

Stakeholder engagement in Intesa Sanpaolo



LISTENING AND DIALOGUE INITIATIVES WITH OUR
STAKEHOLDERS IN 2010

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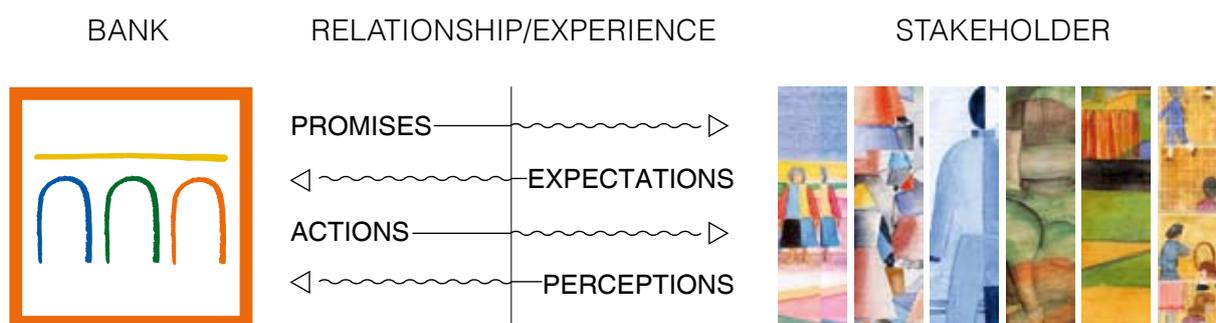
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1. PREMISE AND OBJECTIVES FOR STAKEHOLDER ENGAGEMENT IN 2010

Engaging the Bank stakeholders is a strategic part of the management of the Group's activities: the quality of relations with the various stakeholders and their past and current experiences impact on the alignment between the promises made by the Bank (value proposition) and stakeholders' expectations, perceptions and actions. Failure to align these elements generates a direct economic impact since the delivery of services is rendered inefficient and ineffective, which, in turn, causes an indirect economic impact by affecting the company's reputation.

In this sense, stakeholder engagement, defined as the activity of systematically involving stakeholders on material issues (i.e. elements that matter most to the stakeholders themselves), is an important leverage tool for monitoring and managing the quality of the company's relations.



Intesa Sanpaolo's social responsibility management model calls for a 'self-responsibilisation' of the Bank's departments - that are committed to ensuring the implementation of the values and principles of social and environmental responsibility in their daily operations by listening to stakeholders, and a shared definition of a series of targets for improvement. Based on this principle, every year, even engagement activities focused on sustainability become more integrated into the Group's institutional listening activities such as Customer satisfaction, the Office of Relations with Consumer Associations, Relations with trade unions and so on.

A management and monitoring model has been set up (see Figure 1.1) to make the activities of stakeholder engagement systematic and evaluate them (through precise measurement). The model enables the assessment of issues that have emerged, the quality of the listening activities and the effectiveness of the initiatives and projects launched by the Bank through shared parameters with all related Departments. Basically, the model meets the three AA1000APS principles (Accountability Principle Standard), as such it:

- Meets the principle of inclusiveness because it allows all initiatives to be monitored, offering the possibility of planning future stakeholders listening and dialogue activities on topics of interest.
- Checks the materiality of topics covered as perceived by the stakeholders involved.
- Allows the level of monitoring perceived by the stakeholders to be evaluated on those topics perceived as having highest priority, as well as the Bank’s responsiveness in implementing them.

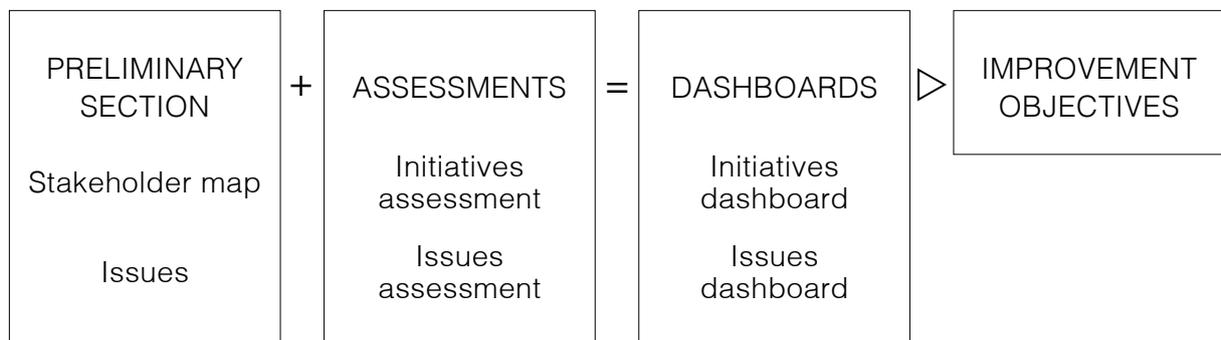


Figure 1.1

The model enables all stages of the stakeholder engagement process to be planned, implemented and monitored (see Figure 1.2).

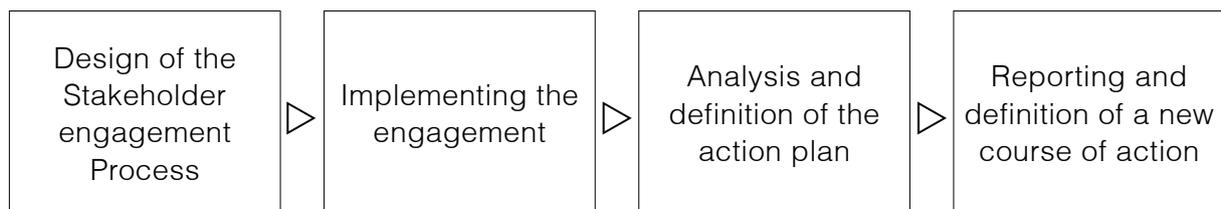


Figure 1.2

With the end of the 2007-2009 period, the Group published a report looking at the Bank’s stakeholder engagement, the methods applied, the main stakeholder engagement initiatives, the topics that have emerged and the actions that have been put in place to address the issues. This document is an update of that publication and describes the engagement initiatives implemented in 2010, the analysis of topics that have been highlighted during dialogue with our stakeholders and the three-year plan of improvement objectives that have become part of the new 2011-2013 Business Plan.

NOTE

1. cf Section 4 “Stakeholder Engagement 2007-2009. Three years of listening and dialogue with our stakeholders”.



2. DESIGN OF THE STAKEHOLDER ENGAGEMENT PROCESS

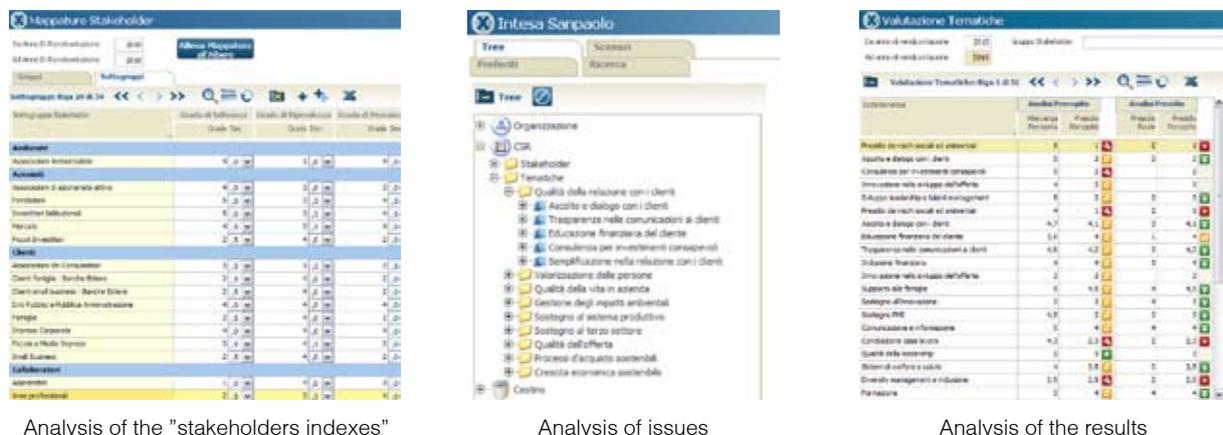
The 2010 engagement initiatives have been defined in close collaboration with the Departments being the owners of the stakeholder's relationship using the following criteria (see Figure 2.1):

IDENTIFYING STAKEHOLDERS TO BE INVOLVED:

- the most relevant stakeholder categories of the Group (according to the AA1000 principles: influence, dependency and proximity) that have not yet been involved, such as suppliers and shareholders;
- stakeholders involved in previous initiatives, but not in a structured way, such as NGOs that were involved in interviews in 2008 and in the Multistakeholder Forum but that were not involved in a specific engagement initiative.

SELECTION OF ISSUES:

- topics included in the 2007 - 2009 improvement objectives that have not yet been covered or that have been only marginally addressed;
- analysis of the topic relevance for stakeholders, and the Bank responsiveness in focusing on the most critical areas: for example when stakeholders regard a topic as very important, but the Bank's responsiveness is perceived as very low.



Analysis of the "stakeholders indexes"

Analysis of issues

Analysis of the results

Figure 2.1

DEFINING ENGAGEMENT METHODS:

- methods vary depending on the objective, the topic to be addressed and the stakeholder to be involved: for example in the case of suppliers who had not been involved in previous years, we decided to adopt a quantitative method to gather an overview of the topics that had never been addressed, whereas for the employee focus groups, an effective tool already adopted in the past, we decided to involve groups of people sharing similar characteristics, such as women, senior employees and apprentices, to understand their specific needs and collect suggestions and ideas for the development of initiatives targeted at them.

In the last two years, synergies with the Bank's various Departments have enabled us to integrate our listening and dialogue needs on sustainability with institutional initiatives. We turned to individual customers and Italian and foreign SMEs with customer satisfaction surveys featuring some questions on sustainability issues, such as support to families in times of financial crisis and financial education.

3. IMPLEMENTING THE ENGAGEMENT: 2010 ENGAGEMENT INITIATIVES

In 2010, implementation of finding opportunities for listening and dialogue with all the Group's stakeholders continued, in collaboration with the Departments concerned. At the end of the 2007-2009 period we had set ourselves a number of stakeholders engagement objectives²: the Bank had undertaken to set up listening and dialogue initiatives with shareholders and suppliers (not yet involved in previous stakeholders engagement initiatives) and to involve the International Subsidiary Banks in an increasingly integrated and synergic process with the Parent company. In 2010 a questionnaire was drawn up for a sample of the Group's major suppliers – selected through an evaluation of the degree of social and environmental impact of their business. For shareholders, a meeting with the Investor Relations Department was of prime importance in understanding the views of shareholders and investors on sustainability issues; the Fondazione Cariplo and the Associazione E.Di.Va. (Ethics, Values and Dignity, an organisation of active shareholders) represented two very different but equally important listening opportunities to get to know the perception of this group of stakeholders on the Bank's sustainability strategies.

The following table lists engagement activities carried out in 2010, the stakeholders engaged and the objective of each initiative.

NOTE

2. cf Section 9 "Stakeholder Engagement 2007-2009. Three years of listening and dialogue with our stakeholders" .



STAKEHOLDERS ENGAGED	INITIATIVE	OBJECTIVES OF THE ENGAGEMENT
Customers	<ul style="list-style-type: none"> ▪ Households and small business customers of International Subsidiary Banks: customer satisfaction surveys ▪ Interviews conducted: 24,837 in 8 International Subsidiary Banks engaged 	<ul style="list-style-type: none"> ▪ Customer satisfaction survey with focus on CSR to assess customers' perception of the International Subsidiary Banks on financial education initiatives in different countries and on the Bank's ability to support customers at a time of economic and financial crisis
	<ul style="list-style-type: none"> ▪ Italian households and small business customers: customer satisfaction surveys on new customers ▪ Interviews conducted: 2,902 with households and 224 with SMEs 	<ul style="list-style-type: none"> ▪ Customer satisfaction survey focusing on CSR to investigate the issue of transparency in communications and the Bank's ability to support customers in times of crisis
	<ul style="list-style-type: none"> ▪ Interviews with entrepreneurs (SMEs) who took part in the "Superare la crisi" (Overcome the crisis) workshop ▪ Total: 10 interviews 	<ul style="list-style-type: none"> ▪ Assess the customers' perception on the financial education initiative launched by the Bank in Piedmont and, more broadly, to investigate the level of satisfaction on the quality of the relationship with the Bank
	<ul style="list-style-type: none"> ▪ Questionnaire for the Group's 223 Confidi associations ▪ 58 participants 	<ul style="list-style-type: none"> ▪ Investigate the perception of Confidi on the services supplied by the Bank (including through the new portal) and, more broadly, on the quality of the relationship with the Bank
Employees and trade unions	<ul style="list-style-type: none"> ▪ focus groups with senior employees ▪ 43 participants 	<ul style="list-style-type: none"> ▪ Assess the perception of employees on policies and initiatives undertaken by the Bank on the development of human resources and quality of life in the company ▪ Explore the expectations of some corporate communities on the initiatives that the Bank could implement to meet these employees' specific needs (seniors, women and apprentices) ▪ Explore the perception of employees on the level of implementation of the principles of the Code of ethics (including in relation to the same survey undertaken in 2008) and the effectiveness of the initiatives implemented by the Bank to achieve its 2007 - 2009 objectives of improvement
	<ul style="list-style-type: none"> ▪ 3 focus groups with female employees ▪ 37 participants 	
	<ul style="list-style-type: none"> ▪ 3 focus groups with apprentices ▪ 26 participants 	
	<ul style="list-style-type: none"> ▪ 1 focus group with trade unions ▪ 12 participants 	
Shareholders	<ul style="list-style-type: none"> ▪ Interview with the Investor Relations Department 	<ul style="list-style-type: none"> ▪ Understand the importance of sustainability issues for financial analysts and investors in evaluating the Group's performance
	<ul style="list-style-type: none"> ▪ Interview with Fondazione Cariplo 	<ul style="list-style-type: none"> ▪ Investigate whether this type of investor includes non-economic factors when examining the Bank
	<ul style="list-style-type: none"> ▪ Interview with active shareholders 	<ul style="list-style-type: none"> ▪ Investigate the opinion on Intesa Sanpaolo's sustainability approach ▪ Gather opinions on the approach the Bank should adopt in its relations with active shareholders associations



Suppliers	<ul style="list-style-type: none"> ▪ Online questionnaire for a sample of 145 suppliers 	<ul style="list-style-type: none"> ▪ Get to know the suppliers' perception on the Group's sustainability and obtain information on the suppliers' sustainability management
Environment and community	<ul style="list-style-type: none"> ▪ Interview with Banca Prossima's Stakeholder Relations Unit 	<ul style="list-style-type: none"> ▪ Share Banca Prossima's engagement experiences with its stakeholders to evaluate possible synergies with the activities carried out by the CSR Unit
	<p>Interviews with:</p> <ul style="list-style-type: none"> ▪ Amici della Terra ▪ Campagna per la Riforma della Banca Mondiale ▪ OXFAM Italia ▪ Greenpeace Italia ▪ Mani Tese ▪ Fair ▪ Survival International ▪ Anti-Slavery International ▪ Movimento primo Marzo 	<ul style="list-style-type: none"> ▪ Learn more about the social and environmental risks affecting some sectors in which the Bank operates <p>See report with interview outcomes ↗</p>

Table 3.1

4 ELEMENTS ARISING FROM ENGAGEMENT

In the following sections we provide a summary of the findings that emerged from stakeholder engagements during the engagement initiatives in 2010.

CUSTOMERS

In 2010 we focused on those customer segments - households and small and medium enterprises - that were severely affected by the economic-financial crisis. The engagement methods have been differentiated according to the type of customers involved and the objectives (see Table 3.1.).

1. Among the numerous customer satisfaction initiatives launched by the Bank is a survey, which has been ongoing for several years, specifically for new customers: “Progetto Benvenuto” (the Welcome project) aims at identifying and monitoring the satisfaction of new customers on their relationship with the Bank and on channels, services/products that they are given, one year after they open their account. The CSR Unit, in collaboration with Customer Satisfaction, has added a question about the perceived level of communication transparency and one on the Bank’s support in times of crisis³.
2. The questionnaire to the guarantee consortiums (Confidi) working with Intesa Sanpaolo Group Banks focused on collecting this customer segment’s perceptions of the relationship with the Bank and the quality of the relationship between the Bank and the associated companies.
3. Among other SME engagement activities, a series of interviews were conducted with companies that have participated in the series of workshops “Superare la crisi: predisporre il cambiamento e valorizzare il business nel dialogo con la Banca” (Overcoming the crisis: prepare for change and enhance business in dialogues with the Bank), organised in April 2010 by Intesa Sanpaolo and SAA - School of Management of the Turin University.
4. In collaboration with the International Subsidiary Banks Division, an initiative was launched to learn about the perception of the International Subsidiary Banks’ customers – who are still not involved in a structured way - on the social and environmental responsibility initiatives of each Bank. The focus of the survey was the Bank’s contribution to the social development of local economy (through financing, supporting cultural activities, protection of the environment, etc.), support for families in times of crisis and the issue of financial education, a topic that is very relevant in countries where the Group operates.

NOTE

3. Regarding the Bank’s support in times of crisis, answers to the questionnaire for SME’s are not significant because the percentage of those who responded and benefited from these services is minimal.

QUALITY OF RELATIONS

“Benvenuto” (Welcome) customer satisfaction survey

Customer satisfaction one year after entering into a relationship with the Bank is high (83% for households and 74% for SMEs - see Figure 4.1); one in four households and one in three SMEs thought it exceeded expectations. 73% of households thought it in line with expectations and 24% thought it exceeded expectations; for SMEs, 58% thought it met the expectations and 32% better than expectations (see Figure 4.2). With regard to the issue of clarity and transparency in communication, 93% of households and 91% of SMEs deemed it excellent or good.

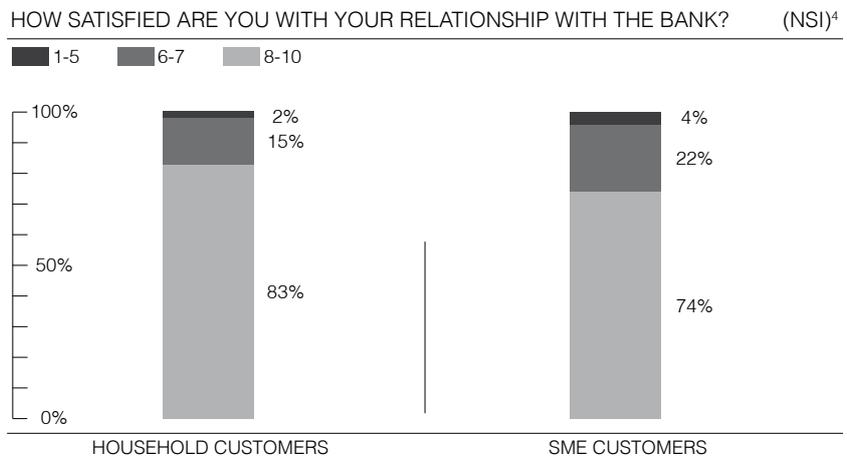


Figure 4.1

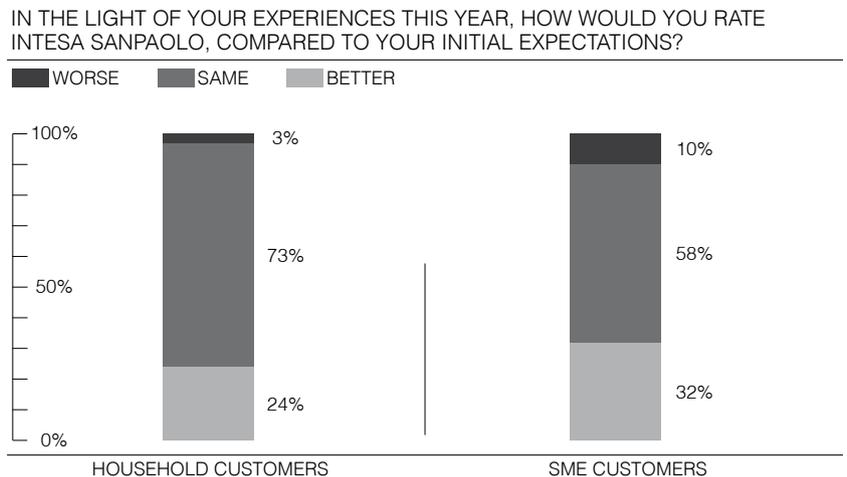


Figure 4.2

NOTE

4. NSI: Net Satisfaction Index. The indicator used for all variables of satisfaction (measured on a scale of 1 to 10). The indicator is based on three classes: Satisfied votes 8-10 - Neutral: votes 6-7 - Dissatisfied: votes 1-5



IN PARTICULAR, HOW WOULD YOU JUDGE THE CLARITY AND TRANSPARENCY OF THE BANK'S COMMUNICATIONS REGARDING THE CHARACTERISTICS OF PRODUCTS AND SERVICES?

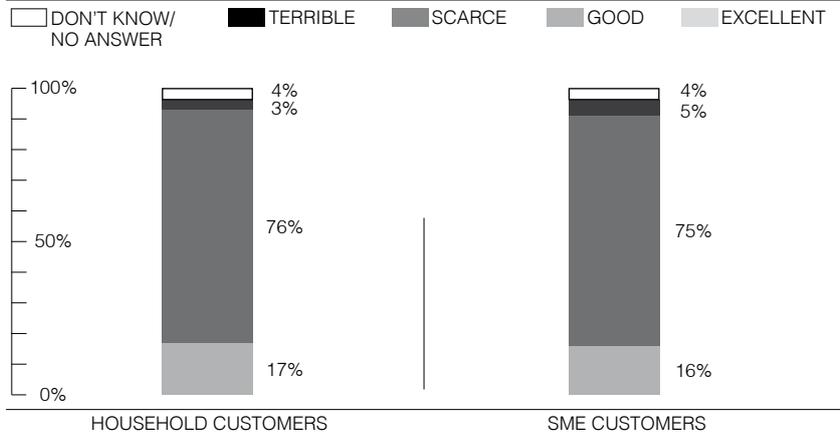


Figure 4.3

Questionnaire to Confidi

The perceptions of Confidi on the quality of relationships with the Bank in terms of ease of dialogue, availability and professionalism, and the availability of the Bank towards associated companies are lights and shadows (see Figures 4.4 and 4.5).

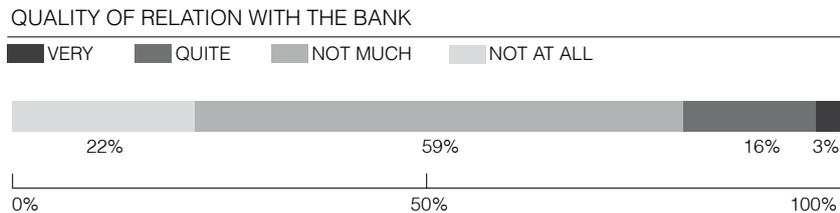


Figure 4.4

The Confidi Portal is valued as a tool that facilitates the relationship. As for the relationship between the Bank and Confidi, the element judged most positively is the Bank's behaviour on transparency: the commitment towards the simplification of the products, the completeness of information and the exploitation of all available channels for communication is recognised by nearly 70% of participants (see Figure 4.5).

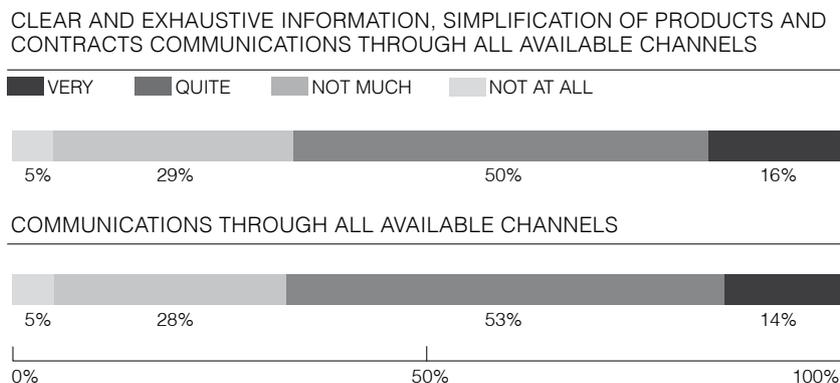


Figure 4.5



Less positive, however, is the opinion on specific communications from the Bank relating to its relationship with Confidi and, in particular, on positions at risk or already compromised and on the events that may negatively affect the position of guaranteed companies.

Interviews with SMEs that took part in the “Superare la crisi: predisporre il cambiamento e valorizzare il business nel dialogo con la Banca” workshop

When it comes to the relationship with the Bank a picture of general satisfaction of participants emerged, although some considerations on the increased complexity of relations following the recent changes in the Group were also expressed. Even if Managers are generally highly regarded for their professionalism, availability and expertise, it was noted that this position does not have enough decision-making power to assist customers effectively or in a timely way, due to the Bank’s internal bureaucracy and the various hierarchical levels which make the process less smooth and quick than needed by customers.

Finally, all participants expressed strong satisfaction with the Bank’s financial education initiative, both for its usefulness and exhaustiveness of topics covered and the features of the workshops which were interactive and allowed participants to meet the teachers and representatives of the Bank to discuss specific issues in person.

International Subsidiary Banks Customer Satisfaction

With regard to the International Subsidiary Banks, we wanted to investigate the issue of financial education given that some of the Group’s Banks implemented important initiatives in this direction: the question “To what level do you think that the Bank is able to provide you with the tools needed to increase your financial knowledge” received quite varied responses which were overall positive (see Figure 4.6)

FOREIGN BANKS: FINANCIAL EDUCATION

SCORE: 0 = MINIMUM AND 100 = MAXIMUM

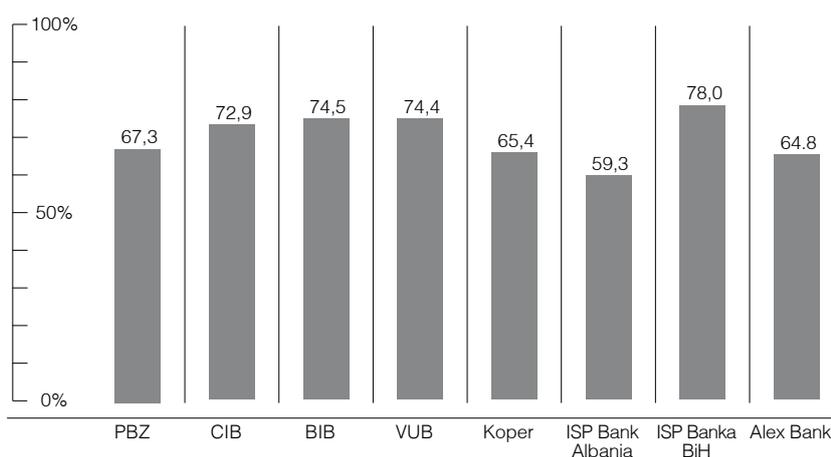


Figure 4.6



Still part of the survey on the International Subsidiary Banks' customer satisfaction, families were asked how much they believed the Bank supported households in times of crisis (see Figure 4.7). Again, the results were quite varied.

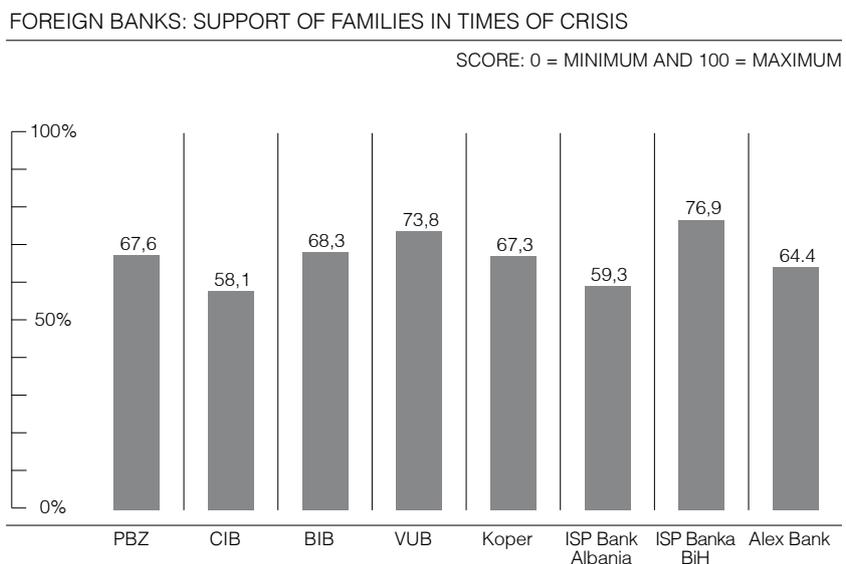


Figure 4.7

BANK ACHIEVEMENTS:

see "The quality of relationships" section, Social Report 2010 p. 29 .

SUPPORTING PRODUCTION

"Benvenuto" (Welcome) customer satisfaction survey

63% of household customers interviewed declared they were very satisfied with the Bank's support in times of crisis (see Figure 4.8).

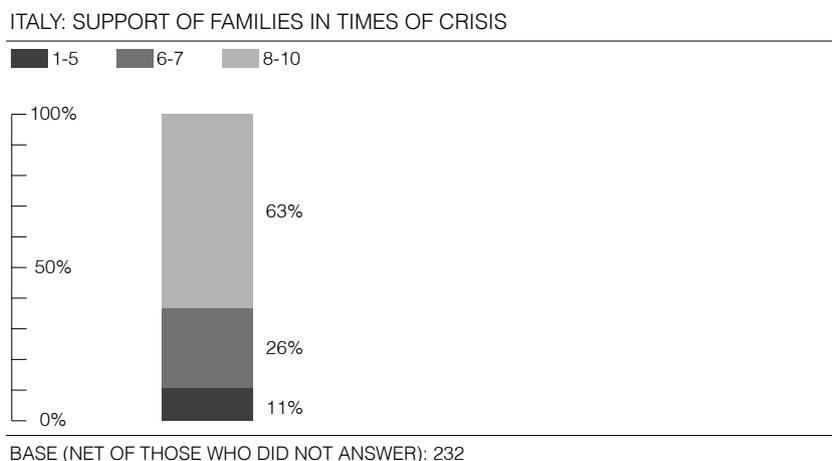


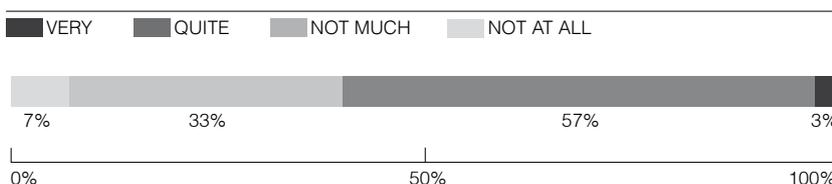
Figure 4.8



Questionnaire to Confidi

With regard to the relationship between the Bank and corporate customers, Confidi has a poor perception in the Bank’s efforts in the area of access to credit and the promotion of local economies. In particular, support for the development of new business is perceived as limited; the Bank is considered not to be committed to supporting the choices of companies through a thorough knowledge of the various local economic systems (see fig. 4.9).

SIMPLIFICATION AND DEVELOPMENT OF OFFERS THAT MEET THE REQUIREMENTS OF THE DIFFERENT TERRITORIES



STUDY AND DEVELOPMENT OF LOCAL ECONOMIES TO SUPPORT STRATEGIC BUSINESS CHOICES

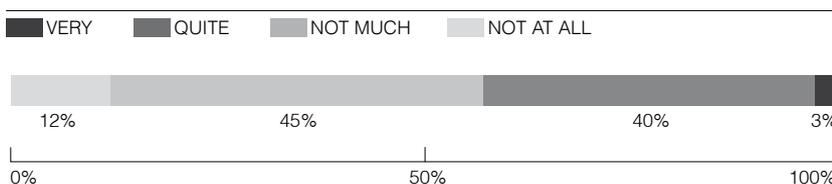


Figure 4.9

Interviews with SMEs that took part in the “Superare la crisi: predisporre il cambiamento e valorizzare il business nel dialogo con la Banca” (Overcoming the crisis: prepare for change and enhance business in dialogues with the Bank) workshop.

The interviewed companies believe that the Bank should expand the variables taken into account in their assessments to include more intangible and non-financial elements: long-term strategies, the ability to innovate; choices that enhance the territory without ‘chasing’ competitiveness cannot be neglected if a complete picture of the potential and reliability of the company is to be obtained. In this light, the companies involved are also hoping the financial institutions will pay greater attention to sustainability: companies that commit to social and environmental issues, fully abiding to the rules and going beyond the requirements under law, should be rewarded by the Bank with credit rating and financing conditions.

BANK ACHIEVEMENTS:

see “Supporting production” section, Social Report 2010, p. 33 .



EMPLOYEES

With regard to the engagement of employees in 2010, a series of focus groups targeted at specific segments of the corporate population (senior employees, women, apprentices and trade unions) were formed. A questionnaire was also prepared on the basis of a survey conducted in January 2008 to assess the level of implementation of the principles of the Code of Ethics and the progress on certain topics perceived as priorities in 2008. The results of the questionnaire were very insightful: the Group's employees' perception of the level of implementation of the Code of Ethics principles has improved from an average of 2.3 in 2008 to 2.5 in 2010⁵. Equally significant is the correlation identified between certain improvement objectives which in 2008 were considered a priority and the perception of the effectiveness of the initiatives and projects launched to achieve these objectives, as emerged from the 2010 questionnaire. The level of redemption increased by 8.5% from 2008 highlighting the greater engagement of the employees and the growing interest in the Group's social and environmental responsibility issues.

Moreover, the results of the questionnaire showed that the satisfaction level of the corporate population is generally influenced by the following social/professional variables.

- Seniority and age: with more positive responses in the first years of working for the Group, as was the case in 2008, but in progressive decline (compared to 2008) for senior workers (over 56);
- Level of position held: with responses positively correlated to the level of the position held (the higher the level, the more positive the response), but with an even better perception than in 2008 for managers;
- Region of residence: with critical elements perceived more in the Italian central and southern regions, especially in Campania.

Below, are the results of the engagement activities (focus groups and questionnaires) for employees showing the most significant elements that emerged from both initiatives.

PERSONAL AND PROFESSIONAL LIFE BALANCE

Questionnaire

Overall opinion on the policies to facilitate the balance between personal and professional life has generally improved compared to the results of the 2008 questionnaire (see fig 4.10). In the Central and Southern regions of Italy, the improvement was more marked than in the rest of the country. Less positive results emerged for the Banca dei Territori network compared to the Head Office Departments. This issue was considered very important by employees in 2008 with an assigned priority of 74.1%.

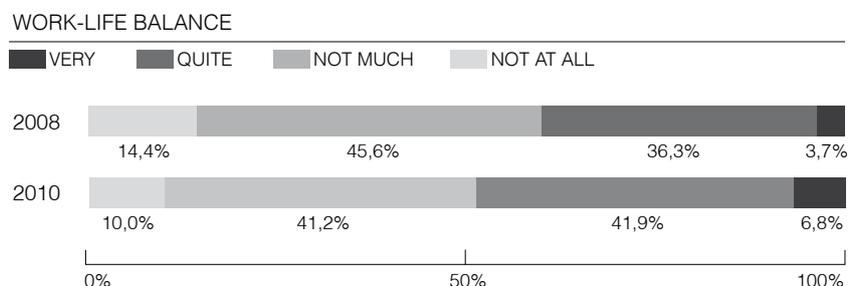


Figure 4.10

NOTE

5. Overall average of all answers to questions on the principles of the Code of Ethics, where 1 corresponds to "not applied" and 4 "significantly applied".



Focus Group

Ideas to define the improvement objectives that are brought up most frequently in the focus groups are those related to the proximity of one’s house to the workplace, the review of the criteria for granting part-time contract so that it is guaranteed to those who are most in need, the possibility of performing certain activities from home (telecommuting) and the need to activate a larger number of agreements with crèches, bars, cafeterias and gyms.

BANK ACHIEVEMENTS:
see “Quality of life” section, Social Report 2010. p. 46 .

ASSESSMENT AND INCENTIVE SYSTEMS

Questionnaire

The commitment to adopt objective and transparent incentive systems remains a critical issue in the perception of the Group’s employees: there was an improvement over 2008 (see Figure 4.11) albeit lower than that recorded in other areas included in the survey. Branch operators appreciated an improvement over 2008 which was not perceived by branch managers and Supervisors.

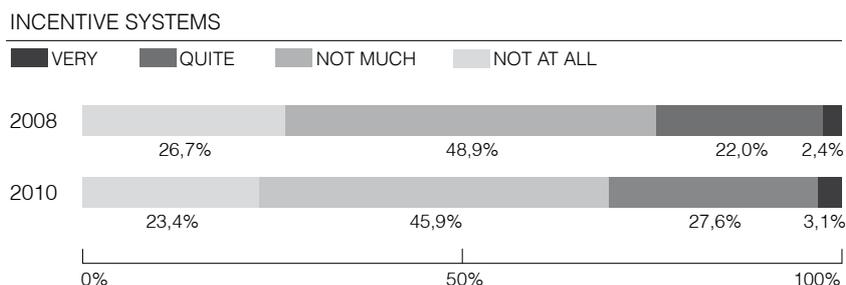


Figure 4.11

Focus Group

To date, the Group’s commitment in ensuring an objective and transparent incentive system is not sufficiently reflected in daily working life, in particular due to problems linked to budget objectives which are changed whilst ‘in progress’, which also impacts negatively on the motivation level of employees. In addition, the evaluation system is somewhat unclear and is not seen as an opportunity for professional growth: apprentices, especially, would like to have more meetings with their superiors who consider the evaluation process to be a mere formality and not educational opportunity for new recruits.

BANK ACHIEVEMENTS:
see “Development of people” section, Social Report 2010, p. 40 .



TRAINING

Questionnaire

Compared to 2008, the commitment to training is seen as improving: the greatest progress being in the Centre and South of Italy and in Lombardy. The perception of the Network did not register a positive change as significant as in the Central Structures and Head Office Departments. As in 2008, the Branch Managers consider training able to improve professional skills, while other roles continue to perceive training as insufficient, even if the opinion expressed by Branch operators was more favourable than in 2008.

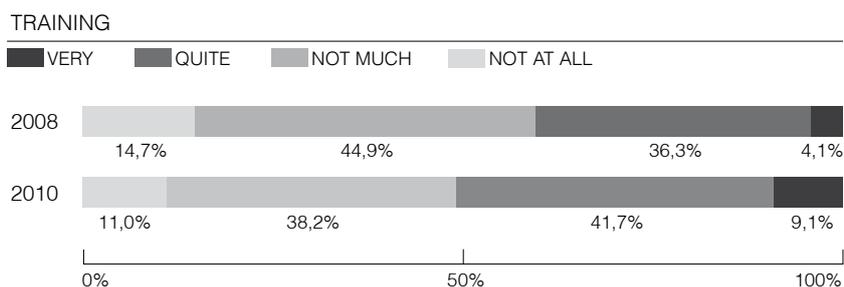


Figure 4.12

Focus Group

Among the focus groups it emerged that training for apprentices is not always consistent with the role actually held. Apprentices want to have more opportunities for tutoring, including in locations other than their own, to better understand the many aspects of the Group’s corporate business. Senior employees wish to see more value being attributed to their experience and expertise through specific training programmes and opportunities to tutor younger employees. Online training is still perceived as ineffective among branch employees whose time is marked from customers and who have problems finding moments of ‘isolation and concentration’ to effectively take these courses. Finally, classroom training is only conducted in a few training centres in the country often requiring employees to undertake demanding trips, which may reduce the motivation for attending them.

BANK ACHIEVEMENTS:

see “Training” section, Social Report 2010, p. 44 .

Questionnaire

There was an improvement as regards internal communications to promote informed participation in corporate life (see Figure 4.13). In the Group, in 2008 as in 2010, younger employees up to the age of 30, consider internal communication to be adequate. In 2008, however, such perception was worse for older employees: this trend did not emerge in the 2010 questionnaire. A marked improvement is also shown for Branch managers and operators. Finally, a large discrepancy is to be noted with regard to the position held: managers believe that internal communication is adequate, whilst professional levels and middle and junior managers still perceive this as a critical area. Finally, communication initiatives to increase the engagement of people, which emerged as a priority in the 2008 questionnaire in 64% of cases, was appreciated in the 2010 questionnaire in 71.6% of cases. Access to information on the Group’s strategies and objectives is an element that is appreciated by employees who believe that the tools set up to disseminate such information are effective even if the perception is weaker in the Head Office Departments than in the Banca dei Territori.

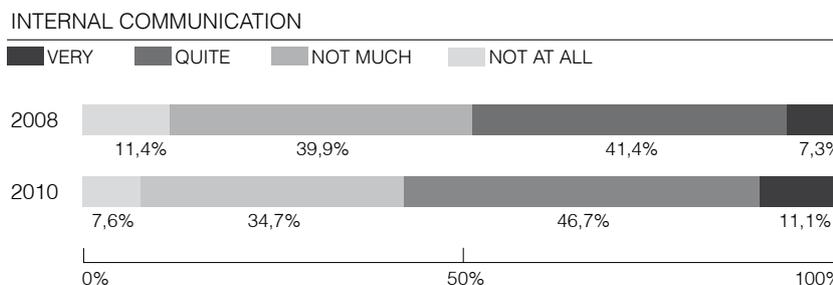


Figure 4.13

Focus Group

The issue of internal communication emerged as a priority during the focus groups involving the Group’s employees. In particular, the quantity of information is still deemed to be too high and therefore, due to lack of time, it is difficult to read and understand it all, making it hard to keep abreast of things. In addition, the information is too wordy (e.g. length of circular letters): identifying the key information in a document is hard and requires too much time. More meetings to share objectives and obtain updates on the latest regulations and circulars are wanted. Finally, traditional communication methods, such as meetings, are considered more effective, since the more modern tools, such as web TV, are used infrequently due to lack of time and because they do not allow the same level of interaction among colleagues

BANK ACHIEVEMENTS:

“Quality of life” section, Social Report 2010, p. 46 .

SHAREHOLDERS

RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

Shareholders had not yet been involved in a structured way on issues of environmental and social sustainability in the Bank's engagement activities of the past three years. The process began with three different initiatives:

- An interview was conducted by the Bank Investor Relations Department to develop certain key topics with those in charge of relationships with investors, analysts and shareholders. The main goal was to understand the importance of sustainability issues for financial analysts and investors in evaluating the Group's performance.
- Following the general guidelines and the suggestions that emerged from the meeting with the Investor Relations Department, we conducted an interview with Fondazione Cariplo that aimed to understand the point of view of a major shareholder, the Articles of association of which include pursuing social purposes and that therefore has a greater interest in non-financial issues.
- We also involved the Associazione E.di.va. - Ethics Dignity and Values – Stakeholders, non-profit Credit Companies Association founded in 2008: "to meet the strong demand for dignity and the rediscovery of the fundamental values of the credit industry". E.di.va. brings together university, banking and voluntary sector personalities and aims to promote business ethics, corporate social responsibility and, in particular, family and birth rates, including through shareholder actions at bank meetings. It is present at Shareholders' meetings of many banks; it took part in the Intesa Sanpaolo Groups' Meetings both in 2009 and 2011. The purpose of the interview was to investigate the perception of this particular type of shareholder in relation to the Bank's sustainability policies.

Interview with the Investor Relations Department

The financial and economic crisis has been effectively overcome by the Bank mainly thanks to the solidity of the Group and the transparency of communications to all stakeholders, which is particularly appreciated by customers who, through their choices, continue to reward Intesa Sanpaolo. With regard to the interest of investors and financial analysts on the Bank's approach to social and environmental responsibility, the issue of corporate governance is of great interest whilst other risks of a non-financial nature (reputational or environmental) are only considered if they are strongly tied with potential economic losses. Rarely is further information requested regarding funding that has been contested by NGOs for alleged impacts on the environment or local communities.

Interview with Fondazione Cariplo

The Fondazione Cariplo, as stated in its mission, is a shareholder with long-term investment prospects. From this point of view, the Fondazione, the only one in Europe, has set up some internal processes to assessing reputational, social and environmental and economic risks. An internal policy provides that all investments be assessed in advance by a third party who estimates their impact in relation to a number of factors, such as country risk, environmental risk, human rights, etc. In the opinion of the Fondazione, the Intesa Sanpaolo Group should also adopt this type of investment screening processes and tools. A second factor to be monitored is the internal one, i.e. the management of all risks relating to the organisation of the Group, especially in the management of human resources. Aiming for excellence is essential to build a positive internal reputation since the motivation of employees is positively tied to customer satisfaction and profitability. The customer is the real 'gauge' for the Bank: i.e. the subject that also bases his/her choices on the relationship with the operator at the counter both in a positive way (acquisition of new customers) but especially in a negative way (loss of customers by word of mouth). The perception of the customer at the counter of the Bank is the best way to measure the effective implementation of CSR policies throughout the Group, which also need to be implemented in the more operational areas.



Interview with E.DI.VA. - association of active shareholders

Following the intervention of the Association at the Annual General Meeting in April 2009, a dialogue aimed at mutual understanding and further analysis of the topics of interest between E.di.va. and Intesa Sanpaolo CSR Unit was initiated.

During the interview with the CSR Unit and with the intervention at the Shareholders Meeting on 10 May 2011, the Association urged the Bank to undertake a firm commitment in the implementation of credit policies to promote family and rate of birth asking for the setting up of specific credit policies to foster new families and birth rates.

Lastly, E.di.va. renewed its hope that the Bank promote specific cooperation initiatives between our companies and developing countries, thereby fostering a response to the strong demand for democracy and youth development in the Maghreb area.

Corrado Passera answered the questions asked in the Meeting reporting on the many initiatives to support families and on the commitment to the development of production in the Mediterranean Basin, an area in which the Bank is particularly active.

SUPPLIERS

The engagement of supplier stakeholders for the 2010 reporting year included a strong involvement of the Real Estate and Procurement Department in the definition of engagement methods and in the selection of suppliers to be engaged. The questionnaire, given to a sample of major suppliers, aimed at gathering the opinions of the Group's main suppliers to inform them of the strategies and define new improvement objectives in relations with suppliers with an eye on continuous improvement. In particular, the objectives were to investigate the suppliers' perception about the level of implementation of the principles set out in the Code of Ethics, assess their perception of the effectiveness of the initiatives activated by the Bank to promote greater transparency and sustainability in relationships with suppliers and evaluate the social responsibility and environmental priorities for suppliers.

TRANSPARENCY IN PROCUREMENT PROCESSES AND THE SELECTION OF SUPPLIERS

The area most appreciated by the Group's suppliers (71.6% of respondents declared they "agreed strongly/wholly") is that related to transparency in the selection of suppliers on the basis of clear and documented criteria through an objective and transparent procedure (See Figure 4.14)

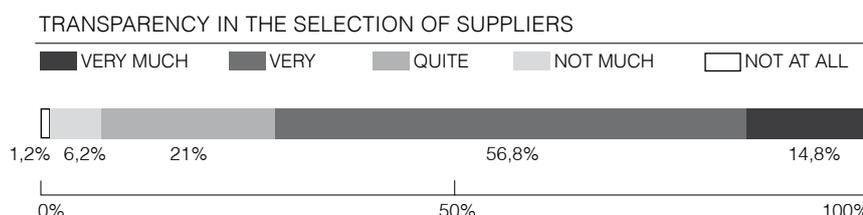


Figure 4.14



65.5% of suppliers who responded to the questionnaire also identified a strong commitment towards the implementation of the company policies with maximum fairness in the relationships, especially in the management and finalisations of contracts (avoiding conflicts of interest, even potential) - (see Figure 4.15)

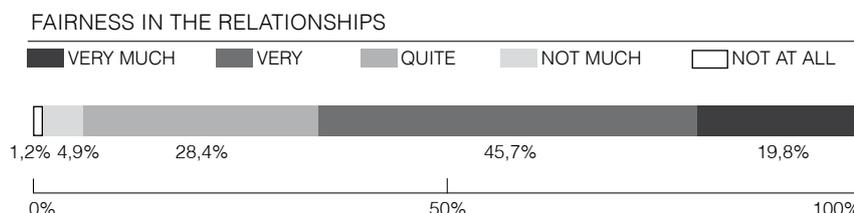


Figure 4.15

DIALOGUE WITH SUPPLIERS

Being available to dialogue with suppliers is also appreciated, albeit with room for improvement: the initiatives judged as being the most effective in promoting greater transparency and sustainability in relation with suppliers are those focusing on the activation of listening and dialogue channels with suppliers (see Figure 4.16)

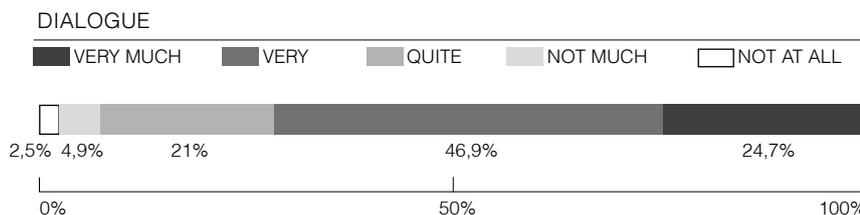


Figure 4.16

Included in this, the initiative for greater transparency in tracking the invoices was also appreciated (see Figure 4.17)

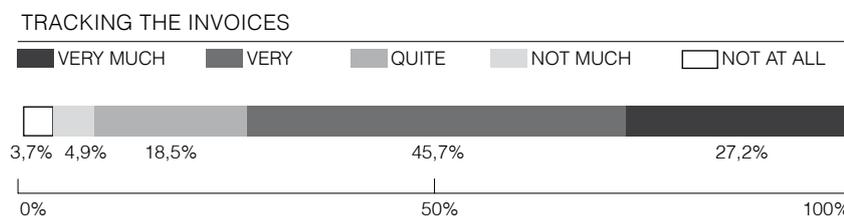


Figure 4.17

PROMOTING SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

54.3% of suppliers consider the adoption of a code of ethics a priority in their social and environmental responsibility policies, while only 16% consider the adoption of a social or a sustainability report to be a priority. The area deemed to be of utmost priority is that regarding commitments (that go beyond those required by law) on the protection and respect of workers - (see Figure 4.18)

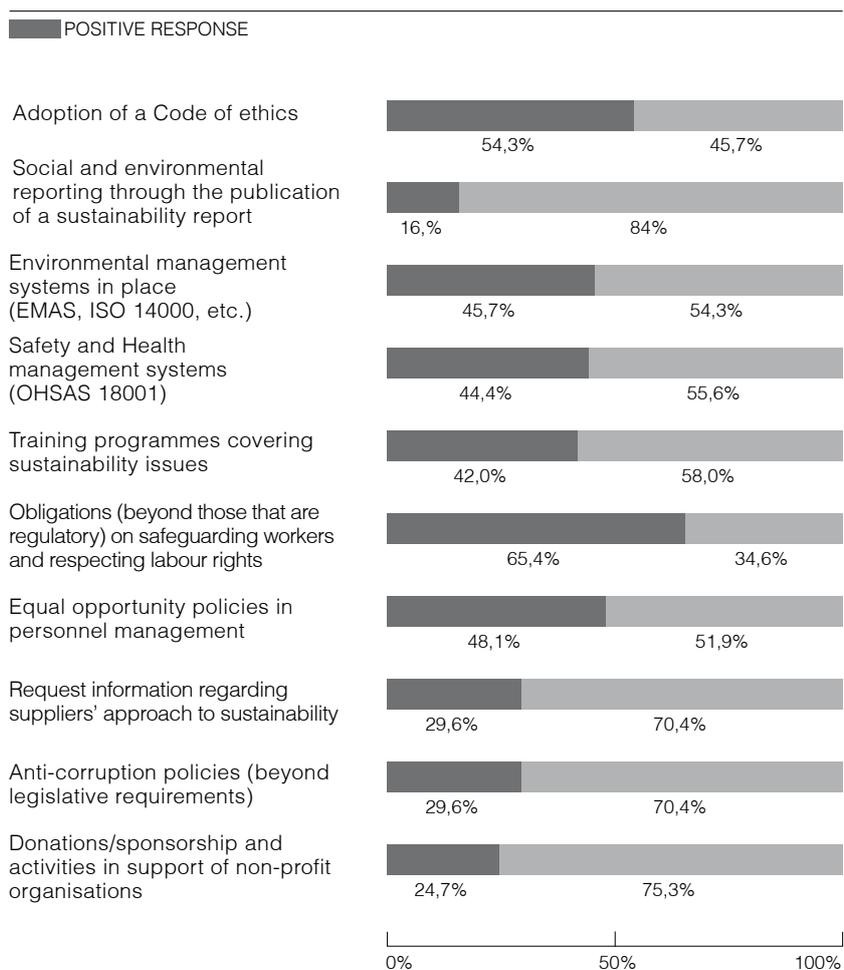


Figure 4.18



ENVIRONMENT AND COMMUNITY

MONITORING SOCIAL AND ENVIRONMENTAL RISKS

The civil society organisations are often key stakeholders for the Bank with which it is essential to dialogue due also to the Bank's direct involvement in campaigns and lobbying activities for the funding of controversial projects or activities. In 2010, therefore, interviews were conducted with nine of the leading Italian NGOs (Amici della Terra, Campagna per la Riforma della Banca Mondiale, OXFAM Italia, Greenpeace Italia, Mani Tese, Fair, Survival International, Anti-Slavery International, Movimento primo Marzo).

In selecting the NGOs to be interviewed particular importance was given to:

- the scope of their activities – selection focused primarily on NGOs of Italian origin or that also operate in Italy;
- legitimacy - NGOs with at least a national scope of action and that are the most active in the field/sector concerned (in terms of promoting campaigns, networking with other NGOs and associations, governments and companies lobbying,...) and those that have developed projects, including specific projects, that are highly innovative and significant.

Therefore, NGOs that are only active in supporting humanitarian and philanthropic projects or those that are engaged in government and institutional lobbying activities were excluded.

The most significant social and environmental impacts in some production sectors in which Intesa Sanpaolo is active have been identified, analysing the social and environmental risks included in the main sustainability standards (Equator Principles, IFC, World Bank); the factors considered by the analysts for inclusion in sustainability indexes (Dow Jones, FTSE4Good) and reports by major NGOs and international institutions on issues of social and environmental sustainability (Human Rights Watch, BankTrack, UNEP-FI).

Interviews with the NGOs were therefore designed to investigate the main specific social and environmental risks of certain areas of the Bank's activities and their possible repercussions on reputation, to further develop the internal knowledge of sustainability issues and to start thinking of possible ways to integrate sustainability prospects in the relationship between managers and corporate customers.

From all opinions and findings gathered, what emerged clearly was the prevalence of certain sectors as opposed to others in terms of social and environmental risks that may occur. The sector with the highest risk profile is the energy and mining sector, which involves a series of activities with strong environmental and social impact due to the techniques used (e.g. the extraction of oil from tar sands), exploitation of natural resources (e.g. the extraction of palm oil) or the geographical areas where they take place or the people who are involved.

Another sector that will need to be monitored as a priority is the textile industry, which has a high risk profile especially as regards labour rights (working hours, wages, union rights, forced labour). These violations are possible because of the strong deregulation in many southern countries and can also occur without the knowledge of the final manufacturers because the complexity of the supply chain makes it difficult to trace the origin of raw and semi-finished materials. Social risks are also present in the agricultural and foodstuff sector and affect, especially in Italy, the weaker segments of the population such as migrants, who are often subject to exploitation and forced labour. The agricultural industry is also one of the sector with greatest environmental impact, because it directly impacts on the surrounding environment (water/air/soil pollution, etc.) and the ecosystems (such as the use of GMOs) and may also affect food and economic stability and independence of countries (e.g. the practice of monoculture or distortions in the commodities market).

The opinion of the NGOs interviewed is that, in such an extremely complex context, the Bank must know about and be able to assess such risks and include them in their financing choices. That

means that it is not necessary to set limits beforehand on the sectors to be financed, rather it is necessary to carry out solid impact assessments and require that companies implement all tools to prevent and mitigate risks. This role as promoter of a more responsible course of action should also extend to issues of control and traceability of production chains. The Bank should therefore encourage companies with which it has a relationship to adopt more effective control on their supply chain, which in many sectors remains an area of significant risk.

As for the relationship between NGOs and the Bank, a prerequisite for building and maintaining a positive and constructive relationship with civil society organisations is an attitude of transparency and availability to openly face the inevitable conflicts, responding to requests and questions. The Bank could, therefore, develop the relationship with NGOs in a more 'technical' manner, geared towards developing shared tools and policies. For example, building relationships with organisations that can provide credible and reliable information on the companies to be financed - rather than only rely on the experiences of NGOs that are specialised in certain areas to carry out impact assessments - or increase internal culture, could create an endemic effect on the entire industry as well as bringing about immediate benefits.

For further information see "NGOs engagement – interviews report" .

5. ANALYSIS OF ENGAGEMENT AND DEFINITION OF THE ACTION PLAN

In this stage of the stakeholder engagement process, gathering the information that emerged during all the engagement activities - identifying a series of priority actions for the Bank on the basis of the importance of the topics assigned by the stakeholders and the impact that such themes may have on the Bank's strategies and activities – has been crucial.

All the analysis conducted so far have enabled us to identify the materiality of the various initiatives required by our stakeholders assessing their relevance to our core business. The identification process of 'material' issues, and therefore of the risks and opportunities that are most relevant to the Bank, was defined based on the principles outlined in the most important standards of reference: the Global Reporting Initiative GRI G3 guidelines and the AccountAbility AA1000APS standard.

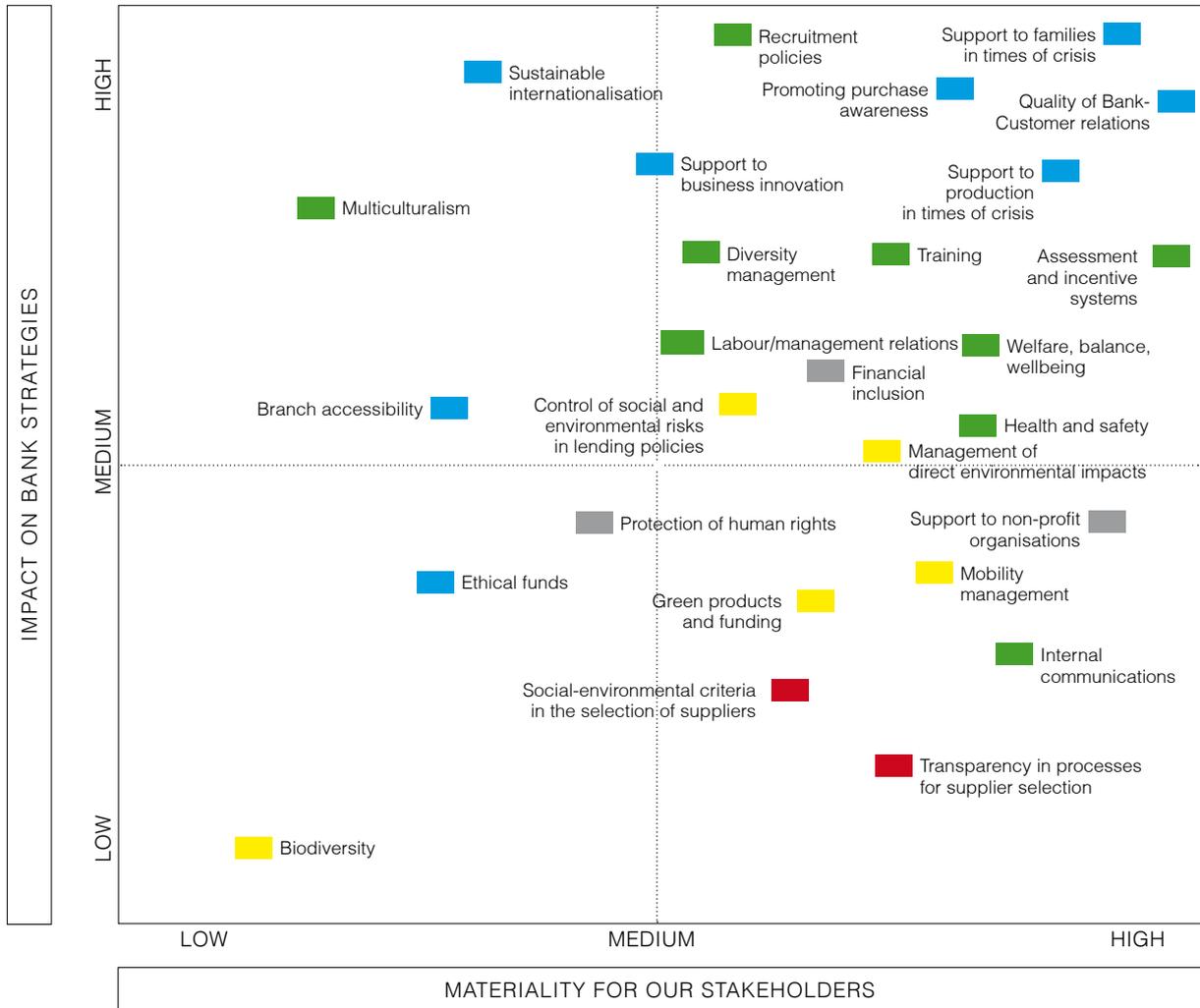
The starting point for this analysis were the Group's mission, values and improvement objectives as reported in the last Social Report and business strategies set out in the 2011 - 2013 Business Plan. This analysis was accompanied by a careful study of the issues raised by the activities of stakeholder engagement in recent years, and in particular in 2010, and the continuous monitoring of the main sustainability trends in the financial sector ➡.

The materiality matrix lists the positioning of the issues both with respect to the relevance and priority given by the stakeholders on our process of stakeholder engagement and the level of priority for the Group, also defined as possible financial or reputational impacts on the Bank. Issues having a high value on both axes are those on which the Group will focus mainly its attention in the next three years.



ISSUES OF INTEREST TO:

-  CUSTOMERS
-  EMPLOYEES
-  ENVIRONMENT
-  SUPPLIERS
-  COMMUNITY



6. DEFINING THE IMPROVEMENT OBJECTIVES

The management and monitoring model of the stakeholder engagement activities allowed us to systematise all the information resulting from the engagement and evaluate the perception of the relevance of the topics covered and the control over them, also through a series of quantitative indicators on such topics.

The second step in this analysis is the comparison between the coverage as perceived by our stakeholders and that which is actually exerted⁶: it is essential to examine the roots of our stakeholders' perception. The model places the two values on a matrix illustrating, graphically, the various actions to be undertaken.

The process of defining the action plan was concluded with a meeting with the internal departments to define, including through the analysis of the control and the perceived control described so far, the improvement actions tailored to the real stakeholders' needs.

Improvement objectives have become part of the 2011-2013 Business Plan.

CUSTOMERS

BANK THAT ADOPTS INNOVATION AT ALL LEVELS

- Develop a range of innovative products to promote financial inclusion for the most disadvantaged groups.
- Support production with initiatives that promote innovation and research.

QUALITY IN RELATIONS WITH CUSTOMERS

- Excel in relations through simplification and research to strengthen the bank-customer level of trust; optimise the levels of service.
- Full implementation of the Banca Semplice (Simple Bank) project: simplify products, procedures, increase decision-making powers, reduce bureaucracy.
- Cut back on credit access times (reduce average credit access times by 50%).
- Promote listening and dialogue initiatives in order to understand the needs along the customer's entire life cycle.

GREATER CREDIT TOWARDS THE ECONOMY

- New financing products and development of agreements for supporting start-ups, established companies and companies being re-structured.

DEVELOPMENT OF INTERNATIONAL ACTIVITIES

- Support internationalisation of Italian companies that want to combine economic growth and respect for human rights and the environment; round out the offer for internationalisation.

NOTE

6. The real coverage is calculated on the basis of an assessment carried out by an external company that evaluates the presence of strategies, policies and business results for each specific theme.



EMPLOYEES

DEVELOPMENT OF INDIVIDUALS

- Adopt the new professional development model to manage career paths and personal development of employees.
- Implement projects to develop talent within the Group's talent management set-up.
- Fine-tune the development of the "Performer" assessment system to more effectively highlight the specific entities within the Group.
- Adopt incentive systems that include transparent mechanisms that are also based on criteria of quality.

DIVERSITY MANAGEMENT

- Include sustainable personal development options for women, increasing their presence in key positions within the Group.

CORPORATE WELFARE AND WORK-LIFE BALANCE

- Initiate a plan of 'inter-generation solidarity' progressively extending part-time contracts to accompany the transition from full activity to retirement, strengthening personal development and expertise and equally promoting new jobs.
- Promote greater balance between life and working time by supporting initiatives fostering commitments for family care, with particular emphasis on flexibility in working hours and adopting vertical and horizontal part-time employment options, telecommuting and incentive measures for parental leave to contribute to a more balanced distribution of work and family responsibilities of parents.

TRAINING

- Development of formats and new channels of learning and strengthening existing ones, to broaden the training offer and increase overall effectiveness.

SHAREHOLDERS

- Further strengthen the foundations for the Group's sustainable growth.
- Combine sound equity and return on capital with a low risk profile of the commercial bank business model that characterises the Group.

SUPPLIERS

LISTENING AND DIALOGUE

- Expanding the pool of providers on which to undertake initiatives of engagement in order to reach a diverse group in terms of size and ways they have relations with the Bank.

TRANSPARENCY

- Implement and expand the Supplier Portal to the Group complete with a Supplier List and the on-line tenders.

PROMOTE SOCIAL AND ENVIRONMENTAL SUPPLIER SUSTAINABILITY

- Qualify suppliers who register on the Portal on the basis of environmental and social requisites, as well as and international standards and certification, according to criteria of materiality and weight.
- In the buyer training process, include 'shots' on Social and Environmental Responsibility, so that they can contribute to the promotion of social and environmental responsibility with the suppliers with whom they have dealings.

ENVIRONMENT

MANAGEMENT OF DIRECT ENVIRONMENTAL IMPACTS

- Monthly monitoring of electricity consumption and gas of large properties and implementation of interventions of improvement.
- Adoption of the long-term plan to reduce the Parent Company's and Banche dei Territori's power consumption in Italy.
- Definition of a long-term plan for the replacement/upgrade of the refrigeration units containing gases harmful to the ozone layer, activation of the first interventions in properties where the Environmental and Energy Management System is to be applied.
- Progressive extension of the use of environmentally friendly/ recycled paper.

MANAGEMENT OF INDIRECT ENVIRONMENTAL IMPACTS

- Develop operational policies for managing environmental risks and energy efficiency.
- Innovate the product offer to save energy and make use of renewable resources.

COMMUNITY

SUPPORT TO THE THIRD SECTOR

- Support the third sector by providing a specialised offer for the growth of social enterprise and non-profit organisations (Banca Prossima).

SUPPORT TO CULTURE AND SOCIAL SOLIDARITY INITIATIVES

- Support cultural activities and sponsorship and donation initiatives designed to focus social attention on the supported projects.

7. DEFINING A NEW ENGAGEMENT PROCESS

With regard to the definition of a new engagement plan, the process takes off again from the design of the process as described in Section 2 through the analysis of the issues and the stakeholders involved and the subsequent definition of the engagement methods, thanks to the collaboration of all Departments.

For 2011, new engagement activities will have to be designed and implemented with methods that comply to the principles of the new AccountAbility AA1000SES (2011) standard, assessing the Bank's position with regard to the new guidelines therein established and trying to find ideas for improvement.

The reference point for drawing up the engagement plan with an eye on the long-term is to take the Group's new 2011-2013 Business Plan guidelines into consideration to define a stakeholder engagement process that is in line with the business strategies developed by the Group for the next three years.

The involvement of the Departments in charge of relations with the Group's various stakeholders, to develop engagement initiatives in synergy with the listening and dialogue activities that have already been launched to integrate the issues of sustainability in the corporate business in an increasingly synergistic way, will be required.

It will also be necessary to make the management dashboard of the engagement activities fully operational by:

- updating the dashboard, in collaboration with the various Departments concerned, with all the engagement initiatives already launched by the Bank, along with their results, and improvement actions undertaken by the Group;
- planning and designing future engagement activities, to be also based on the results given by the dashboard.

Lastly, we will continue to test new methods of engagement and ways of dialoguing with our stakeholders which are not only effective, but also interesting for all parties involved.

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