitrust compliance programmes, rules on mergers, corporate governance, state aid and unfair commercial practices.

Consequently, the scope of monitoring was extended not only regarding more traditional antitrust areas (mergers, abuse of dominant positions and agreements), but also regarding EU regulations on state aid and recent Italian regulations in support of Italy's competitiveness. The decision to adopt an Antitrust Compliance Programme, which goes beyond regulations, involves higher standards of conduct and in this respect information and training for internal and external stakeholders continued, in the belief that protection and development of competition benefit all.

As regards anti-trust proceedings involving Group companies, a proceeding against the Italian Banking Association and subsequently against eleven member banks including Intesa Sanpaolo, to ascertain the lawfulness of the interbank agreement on the SEDA service price, offered by banks to market operators, is pending.

LITIGATION

At 31 December 2016, approximately 17,000 disputes were pending¹, for a total of 6,682 million euro.

More specifically, the disputes refer to:

- bankruptcy revocatory actions (467 million euro);
- settlements in insolvency proceedings (496 million euro);
- investment services (410 million euro);
- compound interest and other conditions (866 million euro);

- bank products (225 million euro);
- credit positions (2,143 million euro);
- lease agreements (112 million euro);
- other civil and administrative disputes (1,358 million euro).

Tax disputes concerning the Group were still pending for a total of 446 million euro.

With regard to compliance with environmental regulations, for damage caused to the environment following the bank's operations over the last three years, no sanctions of over 3,000 euro were imposed. Even with regard to compliance with regulations on health and safety, no reports or significant sanctions were received or imposed.

Details of disputes and litigation in 2016 and the most significant civil and fiscal lawsuits are given in the Consolidated Financial Statements (pages 398-402) [i].

OFFERING VALUED SERVICE TO CUSTOMERS

Meeting customers' new needs to the best of our abilities, offering a better experience in line with action taken in other consumer areas, building a solid and lasting relationship through a higher level of expertise and quality advice are the distinctive elements of Intesa Sanpaolo's strategy to becoming the preferred bank and commercial partner of current and potential customers. Thanks to this approach, the Group has received considerable recognition from the German Institute "Quality & Finance", a European leader in quality-related market analysis. In a survey of customers from Italy's 17 leading banks (including online banks) Intesa Sanpaolo was rated as the "Best Traditional Bank" (with branches), thanks to its "excellent" score in seven areas (Products and Savings); Online banking; Banking Apps; Social media; Customer service; Price/quality ratio; Customer communication. Intesa Sanpaolo was also awarded the Gold Seal for 1st place in financial advisory services, in a survey of 500 companies in 70 sectors, with 100,000 ratings from consumers (The Best in Italy - Service Sample).

CUSTOMER PROXIMITY THROUGH ALL RELATIONAL CHANNELS

The model adopted focuses on offering different customers – retail users to SMEs and large companies – a specialist service. Relationship managers, specialised by segment and sub-segment, are still the reference for these customers, coordinating overall service and providing specific advisory services.

The extension of the multi-channel approach ensures proximity and a quality service, with the chance for

customers to interact with their Bank how and when they want (see "Intellectual and infrastructure capital" - "The multi-channel approach").

For this reason, Intesa Sanpaolo has started a process to transform relations (launching its new Internet Banking site and mobile Apps), to steer customer interaction towards a digital approach.

The strategy behind this approach is an easy-to-use, simple, quick and customisable profile. At the end of 2016, Banca dei Territori multi-channel customers totalled 6.4 million, up by around 1.6 million since the start of 2014. Approximately 4.1 million Apps were downloaded on mobiles and around 80% of products are available through multi-channel platforms.

The Online Branch has a specific role in developing closer customer interaction, through direct channels (telephone, chats, video calls, email and social networks), and through advisory services and the commercial proposal of products and services (cards, loans and investments). The aim of the Online Branch is to solve customers' problems, and also respond promptly to enquiries about operating and commercial information. Thanks to Customer Relationship Management (CRM) systems, 26,000 product offers were finalised and signed remotely. In addition to branch sales completed with appointments and estimates made by branch colleagues, over 5 thousand products were placed (Further details are given in the section "Intellectual and infrastructure capital", page 110). During 2016, free phone numbers and customer contact channels were unified, with a single reference for operating services, customer service and commercial information.

¹ Excluding Risanamento S.p.A., which is not managed or coordinated by Intesa Sanpaolo.

The DigiCal (“digital channels + physical branches”) programme was developed at international banks, to consolidate interaction between physical branches and digital channels and offer retail and small businesses customers a new way to access products and services and interact with their bank. (Further details are given in the section “Intellectual and infrastructure capital”, page 110).

With Banca ITB joining the Intesa Sanpaolo Group at the end of 2016, the first proximity banking project in Italy, with a focus on instant banking, is nearing completion. With around 20,000 light operating points, the distribution network can offer a modular, simple and comprehensive service.

The new distribution channel encompasses the needs of tobacconists and their customers, with specific positions to provide assistance, support for qualified operators and a specific Bank contact centre.

INSIEME PER LA CRESCITA

Intesa Sanpaolo's “Insieme per la Crescita” (Together for Growth) programme focuses on managerial change and new ways of employee involvement, for effective customer relations.

Mandatory conduct, depending on the type of customer, includes assisting customers when they enter the branch, offering fully comprehensive advisory services and,

for businesses, defining new roles and instruments to support customer relations, consolidate credit capability and achieve more effective commercial action.

The idea is to improve network performance through a greater focus on conduct, increasing the satisfaction level of customers and employees and thereby generating widespread and permanent change. In 2016, the programme involved over 38,000 colleagues at around 4,000 branches, with a 7% increase in the number of customer contacts and a 1% increase in the proposal success rate compared to 2015. NPS indexes show an improvement in retail customer satisfaction (+1.7) and personal customer satisfaction (+2.1), between the first part of the year (April-July) and second part (August-December).

The “Insieme per la Crescita” programme uses CRM techniques to measure customer satisfaction and directly surveys employee satisfaction using the branch barometer (a synthetic rating of 7.7 on a scale from 1 to 10, with over 230,000 questionnaires collected). Extensive online communication, including news, the exchange of experience and direct views, encourages the Bank's employees to consider change factors, on a daily basis. Over 900 colleagues were involved in training activities such as the recognition for the commitment made to the application of the programme. Further information is found in the chapter “Human capital”, page 102.

THE NEW BRANCH MODEL

Besides longer opening hours, the actual bank where customers go has started to change considerably. Branches are changing based on a different way of doing banking, which focuses on the customer and customer relations: they have become open and flexible places, with communal areas and meeting rooms; they are venues for artistic and cultural events, for engagement and interaction, in an atmosphere that is more transparent and open to the public. The new-look branch has a modular layout designed for big cities, small towns and suburbs alike.

The new model, designed in 2014, also based on customer engagement, was implemented in 2015 (with the opening of the pilot branches in Milan, Rome and Turin, followed by another 31 branches throughout Italy) and was extended to around 80 branches in 2016. The aim is to have around 1,000 new-look branches over the next few years.

The new-look branches were showcased in the “Vividigitale Day” project, which aims to disseminate a digital culture among employees, customers and prospects. A team of “digital facilitators” (Bank staff with considerable expertise who have received ad hoc training to learn how to hold and moderate sessions) managed events to find out about user needs and help those people interested in Internet but not able to use it fully to make the most of digital services.

13 sessions were held for 150 customers.

Further information is found in the chapter “Human capital”, page 102.

The Banca Estesa (Extended Bank) project also continued, with customer and advisory services available during extended branch business hours, as well as on direct channels. The new model enables customers to go to the bank at times which are more compatible with their personal and professional commitments. At the end of 2016, 489 Group Retail branches and 441 Personal Branches were open in the early evening, on Saturdays or at lunchtimes, adapting business hours to the modern lifestyles of customers. Besides longer business hours and flexible spaces, the "Offerta Fuori Sede" (out-of-branch services) project has been ongoing for some years now: designed to meet customer needs more effectively, the project has extended advisory and commercial services to customers' homes or workplaces.

At the end of 2016, 3,485 employees in Italy were registered as financial advisors providing services off bank premises.

ACCESSIBILITY

To allow visually impaired or blind people to withdraw cash, query their account balance or top up their mobile phone at ATMs, Intesa Sanpaolo has partnered Unione Italiana Ciechi (the Italian Association for the Blind) to develop an initiative for these users to operate autonomously and safely. All ATMs of the network of branches in Italy (around 7,155 ATMs/self-service tills) have an interface featuring easy-to-read graphics, making operations easier for the visually impaired, while the blind can listen to a voice guide on approximately 5,717 machines with the use of ordinary headphones. With the goal of continually improving access to its documents published on the Internet and on its company's intranet, Intesa Sanpaolo also works with the LIA Foundation (Libri Italiani Accessibili or Accessible Italian Books), which has been a long-term partner of the Italian Association of Editors, Associazione Italiana Editori, and Italy's Association for the Blind and Visually Impaired, the Unione Italiana Ciechi e Ipovedenti (for further information, see "Human capital, the Value of Diversity", page 106). In terms of physical accessibility, the new layout project for Intesa Sanpaolo branches was recognised by FIABA the Italian Fund to Eliminate Architectural Barriers, for its total compliance with requirements for accessibility and use by the physically challenged. In 2016, information on the accessibility of our branches and self-service areas for disabled persons went online. Users can find out if branches have tactile formats for customers with sight disabilities, accessible tills with operators, accessible toilet facilities, adequate space in corridors, lifts or a platform connecting floors.

CUSTOMER EXPERIENCE

In 2016, Intesa Sanpaolo continued its strategy to innovate services, products and processes already started in 2015, aiming to radically change how it relates to customers, with a new concept of "design thinking", that starts from listening to what customers want, to have their opinions and suggestions on different stages of the products/services life cycle and improve operating and commercial processes.

The strategy is divided into four stages, adopting a Test & Learn approach until the best customer experience for clients is achieved:

- Needs' analysis: interviewing customers in order to identify their needs;
- Service design: creating new products and services based on research evidence;
- Detail design: aligning design with business requirements;
- Customer tests and prototyping: repeating process to be in line with customer expectations.

After launching the strategy, engagement continued with fine tuning and measuring customer experience of all contact and customer relations areas (touchpoints); customer experience was systematically surveyed, results were analysed and corrective actions started to improve the service.

Needs' analysis surveys were conducted involving different customer segments from the Bank and customers of main competitors, using a number of techniques, from simple face to face interviews, interviews over the telephone, via the Internet and focus groups, to more complex ethnographic surveys, usability tests, creative workshops and conjoint analysis. During 2016 around 15 surveys were conducted on needs' analysis, mainly involving customers and in some cases managers and the Bank took part in more than 5 National Observatories.

In 2016, 480 mystery shopping interviews (and a further 475 telephone interviews) were conducted for retail and personal bank branches during surveys, with ratings of areas of behaviour identified by the Central Department and Network as part of the "Insieme per la Crescita" programme (see the section on Service Quality). The service level of the Online Branch was also monitored for customers contacting this branch by phone or Internet. Survey outcomes were important to start making changes to the service model.

Areas of action

Numerous areas were involved in this new method of working, including: the design of the new branch layout, a thorough review of Internet banking and the new mobile App, the definition of the new loan disbursement process and development of the proximity payment solution.

Processes were revised starting from services offered by the Bank to meet Customers' banking and non-banking needs in day-to-day transactions. The aim was to facilitate a quick and simple relationship between the customer and Bank, also through new digital channels and regardless of the originating Branch, while ensuring total security and ongoing assistance, as well as new customised business proposals.

Activities which started in 2015 in over 30 areas concerning current account and debit/credit card products continued during 2016, involving over 40 project segments, overseen by work teams involving numerous Bank functions.

14 of the initiatives launched in 2015 were released and will lead, among others, to a comprehensive review of the card shipment and delivery process, innovative procedures for card activation, new text messages and

App notifications of transactions and improved customer experience in the case of fraud and demagnetised cards. Actions were stepped up in 2016 (another 17 activities were identified, with design and development taking place in 2017), increasing the number of project segments underway to over 50.

Customer experience surveys

In 2016, customer experience surveys became systematic, regular and closely connected with processes being reviewed, to obtain feedback on critical pre-review aspects and continually monitor review effectiveness.

The surveys involved customers and Network colleagues that have direct contact with customers. Overall, 2,000,000 retail, personal and corporate customers were involved in 2016, at more than 20 touchpoints relative to the service provided by main customer contact channels (branches, the online branch, Internet banking, ATMs).

2014 surveys	2015 surveys	2016 surveys
<p>E-mail surveys on branch sales (cards, accounts, mortgages, loans and small business loans) and advisory services to retail customers:</p> <ul style="list-style-type: none"> 656,000 target customers 83,000 opinions expressed 6,400 customers contacted by the Contact Unit <p>Net satisfaction index* : 38</p>	<p>E-mail and text message surveys on sales (cards, accounts, mortgages, loans and small business loans) and advisory services and cash transactions of retail customers:</p> <ul style="list-style-type: none"> approximately 6 m target customers approximately 450,000 opinions expressed <p>Net satisfaction index: 41</p>	<p>E-mail and text message surveys on sales (cards, accounts, mortgages, loans and small business loans) and advisory services and cash transactions of retail customers:</p> <ul style="list-style-type: none"> approximately 2 m target customers approximately 250,000 opinions expressed <p>Net satisfaction index: 45</p>

* Net satisfaction index: Percentage of satisfied customers (a dark green emoticon for retail and personal customers), minus the percentage of dissatisfied customers (a dark red, red and yellow emoticon for retail and personal customers).

During 2016, Network colleagues were involved in 12 on various issues mainly concerning managers and to a lesser extent, directors. A total of 40,000 questionnaires were sent and 18,675 replies were collected (47%).

Comments made by customers or colleagues compiling the questionnaires (around 312,000) were analysed using a semantic engine, Clarabridge. A taxonomy was created, identifying macro-topics and relative sub-topics most often referred to by customers.

Another survey area concerned Third sector customers. A comprehensive survey, comprising a fact-finding/exploratory stage and quantitative stage was carried out. 8 focus groups and 5 personal interviews were

held, followed up by 2,000 telephone interviews of Third sector organisations.

Identifying the Net Promoter Score and benchmark Observatories

Starting from 2016, the Net Promoter Score¹, which measures to what extent customers are willing to recommend a company, has been a part of the four areas comprising the synthetic indicator assessing branch excellence, and used in the Branch performance Assessment System (SEIok).

¹ The Net Promoter score (NPS) is the percentage of satisfied customers promoters (a rating of 9-10 for companies, a dark green emoticon for retail and personal customers), minus the percentage of detractors (a rating of 0-6 for companies, a dark red, red and yellow emoticon for retail and personal customers).

IDENTIFYING THE LIKELIHOOD OF RECOMMENDING THE BANK (NPS)

Retail customers and retail corporate customers: the survey contacted 3.9 million customers after considerable interaction with the Bank (5.5 million emails were sent, and 450 thousand ratings were received). 50,000 companies were also interviewed. Results at a single branch level were made available. Scores obtained:

- NPS Retail: 8
- NPS Businesses: 18

The NPS methodology lets customers have their say, and collects information about customer satisfaction, dissatisfaction and their suggestions. Customer comments made during each interview are analysed using semantic analysis tools and related to promotion and detractor factors, in order to assign the right value to opinions made and identify strengths and areas for improvement.

This analysis, along with an extensive plan involving the Network to raise awareness of the importance of customers' opinions, means that virtuous behaviour can be adopted on a continual basis and changes made to governance and management processes, so that each resource can help improve his/her area of influence.

The analysis and assessment of comments were combined with a structured, ongoing plan to get back in contact with customers, which involved retail and corporate customers in 2016. In particular, customers who agreed during NPS interviews were contacted again by their branch, in order to consolidate relations with advisors, encourage relations with borrowers and find out more about dissatisfaction in the case of detractor customers. The system to reward Intesa Sanpaolo network staff confirmed the importance of the Synthetic Performance Indicator, which comprises seven key measurement factors (Profitability, Extendibility, Credit Quality, Sustainable Growth, Service Quality, Co-responsibility and Multi-channel strategies), with specific indicators to assess, among others, individual

and team merit, also between different commercial areas, and sustainable performance in the short and medium term in different sectors.

The service quality indicator (Branch Excellence Indicator, which the NPS contributes to) is particularly important for determining the Synthetic Performance Indicator, accounting for 25% of the final score.

An excellence bonus is awarded for up to 20% of the best branches and for up to 30% of the best performing areas of each Commercial Segment provided that the following parameters are met:

- the minimum score required for the Synthetic Performance Indicator (100);
- 100% of the target assigned for the Operating Excellence KPI;
- 100% of the target assigned for the Credit Excellence KPI.

This system confirms the significance of "Service Quality" indicators, where a 100% achievement of Operating Excellence objectives (indicating the conformity of branch operations) and Credit Excellence objectives are necessary in order to be considered for the Excellence award.

Specific benchmarking of Intesa Sanpaolo's competitive positioning vis-à-vis its competitors is also carried out, in terms of the NPS and related Satisfaction Indexes. In 2016, benchmarking was only carried out for corporate customers and was deferred for retail customers to a few months after the release of the new site and new Apps, so that digital customer experience can first be consolidated.

CORPORATE BENCHMARKING

Benchmarking was carried out with 8,000 telephone interviews of companies operating throughout Italy, identifying their willingness to recommend the bank (NPS), promoter and detractor factors and level of satisfaction compared to their main Bank.

This survey, which was anonymous, confirmed Intesa Sanpaolo's market leader position in 2016, in terms of willingness to recommend the Bank and the satisfaction of business customers:

- the Net Promoter Score for Intesa Sanpaolo was equal to 18 compared to a system average of 14;
- the Net Satisfaction Index in terms of Intesa Sanpaolo customers' relationships with their Branch was equal to 28 compared to a system average of 23.

The service quality monitoring system: SElok

SElok is the tool that allows the Network and Department to monitor the Service Quality index on a monthly basis, investigating all the different items that make it up and making it possible to intervene effectively to solve critical issues.

SElok provides a synthetic indicator that measures service quality and three families of indices to facilitate the identification of areas for improvement: Operating Excellence which provides an indication of compliance with the relevant rules on the conduct of the banking and brokerage business, management of conflicts of interest, transparency and consumer protection regulations; Service Excellence which indicates service efficiency and quality; Credit Excellence, which indicates professionalism in helping customers, often in difficult circumstances, and the Net Promoter Score which rates to what extent the customer would recommend the bank to family and friends.

In 2016, the SElok was renewed, becoming an aggregator for branches and their excellence objective: service excellence alone allows to have such happy customers as to become the bank's promoters. For this reason, the Net Promoter Score, the index that represents the intensity of the relationship between the customer and the brand, plays a very important role in the Branch Excellence (weighing between 30% and 40%).

Large corporate customers

New customer satisfaction surveys were also held for Intesa Sanpaolo's large Italian corporate customers in 2016.

210 customers were involved in a survey on Cash Counting, Deposit and Procurement services, with the aim of identifying areas for improvement based on suggestions and feedback.

The online survey had a 24% response rate (in particular 34 respondents agreed in ratings being disclosed and 10 were willing to be contacted again). The Net Promoter Score (NPS) index is equal to 12% and the overall satisfaction index (CSI – Customer Satisfaction Index¹) is equal to 79.5 out of 100.

1 Customer satisfaction index: The index was calculated using a structural equation model with latent variables, specifically PLS-PM (Partial Least Squares - Path modelling). Model outputs include the measurement, through a synthetic index, of the overall satisfaction level (CSI - Customer Satisfaction Index).

Acquiring services were also analysed, a few months after Setefi's commercial structure was transferred to Intesa Sanpaolo, to have an overview of customer perception, identify strategies to adopt and improve service/product characteristics.

The survey involved 459 customers online and was a part of surveys on transactions, allowing for the constant monitoring of satisfaction trends over time.

The response rate was 19% (in particular 56 respondents agreed to disclose feedback and 16 to be contacted again). The Net Promoter Score index is equal to 19.5% and the overall satisfaction index (CSI – Customer Satisfaction Index) is equal to 80.4 out of 100.

International Bank customers

Listening 100% activities at the Group's international banks resumed in 2016. Two surveys were conducted with telephone interviews on a sample of retail customers and two surveys of SME customers. For the first time, surveys of large corporate customers were also conducted, by telephone and the Internet.

Specifically, benchmarking of a sample of the population and retail bank customers was carried out involving five banks for a comparative survey (Banca Intesa Beograd, Intesa Sanpaolo Bank Slovenia, CIB Bank, Privredna Banka Zagreb, VÚB Banka) and six banks for an internal customer survey (Banca Intesa Beograd, Intesa Sanpaolo Bank Slovenia, CIB Bank, Intesa Sanpaolo Bank Albania, Privredna Banka Zagreb, VÚB Banka). Around 16,000 retail customers were interviewed.

Benchmarking results showed customers are highly satisfied with reference to the countries and Group Banks monitored. In particular, international Group banks are nearly always ranked in leading positions or are close to their national competitors. For all countries involved, use of the physical network by most customers has decreased in favour of ATMs, Internet Banking and Mobile Banking Apps.

For SME and large corporate customers, Banca Intesa Beograd and CIB Bank were involved, with around 1,500 customer satisfaction interviews held.

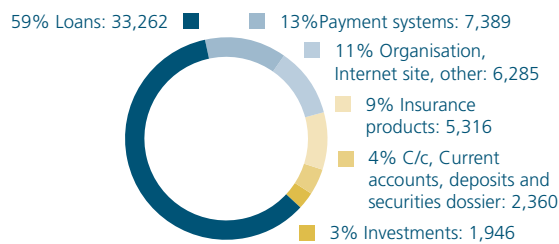
In both surveys, customers welcomed the new initiatives, which considerably involved relationship managers as promoters of customer engagement.

Claims management

Careful and prompt claims management is important, to specifically identify causes of dissatisfaction. From this, corrective actions can be taken to reduce operational, reputational and legal risks and enhance bank/customer relations.

As part of Customer Experience surveys, customers who had filed complaints were also interviewed. The aim was to investigate their customer experience, as regards the clarity, timeliness and transparency of responses.

56,558 claims, complaints and appeals were received during 2016, in Italy, broken down as follows:



- Loans: accounting for 59% of the total. These mainly concern claims filed by customers or former customers, in relation to the early repayment of loans with repayment from their salary, who demanded the pro-rata return of charges and/or expenses paid when the loan was disbursed, and to a lesser extent, claims concerning processing errors or delays (which also refer to the management of requests to cancel mortgages and the portability of loans and/or subrogation), conditions or procedures for their adoption (including alleged usury and the alleged unlawfulness of compound interest effects), problems related to credit ratings and errors in reporting to the Central Credit Register.
- Payment systems: accounting for 13% of the total. Claims mainly concern fraud, failure to de-recognise payment card transactions, errors or delays in transactions, POS equipment failures and service conditions.
- Organisational issues and website management and functions: accounting for 11% of the total. These mainly refer to information and communication errors by the Bank, chiefly due to a failure to provide or a delay in providing requested documents, personnel behaviour, bank counter shut-downs, opening times, queues and waiting times.
- Insurance products: accounting for 9% of the total. The most frequent causes of complaints refer to liquidation (the conduct of adjusters, the payment of insurance cover), and problems associated with administrative aspects (customer service, times and the content of disclosure during the relationship); the number of claims concerning out-of-court appeals to settle disputes for compensation for the transit of vehicles or vessels was significant.
- Current accounts, deposits, securities portfolios and investments: accounting for 4% and 3% respectively of the total. Generally, claims relating

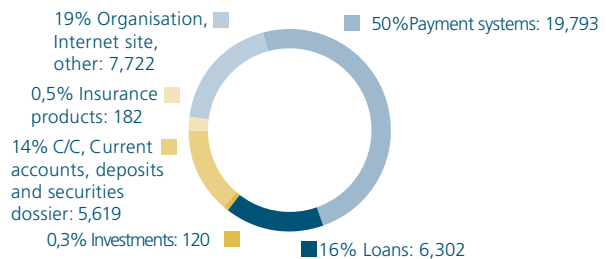
to current accounts concerned alleged errors or delays in carrying out customer instructions or account conditions, while claims relating to investments concerned in particular the negative trend of financial markets, with results not in line with investment fund, asset management and financial policy expectations

The above data include 1,420 requests for clarification from the Regulatory Authorities, after customer complaints were sent to them, and 2,752 appeals filed with alternative dispute settlement bodies. The most frequent requests for clarification from the Regulatory Authorities concerned loans and organisational problems. During 2016, a total of 54,020 claims were processed, of which 20,274 were upheld.

Average claim processing times for Italy were lower than requirements of applicable regulations.

155 customer complaints concerning infringement of the personal data protection act and 7 claims from the Data Protection Authority were received during 2016.

39,738 claims, complaints and appeals were received during 2016, for the international area, broken down as follows:



Payment systems (approximately 50% of the total) recorded the highest number of claims, mainly referring to legal disputes concerning the use of cards (16% in total), due in particular to ATM failures.

The category Organisation, Internet and Other accounted for 19% of all claims received. These mainly concern the Croatian subsidiary Privredna Banka Zagreb and problems with access to remote banking.

Claims concerning loans (personal loans and mortgages) account for 16% of the total, decreasing after the settlement of claims concerning foreign currency loans and unilateral changes to interest rates to the detriment of customers of the Hungarian subsidiary CIB Bank and loans in Swiss francs concerning the subsidiary Privredna Banka Zagreb.

Claims relative to Current Accounts, Deposits and Securities were limited (14% of the total), while claims concerning insurance products (0.5% of the total) and investment services (0.3% of the total) were negligible, in line with the relative business sectors of individual subsidiaries.

During 2016, a total of 39,517 cases were processed, of which 17,624 were upheld.

Average processing times vary depending on the subsidiaries and are generally in line with requirements of local regulations. As concerns alleged infringements of the data protection act, figures are not provided for 2016, as alignment is still ongoing, to make reporting at a Group level uniform.

THE QUALITY OF LIFE IN THE COMPANY

ENGAGEMENT

Developing a common culture based on corporate values and fostering a sense of belonging among colleagues: these are the main objectives of internal communication activities. An integrated system of tools, such as the Intranet, Corporate TV, company publications and structured staff engagement promotes the dissemination of new business and professional models providing personnel with adequate information and encouraging them to become involved, share objectives and actively take part in changes.

During 2016, engagement involving the entire Group took place, with Climate Analysis and extensive and specific actions targeting various departments and business divisions, with surveys and specific quantitative and qualitative initiatives. 2016 climate analysis took place between late October and early November and involved three areas: professional areas and middle managers, executives and personnel of international banks. The number of colleagues replying, from all three areas, went up compared to the previous edition in late 2014: from 51.3 to 55.2% for the first area, from 88.5 to 92.9% for the second and from 51 to 52.1% for the third. The survey showed a wider perception of Intesa Sanpaolo as being more innovative, modern and with an international slant, capable of representing added value for the Group. Professional areas and middle management in Italy reported an increased satisfaction, up from 67% in 2014 to 78%, while figures were mainly stable for international areas (77% in 2016 and 78% in 2014).

Engagement through focus groups was also extensive, with 32 sessions were held on climate analysis. During the year, other ad hoc events were held for Operations, Integrated Operating Strategies Area, International Subsidiary Banks Division.

Ad hoc surveys of various company departments were also carried out and feedback collected, with over 60 ad hoc surveys were conducted in 2016. In particular, the "Survey of Ideas for Banca dei Territori" involved all colleagues in Italy to improve the Division's services. A selection of the 12,994 ideas submitted was discussed during over 400 round tables with branch directors.

Colleagues are also regularly involved in providing ideas and suggestions or are called on to express their level of satisfaction with top management Web TV interventions. All Group colleagues, in Italy and abroad, were regularly informed of the progress of the Business Plan's implementation in various sectors of the Group. Communication and information activities targeting people working in the company continued, as regards both services and industrial relations.

WEB-FOCUS ON THE CODE OF ETHICS

In March 2016, a project was launched targeting engagement with international bank managers and the Code of Ethics. Online focus groups were used. Around 110 managers from different functions took part in a total of 17 web-focus sessions on the Code of Ethics applied to their own contexts. The sessions all had a common theme, including the most representative values for their activities, the importance of the Code of Ethics as a stand-out feature for the Group and Bank, its function in guiding behaviour and decision-making processes. Thanks to contributions from the managers, ideas and broad-ranging and specific priorities were identified, to improve the adoption of the Code of Ethics.

The web-focus sessions revealed a need to increase training on and communication of the Code through a single, yet concrete approach, based on different activities and/or situations and possible circumstances. Main improvement actions being assessed include new e-learning programmes, featuring numerous real-life examples and case studies.

In the Insurance Division, the "Progetto Ascolto" (Listening Project), which was started in 2015, enabled the Division Manager to meet all staff in person, in 44 plenary sessions organised for each department/unit, to listen to needs and plan new initiatives also for exchanging ideas and internal mobility. These initiatives include regular "Company breakfast sessions" and "Adopt a colleague" to get to know other company functions. The "Progetto Ascolto" also led to the idea of "Myinsurance", the in-company portal offering services for colleague's specific needs, from a single access point.

ONEDESK

OneDesk is the cooperation and co-working portal for international banks, launched in September 2016. The portal is mainly for colleagues at the head offices of the international banks division, of banks and Parent Company units working with them, but is potentially extended to all Group colleagues. OneDesk promotes interaction and cooperation among colleagues, breaking down geographic barriers and increasing networking opportunities on both a professional and personal level. It is a considerable information source about international banks and also showcases the Group's international dimension. This has improved efficiency and effectiveness at work, thanks to a virtual workspace where individuals and work teams can share and work on the same files and projects. At the end of 2016, 4 workspaces were active (new workspaces for other professional areas will be implemented in 2017), and there were over 2,800 registered users (out of a target of around 9,000 colleagues).

AN ADVANCED AND ENGAGED WELFARE SYSTEM

Intesa Sanpaolo has chosen a corporate welfare model that operates within an integrated system and includes: a supplementary pension scheme, supplementary healthcare, the cultural, recreation and sports association for Intesa Sanpaolo Group employees (ALI), and mobility management activities and activities focused people and a work/life balance.

Starting from continual engagement with employees, the model targets the main aspects of a better work/life balance for employees and their families, with the aim of promoting solutions and projects which are sustainable and consistent with their expectations.

From the very start, the Group has adopted a structured welfare system also developed through work with trade unions, to offer a comprehensive programme featuring supplementary pension and healthcare schemes, flexibility for a better work/life balance through permits, leave, flexible working hours both morning and afternoon, part-time options, etc., and subsidies and economic contributions, such as benefits for families with disabled children, out of the workplace accident policies, loans, mortgages, meal vouchers and study grants.

With the 2014-2017 Business Plan, debate with trade unions on welfare issues was even more effective, with a joint body set up – the Welfare, Safety and Sustainable Development Committee – directly involving company technical functions in specifically overseeing these issues. Innovative measures have been jointly developed by the works of the Committee and incorporated into agreements that put the Group at the forefront of welfare management.

WELFARE

Following agreements signed in 2015, it was possible to set up a single Pension Fund with defined contributions from the Group, incorporating nearly all equivalent funds and staff registered with open funds or who are not registered with any welfare schemes. In July 2016, the project was finalised with staff registered with Group pension schemes, as well as 4,000 employees previously registered with open pension funds on a collective bargaining basis being switched over to the defined contribution Pension Fund of the Intesa Sanpaolo Group. New recruits and colleagues with no supplementary welfare schemes also joined the pension fund in the same month. The operation involved over 60,000 people.

The minimum contribution from the employer went up to 2.5% as from January 2016, and to 3% as from January 2017. It will go up to 3.5% in January 2018. As from 2016, these payments by the employer are guaranteed, regardless of contributions made by registered members. Various welfare schemes of the Group's international companies are also being monitored to assess the possibility to start streamlining processes.

FUTURE SUSTAINABILITY

To help younger staff of Intesa Sanpaolo to access credit facilities, the Bank has provided the opportunity for under 35's to apply for loans up to 100% of the property value and with maturities of up to 40 years.

SUPPLEMENTARY HEALTHCARE

The Healthcare Scheme Fund protects the health of over 200,000 people benefiting from the scheme's services, with amounts reimbursed to scheme members and medical services provided directly during 2016 amounting to over 140 million euro. This figure is far higher than previous years and reflects an increased interest in the scheme, which is one of Italy's leading healthcare schemes and a principal player in supplementary healthcare.

As from 2016, the Scheme has been trialling the reimbursement of innovative treatment medicines for severe illnesses that are already included in the Italian Medicines Agency (AIFA) Directory, but not covered by Italy's National Health Service.

During the year, the scheme worked with the International Banks Division and the Intesa Sanpaolo Welfare Department to provide healthcare for employees of the Group's international subsidiaries who are not covered at present. A solution was identified for 2017 providing cover for more risks, through a healthcare policy for around 23,000 staff members at international subsidiaries of the Intesa Sanpaolo Group.

The cardiovascular prevention campaign which ran during the second half of 2015 and the first few months of 2016

was successfully completed: around 13,000 questionnaires were compiled, centres administered “600” diagnostic “packages” free of charge and activities to raise awareness of cardiovascular risks were extensive (specific material published on various Intranet/Internet channels and sites was viewed online 65,000 times).

From November 2016 to the end of May 2017, the “Colours of Health” initiative launched a new campaign on the prevention of osteoporosis, a widespread disease that above all affects women.

The initiative is for all Healthcare Scheme female members aged from 40 to 60 years. To take part in the campaign, members have to fill in an online questionnaire: high-risk subjects can have a free bone mineral density scan.

The “Guide with practical advice on a healthier lifestyle”, with tips to reduce the risk of osteoporosis, is available to all members, and can be consulted/printed from the “Colours of Health”/Prevention section of the Scheme’s site.

The Scheme took extensive action, contacting members by email and through online channels to support the campaign and raise awareness among members of the correct prevention of this illness.

At the same time, a regular column with articles by experts and qualified professionals was launched on the Healthcare scheme’s website, which can be accessed by all scheme members.

The Insurance Division set up a “Wellbeing at work” section on the internal portal, with three themes covering various initiatives to promote every type of wellbeing: Nutrition; Body and Mind; Smoke Free. In particular, “Healthy Nutrition Sessions” were promoted, in conjunction with the San Raffaele Resnati Hospital and involving 145 members of staff.

The “Smoke free” theme covers images, stories and features to encourage awareness and the direct involvement of staff. In particular, an awareness meeting was held with the Director of the Anti-Smoking Clinic for the Milan area.

SERVING UP HEALTH

As part of the “Gusti Giusti” (Right Taste) project launched in 2008 in collaboration with the Slow Food Association and active today in all eleven canteens of the Group, Intesa Sanpaolo has developed various activities and projects over the years, to promote the principles of good, tasty and sustainable nutrition. In June 2016, the second stage of the “Taste the World” project, launched in 2015 to celebrate the international dimension of the Group and its added value, was completed. The project came about from a joint initiative of the international Banks Division, the CSR Sub-department, the Welfare Department and General Services Department, involving staff from International Banks working in Italy, who gave recipes of traditional dishes from their own countries to serve on particular days in one of the Milan canteens. 44 recipes were collected and 10 days have been dedicated to the initiative.

A VEGETABLE GARDEN IN THE COMPANY

In 2016, the “Urban Vegetable Garden” initiative of the Milan Insurance Division continued. This is a long-term project from an idea of some colleagues and developed in association with Slow Food, inspired by the values of “good clean and fair”. In detail, an agri-ecological vegetable garden especially created on the terraces of Viale Stelvio in special containers was tended, and a series of learning sessions for the group of employees who look after the garden on a regular basis were held. The project was also awarded by the Workplace Health Promotion Lombardy programme, as part of initiatives to promote wellbeing and a better work/life balance.

THE VALUE OF TIME: ACHIEVING A WORK/LIFE BALANCE

Level-two collective bargaining of the Intesa Sanpaolo Group includes a number of measures to promote a better work/life balance. These include the “Time Bank”, an annual “bank” of hours of paid leave for employees, who can use the time in case of serious, proven personal and/or family situations if they need additional leave. The time bank was given 50,000 hours by the Company in 2016, and was topped up by voluntary donations of holiday leave, public holiday leave and hours worked as “time bank hours” by employees plus the same amount of hours from the company, with a particular focus on cases of seriously ill minors.

Employees donated 8,078 time bank hours during 2016, with the same number of hours donated by the company, in addition to the initial 50,000 hours. This made it possible to give employees with difficulties over 2,000 days of leave, giving them concrete support in managing difficult personal and family situations.

The Group has also provided extra hours of paid leave which may be used by colleagues who do “voluntary work” for specific projects/initiatives with social purposes outside the Group, also promoted by external bodies, selected by the Intesa Sanpaolo Onlus Foundation and/or Banca Prossima. During the last quarter of 2016, the first initiatives were promoted, involving 10 different associations in Italy and 75 colleagues, over 76 working days. The Bank has also introduced an option for employees to take days off on a voluntary basis, without the need to give justification, for a maximum of 15 working days; in this case the Company will pay 35% of standard remuneration. A comprehensive set of measures has been introduced to encourage the involvement of fathers in family care (including supplementing remuneration in the case of parental leave taken by the employed father). Permits are available for specialist visits for employees suffering from serious diseases as well as permits to support home schooling activities for children with specific learning disabilities.

FLEXIBLE WORK: BENEFITS FOR BOTH PEOPLE AND THE COMPANY

After an initial trial, “Flexible Work”, i.e. the possibility for colleagues to work from home, from a company hub or from the customers' premises, rather than from their office desk, following an agreement between the Company and trade union organisations, became an operating procedure to gradually extend to all Group entities in 2016. The project aims to achieve a better balance between staff and production needs. In 2016, more than 5,700 colleagues from 13 different Group companies were involved in “flexible work”.

Managers were key in deciding to include their own departments in the trial: they believed in their people and in a new way of dealing with their daily work. But the greatest success came from colleagues. They showed how a different way of working can improve the quality of work as well as personal and family life, increasing motivation and productivity.

“Flexible work” is on a voluntary basis, involving individual colleagues and focussing on inclusion, meaning it is open to all people from identified departments who satisfy some basic requirements. The project is particularly innovative because it allows people to work from home up to 8 days a month, also divided up, while flexible working from the hub and at the customer's office does not have specific limits.

Positive feedback, in terms of satisfaction and business productivity, led the company, and the Welfare, Safety and Sustainable Development Committee to continue with the “Flexible Work” project, paying particular attention to

network entities operating in Italy and the possibility of smart learning for professional training.

Alongside this flexible work project, Intesa Sanpaolo participated in the “Flexible Work Day” event organised by the Municipality of Milan. The initiative is aimed at private companies and public authorities trying out alternative working methods. The objective is to improve flexibility of the organisation and productivity, and reduce the time spent on commuting from home to work, thereby contributing to improving individuals' quality of life and reducing environmental pollution.

EXCELLENCE - FOR LITTLE ONES TOO

Five company crèches – our “baby nurseries” operating in Milan, Florence, Naples, Turin Moncalieri and the new Turin Headquarters – accommodating 255 children in total, offer considerable support for families. The quality service meets requirements of the PAN Consortium's Quality Manual, prepared by a Scientific Committee, which covers all aspects of educational and organisational management. High educational standards go hand in hand with facilities that comply with environmental sustainability principles, favouring the use of FSC (Forest Stewardship Council) and PFEC (Programme for the Endorsement of Forest Certification) certified materials. To integrate the service, a number of agreements are in place with the PAN Consortium and, with a view to enhancing the options offered under intercompany agreements, the pilot project for a corporate crèche shared with Telecom Italia continued in Milan for Intesa Vita staff.

CRÈCHE FOR CHILDREN IN LONG-TERM HOSPITAL CARE

Based on its significant experience with company and community welfare, a pilot project began in late 2016 for a crèche for children in long-term care at the outstanding Paediatric Oncology/Haematology Unit of the Regina Margherita Hospital in Turin. The project offers free nursery care five hours a day, five days a week, throughout the year, for all children aged from 6 to 36 months – of employees and others – who are at the hospital. The service can also be used by children who have been temporarily transferred from other departments for treatment.

The project, which is sponsored by the City of Turin, helps children overcome the social and psychological isolation caused by their condition, by debilitating treatments and long-term hospital stay. The patients are assisted by specialist, qualified nursery staff who help the children in their cognitive development with tailor-made educational activities. The service also gives families concrete support to help them adapt to circumstances which are far from their normal routines.

INTESA SANPAOLO WORKERS ASSOCIATION

As part of the integrated company welfare system, the Association – with 125,000 members – is providing a new type of welfare, catering for the diverse needs of people and offering leisure solutions – encompassing tourism, culture and sport – at special rates. A website with management system streamlines administrative formalities, and also offers services for a better work/life balance. At the end of the year, an agreement was reached with Coopselios and Cadiai to implement Welcare family services and offers services at special rates from parenting to caring for the elderly and persons who are no longer self-sufficient, with a view to achieving a better work/life balance.

Families with children in full-time education can benefit from summer holiday initiatives; open to children and students from 4 to 25 years, camps organised by the association were attended by 1,800 children, while 2,700 families opted for other camps with a contribution paid by the Association. For families with children affected by disabilities, the contribution was doubled.

Since 2016, 10 grants have also been provided for an intercultural programme to study abroad for a year/six months, as well as 10 grants for summer study programmes. An important new addition to the Association's initiatives is the chance to buy school textbooks at discounted prices, and also receive a special contribution, with 3,100 children of association members benefiting.

To further support the household spending of its members, the Association gave out 15,000 contributions for sports and leisure courses, and over 4,000 contributions for medical check-ups for participants of competitive sports.

Over 46,000 vouchers to purchase books were given out, and members can access LEA, the new Laterza

book streaming platform, free of charge. Over 180,000 discounted cinema tickets were also made available.

During the year, a webticketing service was also provided, generating 13,000 contacts.

In September, the second edition of "Push to Open" took place. This programme was set up to help young people enter the world of work, in partnership with Jointly, and involved over 330 young people in the last two years of high school. "Push to Open" is a programme comprising several stages based on direct contact and interaction with experts and people from the world of work, encouraging young people, promoting contact and offering useful information to help make their ideas and university and professional choices a little clearer.

In autumn, the ALI IN FESTIVAL was held, the first of its kind dedicated to Intesa Sanpaolo staff and their families, with two days dedicated to knowledge. Over 800 members from throughout Italy met up in Florence for events, culture and shows. The festival was attended, among others, by Zygmunt Bauman, who held a talk on "Finding happiness in a consumer society" and by Gianrico Carofiglio, who spoke of the power of language. The Fondazione Banco Farmaceutico Onlus (Non-Profit Pharmaceutical Bank Foundation) was present at the Festival; this foundation has set up a project in partnership with Intesa Sanpaolo to collect unused medicines which have not expired, to promote initiatives encouraging donations of medicines. The project – which already covers Milan and Turin – is in addition to support from over 150 members who volunteered during the Medicine Collection day.

MOBILITY

Intesa Sanpaolo continued to focus on sustainable mobility issues in 2016, researching and suggesting innovative solutions for personal mobility needs (see the section on "Natural capital", page 119).

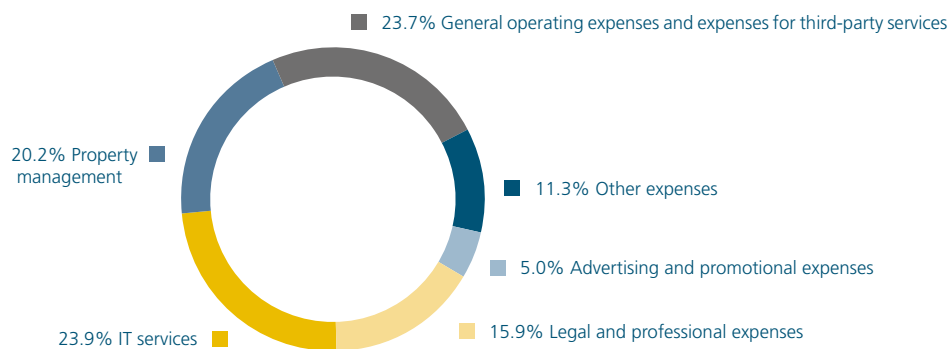
RELATIONS WITH THE SUPPLY CHAIN

Intesa Sanpaolo is committed to effectively managing the implications and risks of an ethical, social and environmental nature of its supply chain. For this purpose and in compliance with the principles in the Code of Ethics, it has adopted Group Procurement Guidelines and Purchasing Rules, which observe social and environmental responsibility criteria and must be adopted by all functions involved during the sourcing process.

Since 2012, a project has been underway to centralise Group purchasing, with the main aim of making the purchasing model, rules and processes uniform. In this context, during the second half of 2016 contract standards were revised, to streamline relations with all suppliers, including international suppliers, and subsuppliers, to improve monitoring of specific issues.

In 2016, overall expenses incurred by the Intesa Sanpaolo Group totalled over 2.6 billion euro, broken down as follows*:

Breakdown of 2016 administrative expenses [%]



* The figures and comments refer to the reclassified consolidated income statement published in the 2016 Financial Statements.

FAIRNESS AND TRANSPARENCY IN RELATIONS WITH SUPPLIERS

To ensure transparency and fairness, the purchasing process is based on company procedures that require fair negotiations and a competitive comparison of the technical and economic aspects of bids made by selected suppliers and their subsupply chain. Generally, Intesa Sanpaolo Group selects suppliers based on pre-contract qualification to assess their economic/financial and technical/organisational characteristics. If the qualification process is successful, suppliers are registered in the Group supplier database.

In 2016, the Procurement Department continued to use the "Suppliers' Portal": this platform is for the qualitative assessment of suppliers and provides an online negotiation system. The portal makes it possible to impartially compare a number of bids for the same procurement event, differentiating the evaluation of the technical and/or administrative part from the purely economic part. Each supplier can view the status of procurement procedures, in a special section, and post their bids.

The process makes it possible to purchase products and services at the best market conditions, which meet specific requirements for functionality, quality, safety and environmental protection, complying in full with applicable laws and regulations.

In this context, market comparison ("Tenders") is currently the standard purchasing procedure, both in Italy and abroad, since it is the only procedure that allows for greater fairness and transparency in managing bids and awarding the tender.

To guarantee the Procurement Department's assessment of the entire supply chain, the registration and qualification process was also extended to subsuppliers in 2016, with mandatory registration in the Suppliers' Portal. Operating Guidelines were also issued on managing sub-contracting and contract templates were published, to streamline the subcontracting authorisation procedure.

To consolidate the monitoring of business ethics, compliance with human rights and the protection of workers' rights and the environment, a project was started in the first half of 2016 which will gradually replace the "Suppliers' Portal" currently in use with a

new e-sourcing application called the “New Suppliers' Portal”. The new solution, with a module tested in 2016 on 15 suppliers, requires potential suppliers to meet some obligations from as early on as registration. The “New Suppliers' Portal” has a questionnaire on CSR issues. Information of mandatory documents must be updated at least annually. The new supplier qualification process will also make it possible to obtain a Supplier rating that integrates CSR information, which will be monitored over time.

International banks are also increasingly aware of these issues in relation to their local suppliers. For example Intesa Sanpaolo Bank Albania has published all its contracts on its website since 2016, and requests suppliers to provide evidence of the certificates of origin of supplied products.

ASSESSING THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF SUPPLIERS

The “Suppliers' Portal” used by the Procurement Department requires registration when candidates are requested to view Intesa Sanpaolo's Compliance Programme (Legislative Decree 231/2001), Internal Code of Conduct and Code of Ethics. If registered entities become qualified Intesa Sanpaolo Group suppliers, contract clauses of the agreement signed require them to comply with the principles in the above documents. Standard controls are also carried out on documents certifying the technical eligibility of companies (registration with the Chamber of Commerce, presentation of Chamber of Commerce records, of welfare contribution records), and their financial and capital strength, as well as the absence of detrimental events concerning suppliers and subsuppliers.

Out of the 8,777 suppliers on the “Suppliers' Portal” recorded in Italy by the Procurement Department, 5,263 (equal to 60%) completed registration and replied to specific questions on social/environmental issues in 2016. Analysis of replies shows the following breakdown: 11% declared they publish a social and environmental report, 4% hold SA 8000 certification, 19.17% have a code of ethics or policies describing their social commitment, 13% hold environmental certification and 8% have an environmental policy. These percentages have all increased compared to 2015 and show that the Group's focus on social/environmental issues have led suppliers to be more aware of these aspects as well.

International banks using the Suppliers' Portal (VÚB Banka, Banca Intesa Beograd and Privredna Banka Zagreb) also report a good coverage of CSR issues. Suppliers of these banks completing registration and the questionnaire totalled 473 in Croatia, 639 in Serbia and 292 in Slovakia out of a total of 2,085

suppliers surveyed (equal to 67%). Analysis of replies shows the following breakdown: 16% declared they publish a social and environmental report, 1.3% hold SA 8000 certification, 25.9% have a code of ethics or policies describing their social commitment, 13.3% hold environmental certification and 16.1% have an environmental policy.

With the gradual changeover to the “New Suppliers' Portal”, all suppliers and subsuppliers will be required to complete the CSR questionnaire.

Another line of action, which helps strengthen the wider-ranging activity of supplier monitoring, is the technical assessment of performance in ICT supplies of the ICT Systems Department. This initiative, based on a survey conducted internally at this department, is in its fifth year of operation and covers a group of suppliers that in 2016 represented approximately 94% of orders by the ICT Systems Department, for a total of approximately 291 suppliers assessed. The process involved 155 colleagues replying to an electronic questionnaire on supplier assessment, based on four categories according to the type of service/product purchased (application services, infrastructure services, hardware and maintenance, software licences and maintenance). The replies to the questionnaires helped to identify any areas for improvement and to rethink supplier relationships from a strategic point of view. In parallel, in cases where findings showed a failure to meet contract service levels, specific warning letters were sent to suppliers (53 letters in 2016).

To monitor the supply chain and CSR issues more effectively, courses on “Responsibility and Systemic thinking” and “Disseminating a risk culture and impact on the sourcing process” were held for some Purchasing Department staff in 2016, while seminars were organised by the ABC Procurement and Cost Management consortium on CSR issues and business sustainability.

HEALTH AND SAFETY OF SUPPLIERS OPERATING ON OUR PREMISES

In 2016, Intesa Sanpaolo's activities targeted not only employee protection but also to the protection of suppliers conducting their activities on Bank premises in Italy. In particular, the process to manage measures to coordinate interference that may occur during outsourced works of various suppliers and bank personnel, is governed by specific internal regulations available on the company intranet. In the case of worksites, evaluations and relative measures are included in the Safety and Coordination Plan and in specific Operating Safety Plans prepared by competent positions appointed by the Client/Works Director.

RELATIONS WITH THE COMMUNITY

The Intesa Sanpaolo Group takes a responsible and active role in support and collaboration in local areas and communities where it operates. It also promotes some international projects in areas where it does not have business activities, but which are vulnerable in economic, social and environmental terms.

The Group is committed to the community through: donations, for managing temporary situations of difficulty in local areas, and for long-term solidarity; the sponsorship of projects with a positive impact on the community; substantial investments in art and culture; company volunteering initiatives and programmes involving all Group personnel.

2016 CONTRIBUTION AND BREAKDOWN

Cash contributions to the community by type in 2016	[thousands of euro]
Monetary contribution to the community	46,412
Goods and services donated to the community	27
Time contributions	146
Operating costs	3,682
Total	50,267

Cash contributions are classified based on the reason and broken down as follows:

- 51.6% comprise community investments: contributions characterised by long-term plans and/or strategic partnerships and/or of significant amounts. This figure is steady compared to 2015 and accounts for the largest portion of cash contributions, showing the strategic nature of the Group's activities targeting long-term cooperation that can produce real benefits and values for local areas and communities;
- 37.9% refers to commercial initiatives (sponsorships) for social causes, which also promote the Intesa Sanpaolo brand and business;
- the remaining 10.5% consists of charitable gifts, of an occasional nature and for small amounts, including match giving initiatives (donations by the Bank during fund-raising campaigns, combined with the donations of employees or customers).

SUPPORT FOR CULTURE

PROGETTO CULTURA

A focus on art and culture is a priority of the strategy driving activities supporting the community. The Progetto Cultura (Culture Project) is a strategic reference framework for the long-term planning of the Bank's cultural initiatives and has several objectives. On the one hand, it aims to encourage an increasingly large public to use its important artistic, architectural, publishing and documentary heritage, which is a result of the history and tradition of patronage of financial institutions that have become part of the Group. On the other, it aims to contribute to safeguarding Italy's cultural heritage. Promotion of the Bank's artistic heritage is implemented along various lines: the study and scientific cataloguing of works; restoration; projects for a permanent exhibition of some of the collections (Gallerie d'Italia in Milan, Naples and Vicenza); the planning and organisation of temporary exhibitions; support for scholarships for training opportunities and research for young people in partnership with universities; loaning works to temporary exhibitions.

In 2016, the programme for the conservation and public use of the Group's artistic heritage continued, with a view to disseminating and promoting historical, artistic and cultural knowledge. Restoration projects took place, works were loaned and exhibitions held at Gallerie d'Italia to showcase the wealth of the Group's collection with thematic readings and critical analysis for different research possibilities.

Partnerships with universities and centres of excellence for scientific research continued, to recover, safeguard, protect and value archaeological, historical and artistic heritage. Grants were given for young graduates to benefit from significant opportunities to develop professional expertise in the field of cultural assets.

The exhibition on Francesco Hayez was of national importance (some 120 works were presented, with over 180,000 visitors), as well as the exhibition on

Venetian landscape painting "Bellotto e Canaletto. Lo stupore e la luce" ("Bellotto and Canaletto. Wonder and light"), with some 100 works displayed at the Gallerie d'Italia - Piazza Scala, Milan.

The seventeenth edition of "Restituzioni", the project which has been running since 1989 for the recovery, protection and promotion of Italy's artistic heritage, presented the results of restoration works to the public at large, with a final exhibition held for the first time in Milan "La Bellezza ritrovata. Caravaggio, Rubens, Perugino, Lotto e altri 140 capolavori restaurati" ("Beauty rediscovered. Caravaggio, Rubens, Perugino, Lotto and another 140 restored masterpieces").

INITIATIVES WITH A PARTICULAR SOCIAL FOCUS

In 2016, Gallerie d'Italia – above all in Milan – proposed a number of initiatives dedicated to disadvantaged and vulnerable groups:

Projects	Category	Description	Partner organisations	Meetings and users involved
A hands-on museum	Guests of Day Centres for the disabled and applicant refugees	Educational activities	The day centres MI (Via Treves, Casa Gabbiano) and Farsi prossimo Onlus	20 sessions
A tour of Milan's museums	People affected by Alzheimer's	Art therapy	Fondazione Manuli Onlus	28 sessions
For other eyes	People with sight disabilities	Museum collections	<ul style="list-style-type: none"> ■ IRCCS Fondazione S. Maugeri Pavia ■ Museo Omero di Ancona (Omero Museum, Ancona) 	10 guided tours
Art: a bridge between cultures	Citizens from other countries	Interculture	FAI and Amici del FAI	2 training sessions + 10 guided tours held by mediators
Affection - Effects of Art	Subjects with psychological difficulties	Training at work to access culture and wellbeing	Third sector Families, Coordination of the Milan Association for Mental Health, Ala Sacco Regional Innovation Project	11 sessions

One of the many initiatives of the Gallerie di Palazzo Zevallos Stigliano in Naples benefiting vulnerable groups was the theatre workshop run by women from a socially disadvantaged area (Forcella) as a forum on inclusion.

The "Art and Memory" project continued at the Gallerie di Palazzo Leoni Montanari di Vicenza, with a programme of weekly events for guests at residential and day centres for the elderly, conceived to promote intergenerational engagement. Another cultural event involved people affected by Parkinson's in an activity combining art, music and contemporary dance, focussing on the health impact of dance on the neurological system of sufferers of this disease. The "Music beyond barriers" project was held at special venues: at the city's prison, in hospital oncological units and at residential homes for the elderly.

HISTORICAL ARCHIVES

The fundamental objective of the Historical Archives is to increase accessibility to the archives records – including special photographic, iconographic and multimedia sections – by increasing the number of inventoried data and digitalised documents (hundreds of thousands of pages available online). Digitalisation has concerned particularly valuable documentary sources and key documents (minutes of Board Meetings) from the bank's archives.

Guided tours open to the public, lessons for university students and professional seminars have increased steadily. The involvement of universities has continued, through the funding of research projects that offer younger researchers from different areas the chance to carry out scientific research using sources in the Historical Archives.

Activities to protect the archives continued, saving and obtaining documentary sources at risk of being lost and increasing work to restore existing documents.

Management of the iconographic and museum collections was consolidated considerably during the year.

EDITORIAL AND MUSIC EVENTS

Editorial and music events in 2016 underscored Intesa Sanpaolo's commitment to sharing and using cultural assets with the public, to disseminate knowledge and promote literary heritage and learning for young people. On the editorial front, the multimedia Vox Imago series on opera continued. Historical/architectural guides on the Group's historical sites were made available, as well as the series Milan's Museums and Galleries (a scientific catalogue of the city's artistic heritage produced by young researchers).

Music events covered various genres, from ancient to classical and contemporary music, in partnership with acclaimed, innovative music organisations. A series of free concerts was held for the public at venues made available by the local authorities. As regards education, numerous courses were organised for disabled children and teenagers and study meetings open to the public.

DONATIONS - CHARITY FUND

The 2016 Intesa Sanpaolo Charity Fund Plan, approved by the last Supervisory Board meeting, confirmed the strategic focus on national and local projects with a significant social impact in favour of more vulnerable individuals, hit hardest by the economic crisis, with the objective of allocating over 80% of national contributions to this category. In 2016, this objective was widely met. Besides international initiatives for poorer countries, over 84% of national contributions were earmarked for vulnerable and weak categories (projects for the disabled, solidarity, social inclusion, to combat poverty, training and work for vulnerable people and healthcare initiatives in the field of research and assistance for sick people).

As for donations made at local level, managed by the Regional Departments of the Banca dei Territori Division, objectives were met (more than 60% of donations were made for projects for more vulnerable groups of the population), accounting for over 68% of the total, and increasing by over 3% compared to 2015.

Since April 2016, the Charity Fund has been directly managed by the Chairman of the Board of Directors and at the end of July new regulations were established with revised mechanisms to select organisations and proposed projects.

In particular, organisations involved in legal disputes, in matters concerning organised crime and that do not respect human rights, peaceful coexistence or environmental protection are excluded.

Projects are chosen if specific, with a clear social impact and the proven ability of organisations to achieve the objectives declared in the programme, in previous direct experience or for similar organisations. A rotation system was also introduced, to guarantee a broader and more flexible use of the Fund and, in particular, a maximum limit of three consecutive years' support for the same project, subject to the monitoring of achieved results.

To promote the aims of the Fund and facilitate the presentation of projects and access to applications, the Group's website includes a specific section on the Fund (which can be consulted in the Bank and Company area). Support for communities affected by the earthquake in central Italy was particularly significant (donations to local authorities and associations to rebuild schools and deal with public emergencies; support for schools for safe classrooms and for canteen services, sharing a project with the Prosolidar solidarity foundation, for over 325,000 euro).

During the year, some projects receiving central donations were selected to evaluate their impact according to the London Benchmarking Group model; the results were presented in the "2016 Community Paper" published on the company's website [1]. The Community pages in the Sustainability section of the website are regularly updated, with case studies of social initiatives and the relative impact assessment. Three-year international cooperation projects supported by the Fund were monitored and evaluated by CICOPS – the International Centre for Development Cooperation of Pavia University. This Centre evaluates the reporting produced every six months by organisations, certifies the progress of activities and results achieved in relation to objectives established at the start of projects and rates the degree of interaction of activities with the policies of host countries. Any deviations are reported to the organisations so they may plan necessary revision processes.

COMMERCIAL INITIATIVES WITH BENEFITS FOR THE COMMUNITY

Intesa Sanpaolo partners local and national organisations and authorities in its commitment to commercial initiatives with benefits for the community, developing cultural, artistic, social, sporting and production activities and events.

Group initiatives are mainly focussed on achieving the following objectives:

- safeguarding and promoting the country's cultural heritage, encouraging the dissemination of culture through support for cultural and musical events that can be accessed by a wide-ranging and diverse public;
- supporting research to promote new opportunities for economic and social development through partnerships with leading foundations and institutions;
- promoting sustainability as a value for businesses and a confidence factor for customers through participation in initiatives within the scope of Corporate Social Responsibility;
- promoting training opportunities for young people and the inclusion of women in the world of work;
- supporting initiatives for the socially disadvantaged;
- promoting the value of sport, particularly among young people and the universal values of playing sport, such as commitment and respecting rules.