



BANCA INTESA
Beograd



Sustainability Report 2016

bank of **INTESA**  **SANPAOLO**

Sustainability Report 2016



Contents:

Foreword by the President of the Executive Board	6
About the Report	7
Structure and Contents	7
1. Identity	8
1.1. Bank profile	9
The Intesa Sanpaolo Group	10
Banca Intesa Beograd	10
Mission	10
Corporate values	10
Participation in joint initiatives	10
1.2. Relations with stakeholders	12
Dialogue with stakeholders	12
Materiality matrix and limits	13
1.3. Banca intesa governance	14
Corporate governance	14
Sustainability management	15
Risk management	16
2. Sustainability	20
2.1. Generated economic value	21
Market position	21
Direct and indirect economic value generated	21
Customers	24
Employees	31
Community	36
Suppliers	40
The environment	42
3. GRI index and indicators	46
Report parameters	51

Foreword by the President of the Executive Board



Well aware of the significance of our leading position on the market, and the responsible role we play within the society, we have continued providing direct support to the local community, through the corporate volunteering program "Intesa from the heart". I am especially proud of the immense success of the humanitarian initiative "BIB band plays for children", within which the band, comprising the Bank's employees, at the performance for their colleagues, collected more than half a million of dinars, which were donated to the social welfare institutions and schools for children with disabilities. Apart from providing financial support, this initiative of the employees has, owing to its innovativeness, raised awareness of the importance of direct contribution to the community.

Without disregarding the importance of satisfaction of our own employees, which is one of our strategic aspirations, in 2016 we have opened the Bank's new administration building. Under one roof, we have managed to incorporate the business functions and create optimal working conditions for all of the employees, whereby enhancing the operational efficiency and improving the quality of communication among different organizational units. This year was also marked by the launching of the work on the innovative concept of identification of talents embedded in our own system and advanced mechanisms for their long-term development, both on the local level and the level of our international banking group.

Banca Intesa has been reporting on sustainability for seven years already, and during this period our approach to this issue has been increasingly comprehensive. Although we have been reporting on non-financial results in line with the Global Reporting Initiative (GRI) methodology for the past five years, in 2016 also we have been assessing our own performance by applying the advanced G4 methodology guidelines, whereby continuously increasing the number of fulfilled indicators of the social and environmental performance.

At the end of 2016 the Bank has received a special award of the Responsible Business Forum, for the results achieved in the process of its first national CSR indexing, whereby it found its way to the list of companies which met the high criteria for the application of social responsibility standards in their business model. Therefore, in the years that lie ahead, we shall strive to realize the set goals, while more firmly complying the economic, social and environmental aspects of our operations, and thus contribute both to the long-term stability of the local economy and consequently, the welfare of the broader community.

Sincerely,
Draginja Đurić

President of the Executive Board of Banca Intesa

Ladies and gentlemen,

For more than a decade, Banca Intesa Beograd has been reaffirming its leading position on the market, owing not only to its wise corporate management and sound business moves, but also by being sensitive to the needs of all of the stakeholders, and by observing the economic, social and ecological impacts its own operations have on the local community.

Bearing in mind that customer satisfaction is, at all times, our priority, in 2016 as well, we have been striving to live up to their expectations, not only by improving the products and services, but also the entire experience, by promoting the new branch office model, in which the clients would feel at home, and where they would have both the traditional and digital channels of interaction at their disposal. Following the latest trends on the one hand, and the growing customer demand for comfort and speed on the other, we have enabled the filing of loan applications via the on-line application as well as the service of contactless mobile payment Wave2Pay.

Being the largest corporate donor in 2016, Banca Intesa Beograd has been awarded with a special acknowledgment of the Paralympic Committee of Serbia, since together with its clients it has supported the Paralympic Committee of Serbia with more than 5.5 million dinars, having renounced part of the profit generated by memberships and transactions, as well as by popularizing the use of the first charity payment card in the country.

About the Report

For Banca Intesa, the Sustainability report represents an indispensable instrument for monitoring the social and environmental activities and the only way to comprehensively observe and evaluate its performance against the material aspects of sustainability. Given that it integrates the results stemming from the dialogue with stakeholders, quantitative indicators and monitoring of compliance with the Bank's ethical principles, non-financial reporting is a key factor for achieving transparency in business and relationship with stakeholders.

Leader in CSR Reporting

The Bank's aspirations to continuously improve and strengthen its operations in the field of corporate social responsibility, promote responsible economic, social and environmental choices, reinforce the dialogue with stakeholders and take due care of their needs, have resulted in numerous awards – year 2016 was marked by yet another significant award of the Responsible Business Forum for the contribution achieved by the implementation of the international GRI (Global Reporting Initiative) methodology, applied in the annual sustainability reporting of the Bank.

A system of regular sustainability reporting was established back in 2010 and further improved in 2012 by introducing the international methodology framework GRI (Global Reporting Initiative – GRI), the Sustainability Reporting Guidelines. Sustainability report for 2016, the Bank's fifth in a row, follows the redefined GRI G4 version of the Sustainability Reporting Guidelines, as well as the Financial Service Sector Supplement (GRI G4 Financial Services Sector Disclosures), providing thus a comprehensive overview of the economic, social and environmental Bank's performance, by providing answers to 34 of indicators, in response to the 32 included in the previous report. According to the strategic agreement between the Global Reporting Initiative and the UN Global Compact (UNGC), the Report also fully meets the UNGC requirements concerning progress reporting. This year's Report has been adjusted to the Core Reporting Option.

First national CSR index

As confirmation of its orderly actions when implementing principles of social responsibility in its operations, Banca Intesa has, at the end of 2016, been awarded by a special award of the Responsible Business Forum for the results it achieved in the process of the first national CSR indexing, whereby it found its way to the list of companies which met the high criteria for the application of social responsibility standards in their business model.

The CSR index represents the sole national methodology which enables objective comparison and assessment of performance of companies which operate in Serbia in the context of market application of social responsibility standards.

Structure and Contents

In the content-defining process, the Bank was led by the GRI G4 principles **of materiality, involvement of stakeholders, sustainability and completeness**, striving to present clearly and transparently those topics, i.e. aspects that stood out as priority ones in a set of relevant topics, according to their significance for the Bank and its stakeholders. **Focus was thus kept on aspects that were material** and were thus sufficiently important to be part of a sustainability report. Furthermore, extending the understanding of the scope of impact, the Bank considers the **direct and indirect impacts** of its business on sustainability with equal attention.

The Report is divided into three basic parts:

- Identity, which offers information on the profile of the Bank, its relation to stakeholders and corporate governance;
- Sustainability, which contains an overview of activities and outcomes of the Bank, represented according to their impact on the most important stakeholder groups. For any of the identified areas, the Report gives a strategic approach to governance, an overview of activities and responses to the relevant indicators;
- GRI contents, indicators and parameters of the report, which systematically feature the compliance with the GRI requirements, fulfilment of the performance indicators, as well as their association with the relevant principles of the UN Global Compact.

Promotion of Sustainability Reporting

Since it deems the Report an important aspect of its CSR strategy, Banca Intesa has also launched a special project which is to include all of the stakeholders into its preparation and promotion. The aim of such initiative was, through a complex communication prism, for the Bank to additionally improve all of the stages – preparation, compilation and promotion of the Sustainability Reporting. The project was realised through several stages, which primarily implied the "CSR breakfast" - a workshop for the internal CSR ambassadors in April 2016, for the purpose of preparing a model of the material aspects matrix, recognised by the internal public, as well as the presentation of the advanced G4 guidelines, within the GRI methodology. Once the stage of Report preparation was over, which lasted for several months, a special promotion of the Report was organised, and the most important elements of the Sustainability Reporting for 2015 were presented. At the event, an expert panel was also organised – "Impact of the financial department on social sustainability – financial inclusion and responsible financing", in which representatives of the most important Bank's stakeholders took part – the National Bank of Serbia, EBRD, the Government's Team for social inclusion and reduction of poverty, one of the Bank's clients, as well as the Responsible Business Forum.

1. Identity



1.1. Bank profile

The Intesa Sanpaolo Group

The Intesa Sanpaolo Group is one of the leading banking groups of the eurozone and the leading bank in Italy, in all segments of operation – retail segment, corporate segment as well as real estate management. The Group has 11.1 million customers that it services through a network of more than 4,000 branches in Italy. The Group is a leader in financial service provision to both retail and corporate customers in Italy, especially in banking intermediation (with 16% loan and 17% customer deposits shares), asset management (20%), life insurance premiums (with more than 20% market share), pension funds (22%), and factoring (28,5%).

The Intesa Sanpaolo Group is strategically present in the Central and Eastern Europe, North Africa and Middle East, with more than 1,200 branches and 7.8 million of customers, its bank members. It is the number one bank in Serbia, the second bank in Croatia and Slovakia, the number four bank in Albania, number five in Egypt, and the number seven bank in Bosnia and Herzegovina, Slovenia and Hungary.

As at 31 December 2016, the Intesa Sanpaolo Group had total assets amounting to EUR 725.100 million, loans to clients of EUR 364.713 million, direct bank deposits of EUR 393.798, and direct deposits from insurance and technical reserves amounting to EUR 144.098 million.

Business results

The Intesa Sanpaolo group remains one of the most efficient banks in Europe with a 51% indicator of costs and revenues ratio, compared to the sector average of 65%. It is the leading bank in Europe, when it comes to profitability, to which all divisions contribute. A significant achievement has been realised in regard to the reduction of non-performing loans, and the costs of reservation have been additionally increased. The aim is to have the non-performing loans decreased by 2019 to the level preceding the crisis, through limited and targeted sales to third parties.

The Intesa Sanpaolo was an obvious winner of the EBA stress test for 2016, which has confirmed the strength of the Bank's balance sheet indicators, along with the share capital indicator of 12.9%. The leverage ratio is one of the best in Europe.

Excellence award

Intesa Sanpaolo has received "The Best Bank in Italy" award, granted by the international magazine for banking and finance, Euromoney, within the annual "Excellence Awards" selection. This award is granted based on a large number of criteria, including revenues, pre-tax profit margin, net revenue, return on capital, earning per share, total assets, deposits and loan, market share in deposits and loans, share capital, as well as the ratio of costs and income. The award refers to the period from April 2015 until March 2016, and when assessing the services and performance, Euromoney also classifies the quantity and quality, whereby relying on the poll results.

Sustainability rating

Intesa Sanpaolo is in several sustainability indexes, where selection is based not only on financial performance but also on social and environmental performance (ESG analysis). This ranks the Group amongst the world's corporations that approach economic, social and environmental sustainability and business ethics in governance (ESG analysis) with the highest degree of commitment. The most renowned include the **Dow Jones, DJSI World and DJSI Europe, Euronext Vigeo Europe 120 and Euronext Vigeo Eurozone 120, UN Global Compact 100 stock index, "A list: The CDP Climate Performance Leadership Index 2015"**.

Banca Intesa

Banca Intesa, a member of the Intesa Sanpaolo Group, is the leading bank in the Serbian market, by all most relevant balance positions – total assets, total portfolio, total deposits, total income and capital level. Key activities are directed to retail banking and operation with small business, economy and local self-governance.

At the end of the fourth quarter of 2016, the Bank has once again reaffirmed its leading position on the market, by all most relevant balance positions and has thus realized a market share of 17.0% in the total assets, 15.5% in total loans and 17.4% in total deposits.

By the end of 2016, the Bank operated with approximately 1.3 million private individuals and about 120 thousand legal entities. Through its business network of 166 branches, in almost 100 cities of Serbia, the Bank strives to employ its potentials at all times, primarily the knowledge, innovation, but also the comprehensive international experience and thus contribute to the development of the local economy and better quality of life of the citizens.

Award for the best corporate brand

The **Global Finance** international financial magazine selected Banca Intesa as **“The Best Bank in Serbia” in 2016** within the traditional selection for the “World’s best bank”.

Also, Banca Intesa has won the “Superbrands” award, in the category of finance and insurance for 2015-2016. The „Superbrands Serbia 2015–2016” awards have been awarded in a total of 34 economic categories, among which are the energy department, telecommunications, finance and insurance, health and foodstuffs production, whereas the criteria for gaining this prestigious status is based on the three key attributes of brands: recognition and reputation; long-term consistency and reliability; corporate responsibility, i.e. responsible operation. The “Superbrands” award aims to recognise and reward the efforts and achievements of those contributing to the creation, supply and promotion of the top-quality branded products and services, on both the local and the international market. The Bank received this award in 2006 and 2012.

Ownership structure

In December 2016, a change in the Bank’s ownership structure ensued, which reflects in the fact that the minority shareholder of Intesa Sanpaolo S.p.A. sold his entire share to the majority shareholder Intesa Sanpaolo Holding International S. A. Following this change, the Bank now has one shareholder, the Intesa Sanpaolo Holding International.

Striving to encircle its offer of financial services, in 2006, Banca Intesa established a leasing company, Intesa Leasing d.o.o. Beograd, which is also a part of the Intesa Sanpaolo Group. The operation of the leasing company is not a part of this Report.

Mission

The Mission of Banca Intesa is to provide quality banking and financial services to its customers by promoting development in all areas in which it operates and a growth model that is focused on sustainable results and establishing relations based on trust derived from the satisfaction of customers and stakeholders, the feeling of belonging among employees while carefully listening to the needs of the community.

The growth strategy of the Bank strives to create stable and sustainable values from the economic, financial, social and environmental aspect, building on the fundamental corporate values of the Bank in relations with all stakeholders.

The Code of Ethics regulates the relations of the Bank with all stakeholders – customers, employees, suppliers and the community, as well as its action in the area of environmental protection in line with the highest standards of professional ethics and good business practice. The Code of Ethics is a management instrument and an expression of the corporate culture of the Bank, which sets a series of values and principles which the Bank adheres to, in its daily operations and business activities.

Corporate values

Integrity – We pursue our goals with honesty, fairness and with a sense of responsibility in full compliance with the rules and principles of ethics mandated by the profession and in the spirit of the signed agreements.

Excellence – We set ourselves the goal of continuous improvement, planning future activities and anticipating challenges, along with fostering extensive creativity aimed at innovation; moreover, we recognise and reward merits and quality.

Transparency – We are committed to making transparency the basis for all our activities, communication and contracts, with the aim of enabling our stakeholders to make independent and conscientious decisions.

Respect for each individual – We intend to combine large-format business with deep local roots and to be a bank with a broad vision, while not losing sight of people as individuals.

Equality – We are committed to eliminating any form of discrimination in our conduct and to respecting gender, age, racial, religious, political and linguistic diversity, trade union preferences, as well as diversity in terms of sexual orientation and abilities.

Individual values – The value of each individual guides our modus operandi: we use listening and dialogue techniques as tools for continually improving relations with all stakeholders.

The responsible use of resources – We strive to use all resources carefully and promote conduct based on the optimal use of resources and avoidance of waste and losses, giving priority to choices that consider sustainability.

Participation in Joint Initiatives

One of the key aspects of the Banca Intesa operations in the area of sustainability, lies in the active participation and support to local and international associations, which promote dialogue within the business sector, international organisations and the society at large, in order to ensure respect for human and labour rights, protection of the natural environment and ethical practice of doing business throughout the world – such as **the United Nations Global Compact and the Equator Principles**.

Apart from being the leading financial institution in the country, the Bank has been recognized as the leader in sustainability, and has thus assumed responsibility of being an active partner to all social performers in joint initiatives, which aim to promote the positive business practice and create a common value.

United Nations Global Compact	Responsible Business Forum	Serbian Association of Managers	American Chamber of Commerce	Foreign Investors Council	National Alliance for Local Economic Development	Italian-Serbian Chamber of Commerce
The largest global CSR network bringing together more than 10,000 members throughout the world and promoting the protection of human and labour rights and the environment and fight against corruption.	The largest, business CSR network in Serbia, comprising 30 members.	A business association founded with the aim of becoming a credible social partner of the Serbian Government in the process of improving the business environment and accelerating economic development.	An organisation promoting the improvement of the business environment in Serbia, as well as partnership between US and Serbian companies for the purpose of economic development	A business association whose activities contribute to the improvement of the investment and business climate in Serbia.	A business association that brings together representatives of all three sectors of society – companies, municipalities and NGOs, which work together on improving the conditions for local economic development and doing business.	A non-profit organisation that fosters, promotes and develops trade between Italy and Serbia.

1.2. Relations with Stakeholders

Dialogue with Stakeholders

For Banca Intesa, the market success is achieved by observing the needs of all stakeholders. The realisation of the business goals is followed by the creation of products and services, tailored to the needs of the customers, reinforcement of the supply chain, investing into the development of the employees, the society

at large, and by managing the impacts made on the environment. The constant dialogue and exchange of opinion with its stakeholders, help the Bank understand their expectations and weave them into its business strategy. The Bank endeavours to enhance open and two-way communication throughout the year, using different approaches to engagement:

Group	Engagement Mechanism
CUSTOMERS Individuals Small business SMEs Large corporates Local self-governments Consumer associations Business associations Public administration	Focus groups Benchmarking surveys Meetings, workshops, seminars, satisfaction surveys Handling and analysing complaints, requests and suggestions Working groups
EMPLOYEES Management Officers Employees	Satisfaction surveys Workshops Training and evaluation, professional seminars, interviews, Intranet Meetings with trade unions
COMMUNITY Local and national public institutions (regulatory bodies, local self-government, etc.) Civil society organisations Media	Meetings, consultations Working group, engagement in working bodies Panel discussions
SUPPLIERS Domestic Foreign	Supplier information form CSR questionnaire Regular communication in tender process Regular communication for the period of engagement
ENVIRONMENT Environmental organisations Future generations	Meetings, presentations Working groups, working bodies

Apart from being the mechanism for regular communication, the dialogue with the stakeholders also represents the basic tool for the identification of priority topics to be included in the preparation of the sustainability report, and hence, the establishment of the sustainability strategy. Engagement of stakeholders is essential for this process, and the Bank has, in line with the international methodology for stakeholder engagement known as AA1000 standard (Institute of Social and Ethical Accountability) defined the key groups, as well as the map of its stakeholders.

Materiality matrix

Key topics or aspects reported by the Bank in 2016 emerged as a result of the structured materiality analysis process carried out within the Group in accordance with the new GRI G4 Sustainability Reporting Guidelines and the AA1000 standard. The Bank has first begun with a detailed analysis of trends within the financial sector, as well as the wider context of sustainability. Then, the Bank strived to recognize the substantial connection between the impacts of the Bank on sustainability and its business strategy, considering, on the other hand, the viewpoints of its stakeholders.

The materiality matrix, generated as a result of this process, features the topics which have stood out as the priority ones and the initial point in the process of preparation of the sustainability report. Compared to the previous 2015, the material topics have been ranked by significance, in the same manner as in 2016. Therefore, this report covers the topics which have been identified as priority topics for the operation of the parent Intesa Sanpaolo Group and Banca Intesa Beograd, as well as for the stakeholders. Material topics comply with the 2014–2017 Business Plan of the Group, which is even more strongly focused on supporting the business sector and on economic growth.

In order to confirm the materiality of the global issues in a local surroundings, the Bank has established an efficient process of reporting, which implies regular and periodic consultations, and thus obtained conclusions, in line with the GRI methodology, are further analyzed and compared to the stakeholders' viewpoints. As result of this process, the Bank is able to define the structure and the contents of the report, striving to respond to their expectations in an adequate manner.

Material aspects	Limits of aspects	
	Internal impacts	External impacts
Protection of the solidity and profitability	Banca Intesa	Shareholders, Customers, Suppliers, Community, Environment
Business risk management	Banca Intesa	Shareholders, Customers, Suppliers, Community, Environment
Access to loans and savings management: • Product Responsibility • Support to the business system • Financial inclusion and economic empowerment	Banca Intesa	Shareholders, Customers, Community, Environment
Integrity in corporate conduct	Banca Intesa	Shareholders, Customers, Suppliers, Community, Environment
Provision of top services to customers: • Customer service innovation and Service quality	Banca Intesa	Customers, Community
Employee development: • Training and professional development • Employee evaluation • Job protection policies • Quality of life in the company	Banca Intesa	Customers, Community, Shareholders
Climatic change	Banca Intesa	Environment, Community
Relations with suppliers	Banca Intesa	Suppliers, Community, Environment
Community relations	Banca Intesa	Community relations

1.3. Governance in Banca Intesa

Corporate Governance

Operating on the principles of responsible corporate management founded on high ethical norms, the Bank protects its shareholders' interests as well as those of its customers, employees and the wider social community. The governance of the Banca Intesa joint stock company is organised as a two-tier system.

The Board of Directors of the Bank consists of five members elected by the General Meeting of Shareholders, including the Board President. The term of office of Board members is three years, with a possibility of re-election. The President of the Board of Directors is Giovanni Boccolini, and its members are Božo Prka, Paolo Sarcinelli, Arthur Philippe, and Nevenka Žarkić Joksimović, PhD. Arthur Philippe and Nevenka Žarkić Joksimović, PhD, are non-executive members of the Board of Directors. The Board of Directors, as a governance body, does not have a direct executive role, given that Banca Intesa, organised as a joint stock company with a two-tier governance system, delegates executive roles to the Executive Board as a management body that organises the Bank's operations and implements business policy and strategy, while the Board of Directors makes strategic decisions aimed at the Bank's compliance, takes care of and is responsible for the accuracy of all reports on the operation, financial condition and operating results of the Bank addressed to the Bank's shareholders, the public and the National Bank of Serbia.

The Executive Board of Banca Intesa consists of five members, including the President. The term of office of Executive Board members is three years, with a possibility of re-election. The President of the Executive Board of Banca Intesa is Draginja Đurić, the Deputy President of the Executive Board is Alessio Cioni, and Board members are Darko Popović, Head of the Retail and Small Business Division, Francesco Lupo, Head of the Corporate Division and Dragica Mihajlović, the Chief Financial Officer/CFO.

Women account for 20% of the members of the Board of Directors and 40% of the members of the Executive Board of Banca Intesa. The work of the Executive Board is evaluated through the MBO (Management by Objectives) system based on setting measurable objectives based on which annual performance is monitored.

The Bank's Audit Committee consists of five members, including the Chairman. The term of office of Committee members is three years, with a possibility of re-election. The Committee Chairman is Zanni Mauro and its mem-

bers are Arthur Philippe, Nevenka Žarkić Joksimović, Guido Gioncada and Antonio Stillitano. The Audit Committee assists the Board of Directors in supervising the work of the Executive Board and Bank employees.

In line with the Law on Banks and other regulations, members of the Board of Directors are appointed and dismissed by the General Meeting of Shareholders, while members of the Executive Board are appointed and dismissed by the Bank's Board of Directors. Domestic regulations require members of the Executive Board and the Board of Directors to meet in order to get prior approval of the regulatory body, i.e. the National Bank of Serbia, without which they cannot become members of these boards. This includes, among other things, good business reputation and appropriate qualifications. In addition, appropriate experience in finance is also required for at least three members of the Board of Directors, while at least one member of the Board of Directors must have active knowledge of Serbian and reside in the territory of the Republic of Serbia. After obtaining the approval, the appointed person is registered with the Business Registers Agency as well.

The Bank's shareholders, i.e. at the General Meeting of Shareholders, participate in and directly impact the work of the Board of Directors as a governance body in the following ways:

- The General Meeting of Shareholders adopts the business policy and strategy of the Bank;
- The General Meeting of Shareholders adopts the Articles of Association and the amendments to the Memorandum and Articles of Association;
- The General Meeting of Shareholders appoints and dismisses the President and members of the Board of Directors;
- The General Meeting of Shareholders appoints and dismisses the external auditor;
- The General Meeting of Shareholders considers and adopts the Bank's financial report.

Banca Intesa guarantees timely and transparent communication to all its shareholders, with the intention of providing clear and complete information about the results achieved by the Bank.

The adopted remuneration policy for the entire human resources of the Group, including the variable components, is based on equality, merit and the sustainability of results. The guidelines for defining the management remuneration policy are based on objective elements and parameters resulting from the assessment of organisa-

tional positions, as well as performance and potential, with the aim of creating an integrated system for the members of the management, thus helping their professional development. The policy provides for remuneration in the form of benefits, which is also based on financial instruments and linked to the results of the company – which corresponds to the level of assumed risk and is regulated to avoid giving benefits that, in the long term, are not in line with the Group's interests. Based on the performance indicators closely linked to the long-term goals, the benefit determination systems are based, among other things, on the principle of symmetry, with the amounts of paid benefits being based on the results achieved in the Group, the business sector and individual levels and therefore being capable of decreasing significantly and even reaching zero if the minimum indicators that reflect the Group profitability are not achieved, also taking into account the risks assumed and the capital employed.

When it comes to conflicts of interest, Banca Intesa has prescribed, in accordance with the provisions of the Law on Banks, as well as with its bylaws and those of its parent Group, the obligation for members of the Board of Directors and the Executive Board to submit a written statement on conflicts of interest to the Bank's Board of Directors within one month from the day of taking office. The members of the Board of Directors and the Executive Board are obliged – in accordance with the bylaws regulating transactions with related parties and the conflict of interest – to submit completed standard questionnaires once a year whose content is designed by the parent Group and which contain information relevant to establishing any conflicts of interest.

One of the methods of sustainability control at Banca Intesa is the power of the Board of Directors as a governance body to establish a unique internal control system – that is, supervise its efficiency, while the Executive Board enables the efficient functioning of this system. The Board of Directors gives approval to the Bank's exposure to one or a group of related parties of over 10% or to an increase in the exposure to over 20% of Bank equity; adopts an internal audit plan and programme; considers external and internal audit reports; defines the internal organisation or organisational structure of the Bank that ensures the division of duties, authority and responsibilities of its employees, members of the managing bodies and other persons in managerial positions at the Bank in a manner that prevents conflict of interest and ensures a transparent and documented process of decision making and implementation.

Sustainability management

Strategically set and highly developed sustainability management system in the Bank, which represents a fundamental instrument for integration of sustainability into all of the business processes, is based on ethical principles, and realized on the basis of the following formal documents:

During 2015, the **Procedure for managing the annual Sustainability report preparation process** was adopted in line with the Global Reporting Initiative (GRI) methodology, which the Bank has been applying for four years. In addition to describing the basic principles of the socially responsible operations, the Procedure also regulates trends in the management of this area, as well as specific steps and divisions of responsibilities during the preparation of sustainability reports.

According to the **Code of Ethics**, in order to efficiently implement the principle of self-responsibility, the managers of departments/organisational units appoint a corporate social responsibility representative (CSR ambassador), identifying CSR objectives within their own organisational units. CSR ambassadors are also delegated to cooperate with the Internal Communications and CSR Office, within the Human Resource and Organisation Department, and to assist with their knowledge and understanding of the operations of the organisational unit they represent in the preparation of reports and corporate responsibility reports, as well as to contribute to improving knowledge and strengthening the awareness of the CSR aspect of the operations of the Bank.

The values that Banca Intesa believes in and is committed to, as well as the principles on which its relations with stakeholders are based, are defined in the Code of Ethics of the Bank. As part of a wider vision of environmental and social responsibility, the Code of Ethics is a management instrument that prescribes standards of conduct that all employees and all organisational units must observe in order to maintain the trust of the stakeholders.

The **Procedure of managing reports of non compliance to the Code of Ethics** was adopted in 2011. All Bank employees, as well as customers, suppliers and other stakeholders who notice any behaviour of any Banca Intesa employee that seems to be non-compliant with the principles prescribed by the Code of Ethics and other internal acts of the Bank may submit a non-compliance report.

According to the said procedure, Procedure of managing reports of non-compliance to the Code of Ethics consists of the following steps: non-compliance reporting, report analysis, delivering the information to the parent Group, establishing the status and verifying the facts, involving the relevant department, proposing corrective actions and delivering reports to relevant stakeholders, as well as to the parent Group. A report may be submitted to the following email address: eticki.kodeks@bancaintesa.rs or in hard copy to the following address: Banca Intesa Beograd, HR and Organization Department, Milentija Popovića 7b, 11070 Belgrade.

By means of the above-described mechanism, the Bank has, during 2016, received five complaints from external stakeholders, for which it was determined, upon detailed analysis of the case, that it did not constitute a breach of the Code of Ethics but rather potential omissions in regular operation and conduct of the employees. As such, they have been forwarded to the competent organizational parts, such as the Customer Satisfaction Office, the Security and Business Continuity Management Department, the Legal Department and the General Secretariat. None of the aforementioned complaints filed in 2016, referred to the violation of human rights.

Risk Management

Apart from the basic risks to which the Bank is exposed in its operation, the Bank also analyses the risks which imply the consideration of wider consequences that the action of the Bank, directly or indirectly, may have on the social and natural environment.

Social and Environmental Risk Management

The social and environmental risk management represents an integral part of the Bank's credit policy and it has been implemented into the regular credit processes, being conducted in the Bank. In case of a negative social and environmental incident, caused either directly or indirectly by the Bank's operations, or indirectly through the actions of the customer being financed by the Bank, there is a medium and high percentage of probability that the Bank might be exposed to the following risks: operational, reputational and management risks.

The Social and Environmental Risk Management Rulebook, adopted by the Bank Board of Directors, defines risk assessment and monitoring obligations in the area of environmental protection, employee health and safety and the Bank's social responsibility (protection of cultural heritage, fundamental human rights and personal integrity) and applies to managing those social and environmental risks arising from the activities of customers financed by the Bank. The Rulebook defines the obligations relating to the following:

- obtaining all of the data necessary for assessing the social and environmental risks related to customer activities;
- customer classification according to the level of social and environmental risks;
- customer monitoring and periodic assessment of social and environmental risks related to customer business;
- measures for controlling social and environmental risks related to customer business activities (e.g. rejecting a loan application relating to business activities not supported by the Bank);
- training the employees involved in the social and environmental risk management processes;
- reporting to Bank bodies on social and environmental risks.

The Rulebook enforcement procedure is regulated by the **Social and Environmental Risk Management Procedure**. This Procedure regulates the credit process with regard to social and environmental risks when approving a loan product to corporates and entrepreneurs where the Bank's credit exposure is at a level of EUR 1,000,000 or higher, including the requested new product, in case of a loan product from a credit line or other funds approved to the Bank by an international development bank and approval of a long-term loan product funded from other sources.

The Procedure regulates the rules classified by business lines/processes in the social and environmental risk management process:

The relationship manager / employee whose portfolio includes the customer:

- checks whether the Bank supports the specific business activity (the List of the business activities not supported by the Bank is a part of the procedure);
- performs basic and additional customer classification (low-risk/medium-risk/high-risk customer) based on the Review of Business Activities According to the Level of Social and Environmental Risks and/or based on the data from the Statement or Questionnaire or other information about the customer;
- obtains a Statement or a Questionnaire from the customer (for medium-risk and high-risk customers);
- indicates the customer risk level in the loan proposal.

Credit Management Department:

- verifies the loan proposal, gives a final assessment of the social and environmental risks and measures for their control.

Environmental Protection Coordinator:

- follows the information on environmental incidents;
 - manages employee training and reporting.
- The rights and obligations of Environmental Protection Coordinator in certain processes are specified as well:
- giving opinion and approval in the case of changing the contents of the Statement or Contractual Clause;
 - following the information on environmental incidents;
 - managing the activities in connection with employee training;
 - preparing reports on the functioning of the social and environmental risk management system implemented at the Bank, on any significantly elevated level of social and environmental risks connected to individual Bank customers, etc.

The Rulebook adopted by the Board of Directors regulates the appointment of the Environmental Protection Coordinator and the Senior Environmental Protection Manager as persons responsible for environmental protection with the aim of establishing the Environmental Management System (EMS) and ensuring compliance with the rules of environmental management and social responsibility in credit activities.

In case of methods applied when monitoring and assessing the manner in which the customers meet the social and environmental goals, which have been agreed (e.g. in contractual obligations), the following activities are implemented in this area:

- (1) Monitoring the customer risk is carried out when updating the customer data and during the repeated assessment of the social and environmental risks related to customer operation, when necessary.
- (2) The Bank regularly updates the data and verifies the accuracy of customer classification in the following cases:
 - a) when processing requests for long-term financing of the high risk clients;
 - b) within regular monitoring of the credit risks among individual clients;
 - c) in case of reasonable doubt that the level of the social and environmental risks related to customer operation has significantly increased.
- (3) The organizational part competent for the sale of credit products, to a certain customer, is obliged to:
 - a) with due care observe the information regarding the violation of regulations set forth in item 4 by the client, published in the media and publicly available resources;
 - b) in contact with the customer, verify the merits of information pertaining to the ecological incident;
 - c) submit the report on social and environmental incident to the Head of the Corporate and SME Division, the Credit Department, the coordinator for the protection of environment and other organizational parts involved in the process of procedure implementation.

Equator Principles

The goal of the Equator Principles is to identify and assess risks and to perform risk management based on the criteria defined by the principles, with the aim of adhering to the principles of the sustainability of natural resources, human health, human rights, cultural heritage and biodiversity. The Bank applies the Implementation of the Equator Principles for the Project Financing Procedure when preparing and implementing project financing and advisory services in connection with project financing, where the investment value of the project is 10 million dollars or higher, both for new projects and for all project financing intended for the expansion or improvement of existing facilities (buildings such as factories, infrastructure, etc.), where changes in these facilities can create significant environmental and/or social impacts or significantly change the natural environment.

The Policy of Non-Financing of Armaments

In accordance with the relevant bylaw of the Group, the Policy of Non-Financing of Armaments, Banca Intesa adopted the Procedure for the Performance of Transactions Related to Armament Production and Trade in

2011, regulating the identification and preparation of a summary of the customers engaged in armament and military equipment production and trade, monitoring the transactions and loan applications of customers engaged in armament and military equipment production and trade, approval of transactions and loan applications related to armament and military equipment production and trade in accordance with the Policy of Non-Financing of Armaments, as well as the preparation of reports on the transactions related to armament and military equipment production and trade.

Reputational Risk Management

Any non-compliance with the internal acts, principles and the values that they contain, as well as any non-compliance with laws and bylaws, exposes the Bank to reputational risk, so this area is approached with the utmost care. Given that trust is of key importance in the relationship between a financial institution and its stakeholders, Banca Intesa considers business ethics and high compliance standards to be its highest priorities.

Compliance control is within the competence of the Compliance and Anti-Money-Laundering Department. The process of compliance risk assessment is constant. The above-mentioned risks are identified through quarterly reporting and priority measures are determined for their elimination or mitigation – that is, the level of efficiency of the existing compliance controls is assessed. The Internal Audit provides direct support to the top management bodies of the Bank in monitoring the compliance with and adequacy of the rules contained in the Bank's bylaws. If it identifies critical issues during its activity, the Internal Audit informs the relevant organisational units and the top management bodies of the Bank with the aim of determining adequate measures for risk mitigation and the method of their implementation.

When combating corruption is involved, the internal regulations that govern the control system and mitigate corruption risks comprise: **The Code of Ethics, The Code of Conduct, The Rulebook on Relations with Political Parties, The Policy on the Prevention and Detection of fraud at the Bank** and following Bank procedures: Acting upon reports of service fraud and abuse at the Bank and Performing transactions with related parties.

The Bank's **Code of Conduct** prescribes the rules in connection with giving and receiving gifts. According to the Code, the sole purpose of giving gifts as part of regular business must be the promotion of the Bank's public image and they must not, under any circumstances, provide grounds for assuming that they exceed the boundaries of normal business conduct and civility, or that their purpose is to gain a privileged position for the Bank in connection with any of its activities. It is not permitted to give or promise gifts, donations or

other privileges to officials or employees of government bodies apart from modest gifts in accordance with the principles determined by the Code. All employees must refrain from receiving gifts or other free items with a value exceeding the boundaries of modesty and standard courtesy, as well as from accepting, for themselves or for other persons, any other offers of privileges and benefits beyond the boundaries of normal business relations, especially when offered with the aim of influencing the independent judgement of the employee and the performance of his/her duties.

A procedure has been prescribed in connection with the violation of regulations or other irregularities –measures that are prescribed in the event of corruption are related to the violation of work duties, so the measures stipulated by external regulations, i.e. the Labour Law (e.g. compensation for damage, employee suspension or termination of employment), but also the Criminal Code, may be imposed against an employee.

Risk analysis is an important part of the approach to the management of reputational risks deriving from corrupt practices of employees or business partners. Analysis of risk of fraud, which includes corruption, is conducted in the Bank on the levels of business processes, through regular procedures (the procedure adoption process also includes the Security and Business Continuity Management Department, which performs assessments of risks under its competences and is further involved in the process of the development of new products/services), as well as through emergency procedures (e.g. the identification of new types of threats or changes in fraud trends).

During 2016, 44 analyses (of business processes, products, services and systems) were made, and a risk assessment procedure has been adopted and is in force since September 1st 2016.

Based on the records of the Legal Department and the General Secretariat, no proceedings were initiated against Banca Intesa in connection with corruption since no complaints or notices prior to complaints were delivered during 2016.

The Rulebook on Relations with Political Parties, as well as the Procedure for the Management, Approval and Realisation of Sponsorship and Donations of Banca Intesa prescribe the obligation of the Bank to refrain from granting donations and sponsorship, inter alia, to:

- political parties, movements and any of their organisational structures;
- trade unions and umbrella organisations;
- trade union organisations;
- state authorities in different forms, competent authorities and institutions

The prohibition on granting donations and sponsorship to the above organisations aims to protect against any actions that would result in a privileged position for the Bank or unfair decisions in favour of the Bank.

During 2016 as well, the Bank provided training through e-learning on the anti-corruption policies and procedures of the Bank. As well as the basic course on Money Laundering Risks that was obligatory for every employee in the Bank, other courses were assigned to employees in line with the job and business process requirements. Thus, during 2016, 91% employees underwent the basic AML course (“Money laundering Risk”) whereas 89% of employees attended the training “Know your Customer”.

Physical Security

Banca Intesa approaches the assessment of risks involving the health and safety of its employees and customers with due diligence through a special management system that is fully compliant with the most significant state-level standards. To that end, a series of education and training courses were organised for employees (e-learning training dedicated to raising awareness of the importance of safety and security in a business environment), along with the improvement of technical measures. No case of robbery in the Bank was recorded during 2016.

2. Sustainability



2.1. Generated Economic Value

Banca Intesa reposes its development strategy on the principle of attaining sustainability when creating value. This means that the Bank endeavours to realise its strategy goals by establishing a balance between the economic, social and ecological aspects of its operations, contributing to the reinforcement of economy, maintaining social cohesion, as well as to greater welfare of the community. Being the leading bank on the Serbian market, the Bank strives to provide sustainable solutions and active support to the recovery process of the local economy.

Market Position

At the end of 2016, Banca Intesa once again reaffirmed its leading position in the market on all the most important balance items, having a market share of 17.0% of the total assets, 15.5% of the total loans, and 17.4% of the total deposits.

	2012	2013	2014	2015	2016
Net assets	3,625	3,718	3,910	4,011	4,466
Loans to customers	2,490	2,720	2,677	2,326	2,398
Customer deposits	2,788	2,813	2,838	2,700	3,111
Equity	792	863	870	942	1,004

*In million Euros

Moreover, owing to its stable income and effective control of costs, the Bank had a cost/income ratio of 41.2% at the end of December 2016. The net income after taxation was EUR 80,6 million.

The total loans of the Bank to corporate and retail customers at the end of December 2016 reached a sum of EUR 2,398 million. The total deposits amounted to EUR 3,109 million.

At the end of the fourth quarter of 2016, the Bank operated with approximately 1,3 million of individuals and around 120,000 legal entities. The Bank's business network comprises 166 branches. The Bank has the most developed network of POS terminals and ATMs with 14,234 of active POS and 267 ATMs. Banca Intesa has during the fourth quarter of 2016 reaffirmed its leading position in electronic banking and payment cards operations. At the end of December 2016, the Bank had close to 1.5 million issued debit and credit cards.

Operations with Corporate Customers

Loans to business entities at the end of 2016 amounted to EUR 1,364 million, while corporate deposits amounted to EUR 1,087 million.

Operations with Retail Customers

In terms of operations with individuals, the total loan portfolio was EUR 829 million at the end of December 2016. Mortgage and cash loans accounted for the most significant share in the loan structure. Retail deposits increased relative to the previous year, to EUR 1,760 million at the end of 2016.

Small business loans reached the level of EUR 159 million while loans granted to farmers totalled to EUR 46 million. Small business deposits amounted to EUR 262 million.

Direct and Indirect Economic Value Generated (in 000 RSD)

TOTAL INCOME 2016	Total economic value generated	24,154,782 RSD
TOTAL EXPENSES 2016	Total economic value distributed through operational costs, expenses related to employees, liabilities to the state and to the community	13,060,382 RSD
EMPLOYMENT	The Bank directly provides over 3,000 jobs.	In 2016, cost of earnings and relevant taxes and contributions of the Bank amounted to 5,671,626 RSD
STABLE PARTNER OF THE STATE	As an active partner of the state, Banca Intesa supports the Government's initiatives for development of the economy.	The tax liabilities of the Bank for income tax and other taxes (without tax and fringe benefits) amount to 1,531,528 RSD
RELIABLE SUPPORT FOR THE ECONOMY	Banca Intesa cooperates with around 350 suppliers.	EUR 30,9 million allocated for procurement indirectly influences the stability of operations and jobs of its suppliers.

Refurbishment of the business premises – Bank's headquarters

The project which marked the 2016 was most certainly the renovation and relocation of the majority of organizational parts to the Bank's new administration building and gathering all of its functions, under one roof. This major project provided the employees with a better quality and modern working surroundings, which further improved their business efficiency, as well as their mutual communication and cooperation. By purchasing the business premises of the Delta holding and Delta sport building, at the end of 2015, the Group has reaffirmed its long-term determination to constantly reinforce its presences and operation on our

„Constellation Serbia“ – project for modern future

The digital revolution, accompanied by a number of changes in the market, significantly changes the traditional banking industry. As part of these changes, in an increasingly complex and dynamic environment, the Bank's response will, to a large extent, rely on the information system. With this in mind, the Bank is committed to a comprehensive modernization of its information system, the essence of which is the Core Banking Information System (CBS).

Being fully supported by the Parent Group, in order to continuously improve the service and its services, the Bank has launched the “Constellation Serbia” project – replacement of the Core banking platform by a modern world solution, which will place the Bank among the world banks which have access to the state-of-the-art technology for business management. The platform, which is to be implemented, is one of the best and most reliable that is currently available on the market and is used by renowned banks worldwide.

The strategic objective of the “Constellation Serbia” project is to provide a platform, at the level of the Bank, which will automate and operationally improve the existing business processes, while at the same time is a solid base for further business development.

Banca Intesa is the first member bank to implement a standardized core-banking platform in the Group, and in the years to come, this platform will enable the modernization of products, services and processes and significantly increase the efficiency of operations in all Group member banks.

Total Income and Expenses (in 000 RSD)

Generated Economic Value	2013	2014	2015	2016
Interest Income	30,811,840	27,838,612	25,419,472	22,618,727
Interest Expenses	-9,598,939	-6,775,049	-5,209,044	-3,704,345
Fee and Commission Income	8,175,478	8,430,918	8,556,828	9,350,652
Fee and Commission Expenses	-2,648,138	-2,781,856	-3,113,026	-3,722,472
Net Profit on Financial Assets Held for Trading	49,264	155,267	213,419	671,814
Net Profit/Loss on Financial Assets Initially Carried at Fair Value Through Profit and Loss	-2,503	36,493	23,176	-8,642
Net Profit/Loss on Financial Assets Available for Sale	4,332	14,333	-991	-5,626
Net Gains/Losses on Exchange Rate Differences and Foreign Currency Clause	1,916,121	2,170,666	3,778,711	2,656,599
Other Operating Income ¹	242,884	356,927	1,135,319	1,164,437
Net Expense/Income on Impairment of Financial Assets and Credit Risk Off-Balance Sheet Items	-8,044,367	-9,168,698	-7,778,192	-4,381,721
Other Expenses ^{1 2}	-210,322	-972,003	-623,183	-484,642
Total Economic Value Generated	20,695,651	19,305,610	22,402,489	24,154,782
2. Economic Value Distributed²				
2.1. Operating Costs³				
Supplies	-475,379	-345,374	-396,967	-413,149
Building and Equipment Maintenance	-798,584	-741,919	-750,879	-667,720
Office and Equipment Lease Cost	-930,657	-1,092,241	-1,147,672	-1,153,891
Intellectual Services	-315,092	-382,969	-477,496	-540,798
Advertising	-280,923	-340,153	-320,485	-203,169
Business Travel and Training of Employees	-92,586	-87,143	-70,161	-65,111
Other Operating Costs	-2,130,715	-2,623,462	-2,954,236	-3,202,813
Total Operating Costs	5,023,936	-5,613,261	-6,117,896	-6,246,650
2.2. Employee Expenses³				
Payroll ¹	-3,223,372	-3,400,976	-3,425,028	-3,550,510
Taxes and Contributions on Wages and Wage Benefits ¹	-1,937,113	-2,050,301	-2,014,219	-2,121,116
Employee Transportation	-84,139	-87,141	-89,838	-90,472
Remuneration for Temporary and Occasional Work ¹	-4,569	-4,741	-4,981	-5,175
Employee Education Not Related to Their Job	-6,094	-2,882	-1,485	-2,252
Other Personal Expenses ¹	-55,922	-22,076	-20,989	-45,159
Total Employee Expenses	-5,311,209	-5,568,117	-5,556,540	-5,814,684
2.3. Expenses Related to Liabilities to the Government³				
Corporate Income Tax	-623,097	-433,284	-1,093,806	-873,985
Taxes	-183,199	-109,548	-104,886	-115,895
Expenses Related to Liabilities to the Government - Total	-806,296	-542,832	-1,198,692	-989,881
2.4. Community Related Expenses				
Donations and Corporate Social Responsibility	-22,381	-39,027	-10,359	-9,167
Community Related Expenses – Total³	-22,381	-39,027	-10,359	-9,167
Total Distributed Economic Value	-11,163,822	-11,763,237	-12,883,487	-13,060,382
3. Retained Economic Value⁴	9,531,829	7,542,373	9,519,002	11,094,400

Notes for 2016:

¹ These items differ from the income statement in the annual report in that the Provisions for Employee Benefits, Legal Disputes and Restructuring are excluded.

² These items differ from the income statement in the annual report in that the Operating Costs are presented in the section Economic Value Distributed in several segments stated.

³ These items differ from the income statement in the annual report in that a part of the Operating Costs is reclassified into the following segments: Employee Expenses, Expenses Related to Liabilities to the Government and Community-Related Expenses.

⁴ This represents BIB's profit net of the Provisions for Employee Benefits, Legal Disputes and Restructuring, net (-285,137), Gains and Losses on Deferred Tax Assets and Liabilities, net (16,932) and the Depreciation Costs (-901,852).

Customers

Reaffirming their long-term commitment to be a reliable partner to the public as well as private sector, given that it is a leading bank in the market, Banca Intesa seeks to contribute to economic development, but also the quality of life of the wider community. In accordance with the needs of its customers, the Bank is constantly working on the improvement of the existing products and introduction of new ones, with constant emphasis on financial inclusion of specific social groups and continuous care of customer satisfaction, in all market segments. The Bank conducts its activities in the following aspects:

- Support for the economy
- Financial inclusion and education
- Customer satisfaction

Support for the Economy

As the largest lender in the domestic economy, in 2016 as well, Banca Intesa endeavoured to ensure better access to funding for all corporate segments – large, micro, small and medium-sized enterprises, small business, registered farms, municipalities and the public sector – and thus stimulate investments and contribute to better living conditions for all citizens of Serbia.

Continuing with the implementation of the strategic program of support to the economic development of the country, at the end of 2016, together with the European Investment Fund (EIF), Banca Intesa signed the first agreement in Serbia under the **COSME** Program of the European Commission, for small and medium enterprises. Owing to the financial support of the European Commission, the EIF has provided a direct guarantee which will enable Banca Intesa, for the period of two following years, to support 3,000 small and medium-sized enterprises in Serbia with a 60 million EUR loan, under favourable terms - with a longer repayment period and without a mortgage as collateral. COSME is the EU program for the competitiveness of entrepreneurs and small and medium enterprises with a total budget of 2.3 billion EUR in the period from 2014 to 2020. The COSME loan guarantee facility provides credit guarantees and counter-guarantees to financial institutions so as to enable them to provide more funding through loans and leasing for small and medium-sized enterprises.

The Bank continued to contribute to the reinforcement of the local economy and continuous granting of favourable loans intended for different business segments. Thus, during 2016, small and medium enterprises and the public sector had at their disposal the long-term loans from the credit line facility of the

European Investment Bank (EIB) for investments to be made into fixed assets and permanent working capital, and for the second year in the row, the Bank has been part of **the program of the Government of the Republic Serbia intended for financial support to SMEs**, in the procurement of production equipment.

One of the major initiatives launched at the level of the Intesa Sanpaolo Group is the initiative called the **"New Silk Road"**, which aims to provide financial support to the Western Balkan countries whose companies, small and medium enterprises, shall take part in projects initiated by Chinese investors and Banca Intesa plays an important role of the regional coordinator, in this project. Namely, the Intesa Sanpaolo Group intends to provide loans in the amount of billion of Euros to small and medium enterprises of the Western Balkans, involved in the initiative "One belt – one road" (the New Silk Road) in Southeast Europe, and all owing to the network of banks in Serbia, Croatia, Albania, Slovenia and Bosnia and Herzegovina. The goal of the program "One belt – one road" (the New Silk Road) is to fix the infrastructure gap with the West by means of significant investments, estimated at around 11 billion of dollars, the amount planned for the next decades.

The program of support for small and medium enterprises of the Intesa Sanpaolo Group, will further strengthen the capacity of Banca Intesa, in order to provide support to this strategically important segment of economy and its customer base. Banca Intesa is involved in the process of strengthening this sector of economy through its own range of products for liquidity, working capital, investments and energy efficiency, participation in programs of subsidized loans of the Government of Serbia, as well as providing favourable credit lines in cooperation with international financial institutions.

As a result of these efforts, during the first four months of 2016, Banca Intesa recorded a portfolio growth of total loans in the segment of entrepreneurs and small and medium-sized enterprises by 5% compared to the same period of the last year, with a significant degree of further improvement in asset quality. During this period, the Bank disbursed a total of 181 million of Euros of new loans, to entrepreneurs and small and medium enterprises, providing thus an important contribution to the further recovery of the economic activity in the country. Well aware of the trends and needs of the market, Banca Intesa has established a separate organizational unit (EU Desk), which will provide professional assistance to the Bank's customers in finding attractive projects and funds to be financed by the EU funds.

Women in business

In addition to being an important indicator of gender equality, economic empowerment of women is one of the prerequisites for sustainable economic growth and social progress. Programs, such as **"Women in Business"**, which was launched by Banca Intesa in cooperation with the European Bank for Reconstruction and Development (EBRD) in 2015, are key to promotion of female entrepreneurship and overcoming the problem of financing. The Bank has been contributing to this cause since 2006, by allowing entrepreneurs access to financing through special credits tailored to their needs.

Thus, in 2016, granting of loans for the financing of investments and working capital to small and medium-sized enterprises run by women, continued **from the EBRD credit line**. In addition to granting financial support funds, the educational aspect of the program continued as well, within which further seminars for female entrepreneurs on the topic of finance and bank support were organized, for further business development of their companies. In 2016, the Bank reached a total of 415 disbursed loans, amounting to 4,6 million Euros, within the "Women in Business" program.

Aware of the importance of female entrepreneurship for further growth of the local economy, Banca Intesa continued with the program of credit support for **unemployed women and women entrepreneurs in Vojvodina**, in form of loans for the purchase of equipment and loans to finance business start-up. In 2016, this credit line from the Bank directed 96,440.58 Euros for the empowerment of women in small business.

The bank has directed about 3% of the total realization of the small business segment to focused support to women in business through the aforementioned credit products.

Given the fact that 90% of companies which are managed by women, have less than ten employees, the challenge, the financial institutions in Serbia are to be faced with in the future, will be the development of microfinance aligned with the needs of entrepreneurs for easier obtaining of investment funds. Positive examples coming from female entrepreneurs in Serbia are numerous, and their promotion is supported by the awarding of the "Flower Success for Woman Dragon", traditionally organized by the Association of Business Women.

Award for the best communication approach

In 2016, for the communicative approach and implementation of an integrated communication campaign to promote the project aimed at supporting the empowerment of women's entrepreneurship in Serbia "Women in Business", Banca Intesa was awarded the prestigious annual award in the field of marketing communications **"Recognition 2016" (PRiznanje 2016)**, granted by a national association of professionals in the field of public relations – the Serbian PR Society (Društvo Srbije za odnose s javnošću).

Support for the Agricultural Sector

In order to provide a long-term support to the sustainable development of local agriculture and wanting to contribute to risk reduction of damage incurred by certain natural disasters, Banca Intesa, in cooperation with Generali Insurance Serbia and KfW Development Bank of Germany, in 2016 developed and presented the market with a unique credit product on the market, intended for the financing of agricultural production and integrated crop insurance policy, called the **Agroprotekt**. The Agroprotekt loan can be used to finance working capital and raw materials for production of agricultural crops - wheat, barley, maize, sugar beet, sunflower and soya - and includes crop insurance policy against basic risks including hail, lightning and fire. The loan is intended for registered farms of individuals and legal entities and entrepreneurs who are engaged in farming and are registered in the territory of the Autonomous Province of Vojvodina. In 2016, the Bank reached a total of 282 loans in the amount of 986,420 Euros, the equivalent to 5.44% of all short-term loans in the amount, or 5.52% of loans in the number of realized towards registered farms and individuals in 2016.

Apart from that, in 2016, the Bank has granted other loans intended for agricultural producers:

In 2016 Banca Intesa made available to its customers from the agricultural segment **subsidized loans in cooperation with the Ministry of Agriculture and Environmental Protection**. The program in 2016 included long-term and short-term loans to farmers with a view to the purchase of raw materials, seeds, fruits, vegetables, livestock and equipment. In 2016 within the said program, 6.7 million of Euros was disbursed through 969 number of loans, which accounted for about 19% of all loans in the segment of registered farms in 2016 of the disbursed amount, or 12.1% of the disbursed number thereof.

In 2016 the cooperation continues with the **Bank Guarantee Fund of the Autonomous Province of Vojvodina** in providing favorable loans intended for farmers for investments to be made into equipment, machinery and arable land. Based on these programs a total of 11 loans were disbursed, in the amount of 395,000 Euros, which makes 2.3% of the total long-term loans of the RPG segment.

Kreditanstalt für Wiederaufbau (KfW) - Banca Intesa and **KfW Development Bank** signed agreements in late 2015 on three credit line facilities in the total amount of EUR 46,5 million, from which Banca Intesa would lend funds in the form of favourable loans for micro, small and middle-sized enterprises, registered farms and local governments. The funds, from this line, which will be granted with the repayment term of seven years, have enabled the customers to finance investment projects and permanent working capital

for a period longer than was the case so far, with a much favourable repayment period and a longer grace period. The partnership of the KfW Development Bank and Banca Intesa is also characterized by the introduction of innovations into the financial sector of Serbia. Thus, KfW in cooperation with Banca Intesa and the Generali Insurance, has developed a loan for farmers with insurance. This form of loan has been devised as a combination of loans for farmers and insurance of crop and shall provide the Serbian farmers with better risk insurance. The local self-governments were also able to apply for the loans for financing infrastructural investment projects of municipalities and public companies.

From these credit lines, which were signed with KfW in late 2015 and during 2016, a total of 4,203,000 Euros was realized in the KfW Public segment, while the Rural Bank KfW invested a total of EUR 6,961,000. Otherwise, since the establishment of cooperation with the KfW Development Bank in 2008, Banca Intesa has signed a total of eight lines of credit with this financial institution.

In the area of support to the agricultural production, Banca Intesa has, during 2016, organized the fourth round of the **Intesa Farmer** competition, an annual selection of the best agricultural producer in Serbia. The most successful participants of the competition in the categories of farming, agriculture, horticulture and animal husbandry, as well as in the category of Intesa Slow Food for small agricultural producers, which was introduced in 2016 in partnership with the Association of Slow Food Serbia, Banca Intesa awarded the participants with a trip to the Slow Food Fair of Good Tastes in Stuttgart, as well as vouchers worth 100,000 dinars for the purchase of raw materials. In the fourth round of the competition Intesa Farmer more than 550 farmers signed up, whereby the jury was led by the general criteria that include the annual results achieved through agricultural production, possession of one's own storage, the involvement of family members in the manufacturing process, and established cooperation with Banca Intesa.

Financial Inclusion and Education

By constant innovations that it introduces into the offer of its financial products and services, Banca Intesa takes into account the specific requirements the customers might have in different periods of their lives, and while developing special inclusive products, the Bank strives to facilitate access to a wider range of the banking products and services which are otherwise not easily accessible to its citizens. Furthermore, the Bank strives to make financial services equally available in economically underdeveloped parts of our country as well, so one fourth of the total number of branches (26.5%) are located in cities and municipalities where the level of development is less than 80% of the national average defined by the categorisation of the level of development by the National Agency for Regional Development.

Accessibility of Facilities

When refurbishing its branches, Banca Intesa pays special attention to the accessibility of its facilities and to adapting them to enable access to persons with disabilities. Around 27% of more than 160 branches within the Banca Intesa business network in Serbia are fully accessible, whether they are level-access facilities or facilities equipped with adequate ramps for pedestrians and wheelchairs, in accordance with the Rulebook on Technical Standards of Accessibility.

At the same time in more than 70 percent of the branches within the Banca Intesa business network, banking transactions can be carried out at tables that meet the needs of persons with disabilities. The bank is constantly working to improve their networks and the traditional banking concept of work that implies performance of all operations at the counters, and is now changing it by a new concept of work posts at desks whose upper plane is at a height of about 75 cm with a certain depth approach. These tables are also equipped to deal with cash, making them appropriate for the needs of persons with disabilities.

Responding to the Community needs

Apart from being the first on the market to introduce loans for the purchase of real estate in Euros with fixed monthly instalment throughout the repayment period of up to 20 years, but also the one to further improve its offer of housing loans indexed in Euros, which were approved with an even lower interest rate, the Bank continued to market its portfolio of inclusive products:

Intermezzo Cash Loan - a loan with insurance with the possibility of postponing the payment of instalments is a non-purpose loan that is approved to all individuals who are employees employed for an indefinite period of time. It is specific given that it offers the possibility of postponing the payment of the instalment, in form of insurance in case of unfavourable loss of job or full permanent disability, which further gives the customers increased security during the repayment period. A total of 38,224 loans amounting to EUR 97,929,493 which was 37.9% of the total realised cash loans over the year, were sold during 2016.

Senior Cash Loan - a cash loan in dinars intended for the oldest citizens. During the whole period of loan repayment, the loan beneficiary has life insurance included in the price of the loan and covers the remaining debt, not burdening the family if death occurs. The Senior Cash Loan has been a part of the standing offer of Banca Intesa since 2011, and the Bank granted 40,099 loans in 2016, in the amount of EUR 62,682,999 which made up 24.2% of the total cash loans in 2016.

Refinancing loan with additional cash with insurance - is approved to all private individuals who are employees for an indefinite time, who can refinance their liabilities as per current accounts, credit cards and

loans, and who have the possibility of being granted additional cash. The main characteristic of this loan is insurance for the beneficiaries in case of full permanent disability (100%) due to an accident and in case of loss of one's job. In 2016, 21,515 loans were realised in the total amount of EUR 80,805,992 which enabled customers to service their outstanding liabilities with Banca Intesa and other banks, which was 31.2% of the total cash loans of the Bank during the year.

Visa Classic Paralympic donor credit card – the first charity payment card in the country. With the activation of the Visa Paralympic donor card, each beneficiary becomes a donor to the Foundation of the Paralympic Committee of Serbia. In 2016, 309 cards have been issued.

New service offerings for students – In order to provide support to students, the Bank seeks to create an offer that easily fits the financial needs they face on daily basis. In that regard, the Bank has, in 2016, presented a new offer of current accounts for students: Student Hit. A grade-A account.

The Student Hit current account provides users with the possibility of opening dinar and foreign currency account, free of charge, to receive money within the country and abroad, as well as free SMS notification of payment. Also, during the first year of this package, young academics are exempt from monthly maintenance fee and have, free of charge, the Visa Inspire payment card, which can be used without commissions in 11 countries within the region, as well as to make safe purchases over the Internet. The card can be linked to a PayPal account and contactless payments can be made at points of sale tagged payWave. In addition, bearing in mind the habits and needs of the younger population to have as many of their duties and obligations done online, Student Hit account includes the use of mobile and internet banking, free of charge.

Banca Intesa, the largest donor to Paralympic sport

Combining its market interest with innovation and principles of social and financial inclusion, so as to provide long-term support to the sustainable development of Paralympic sport in Serbia, in 2016, the Bank continued with the implementation of the financial mechanism of long-term support to the Paralympic Committee of Serbia. By renouncing part of the amount of fees and transactions made by Visa Paralympic Charity payment cards, the Bank has made a decisive contribution to the operational sustainability of the Paralympic Committee of Serbia in the Olympic year, which sets a unique example among sports organizations in the country and abroad. By implementing this model of inclusive finance, the Bank has, in 2016, supported by the Paralympic Committee of Serbia with more than 5.5 million of dinars. Apart from the financial support, the Bank has, in 2016 implemented a communications campaign to raise awareness about the achievements

and needs of athletes with disabilities, for which, being the largest corporate donor, it received a special recognition of the Paralympic Committee of Serbia for its contribution to the development and popularization of Paralympic sport in the country.

Upgrading the Bank's website

In line with its new communication strategy and visual standards introduced at the end of 2014, the Bank has made significant visual and functional improvements of its official corporate website. The said upgrade of the corporate Bank's website implies a completely new layout, which is defined by the Parent Group, clearly presented content displayed through sections, and a clearer description of products and services, along with easier navigation. Also, the upgrade of the Bank's website is part of the project of unifying all websites of the Parent Group member banks.

The website design automatically adapts to the device on which it is being displayed, and it features interactive loan calculators, folders, maps of branches and ATMs, and there is also a possibility of changing the font size, which is of great help to people with visual impairments. Apart from being adapted for the blind and visually impaired people in terms of access to its content, the Bank's corporate website also offers a map of branches, listing its basic characteristics, including whether the branch is adapted for people with disabilities. This possibility is also available to users of mobile banking Intesa Mobi.

Also, the contents of the Bank's website has been upgraded as well, (bilingual - Serbian / English) by enhancing the Q&A section depending on the type of products / services and segments (population / economy / small business / agriculture / etc.).

Financial Education

Given that Banca Intesa is dedicated to spreading knowledge on economic and financial issues, as well as to education about modern banking services and responsible money management, the employees of the Bank have, in 2016 as well, by means of the program of individual volunteering taken active part in several projects intended for customers, entrepreneurs, women, and the youth.

One of the most important projects of the Bank is most certainly empowering women in business. In cooperation with the European Bank for Reconstruction and Development (EBRD) and the Frankfurt School of Finance, Banca Intesa has, from November 2015 to May 2016, organized five seminars for women in business. A seminar titled "How to manage your finances and improve your business with the support of the banks" was held in Belgrade, Novi Sad, Kragujevac and Niš. Nearly 250 business women, owners and company directors of existing and potential customers of the Bank took part, and the lectures were held by representatives

of Banca Intesa and EBRD. Renowned speakers and experts in the field of banking and finance introduced the participants to ways on how to improve the management of their own finances, by giving them insight into the best practices of working capital management, cash flow, revenues and expenses, and advised them on how to ensure adequate support of the banks for further business development.

At seminars, the entrepreneurs were presented with the opportunity to get acquainted with the diagnostic tool called "Business Lens," which can help them recognize the strengths and weaknesses of one's business, as well as its potential for further development, but they have also had the opportunity to expand their network of contacts and share knowledge and experience with other business women from Serbia.

Apart from that, taking into account the specific needs of its customers, the Bank has developed an informative promotional material on the Bank's products and services (leaflets, posters in the Bank's branch offices, ads in newspapers, etc.) all in the language of minorities living in Vojvodina. It is a **perennial initiative to overcome language barriers** for the users of the products and services of the Bank, which may occur among minority groups, due to the lack of understanding of the language, and in particular, the banking terminology. More specifically, in 2016, it was the material in Hungarian that was prepared for credits aimed at farms from the area of the Vojvodina region - in areas inhabited by the Hungarian minority. This material was developed for the new loan product Agroprotekt - credit with free of charge insurance of arable crops which is specific and, as such, assumed to be harder to understand by the minorities.

In 2016, the Bank has also implemented a series of one-day workshops for customers in the small business segment. Workshops for young managers were organized in cooperation with the consultancy company FranklinCovey and were held in Kragujevac, Niš and Belgrade on the topic of "The Seven Habits of Highly Effective People".

Sixth Intesa Academy for Customers

Banca Intesa, being a reliable partner, presented its corporate customers with practical and applicable advice for successful business through a series of exclusive lectures within the sixth annual Intesa Academy, which was visited by about 100 guests.

The event was opened by Francesco Lupo, a member of the Executive Board and Head of Corporate Division, as well as Rajka Šinik Vulić, Acting Head of PR and marketing communications Department who welcomed all the guests.

Speakers at the Intesa Academia Workshop 2016 were Branislav Čukvas, Head of Capital Market Office, who spoke on the topic "Financial risk management in companies: hedging interest rate and foreign

exchange risks," and Danilo Mrvaljević, Head of Treasury and ALM Department, with "Alternative liquidity management: government bonds and REPO transactions" presentation.

Among the guest speakers were also Gianluca Salsecci, Head of the International macro-economic research Department of the Intesa Sanpaolo Group, who shared his experiences with those present, in the area of "Economic outlook of the region in which the Intesa Sanpaolo Group operates" as well as the renowned basketball coach Dan Peterson, who gave an interesting motivational lecture.

The Banca Intesa employees have traditionally supported the project **"The Banking Officer"**, organized by the local branch office of the United Nations Global Compact, with the aim of providing education for students and teachers in secondary schools, on various topics from the banking practice. The activity is realized within the Working group for CSR in the banking sector, presided by the National Bank of Serbia.

The AmChamps Summer School is a one-week educational program of the American Chamber of Commerce in Serbia (AmCham), which allows students to acquire knowledge and skills that can help them skilfully overcome the first challenges of the modern business environment. This school, whose this year's main partner was Banca Intesa, was created with the idea of having as many student attendees as possible, be given the opportunity to gain useful business knowledge from the successful business people at lectures and workshops and to apply thereof. In 2016, Heads of three organizational units of the Bank, supported this year's program as volunteer presenters.

Business skills academy

Banca Intesa was awarded with the plaque for the official entry into the program of the Business Skills Academy of the Responsible Business Forum in 2016. Business skills academy is a program created to facilitate the transfer of business knowledge and skills to organizations and social enterprises and thus contribute to increasing their efficiency and commercial viability and market visibility. The program is based on a combination of lectures, consultancy and mentoring, and based on the assessment of needs of organizations and the voluntary participation of professionals from the Bank who are willing to, free of charge, and through individual voluntary commitment, transfer knowledge and experience of their area of expertise to civil society organizations and social enterprises.

By entering into the Academy, Banca Intesa plans to support the Academy program, by conferring its experience and knowledge, through voluntary engagement of as many colleagues with different expertise as possible. The activities will be conducted through the corporate volunteering program "Intesa from the Heart".

Customer satisfaction

For Banca Intesa, customer care is an ongoing process of listening to the needs of customers who, through the feedback they provide - be it on issues, complaints, suggestions or compliments, and finally customer satisfaction survey - participate in the development and improvement of products and services of the Bank, define communication strategies and developed business networks. Surveys represent the beginning of the process of constant improvement, and customers are becoming the initiators of actions for improvement. Maintenance of an exceptional level of customer loyalty, is achieved through transparent and timely communication and undertaking of action upon each and every request. Customer care is defined, among other things, by the program "We listen to you 100%".

Communication Mechanisms

In line with the Law on protection of financial service users, complaint in written form is deemed a complaint. The customers have the following channels of communication with Banca Intesa at their disposal:

- Phone: + 381 310 8888
- E-mail: kontakt@bancaintesa.rs
- Fax: +381 11 310 8855
- Mail: Customer Satisfaction Office, Milentija Popovića 7b, 11070 Novi Beograd
- Personal contact, when a customer hands in a written complaint
- Official contact form on the official internet presentation of the Bank

In order to improve relationships with customers who have addressed the Bank with a complaint, as well as the general aspect of CSR, the processing and response time to customer complaints significantly decreased in comparison to 2015 and 2014, and in this sense, the average response time to the complaint addressed to the Bank is much less than the actual period set forth by the law. Also, in regards to the processing of other demands or requests of the customers, the Bank adheres to the same principles that were adopted in regard to the processing of complaints, although it is not thus bound by the regulatory framework.

In February 2016, the Executive Board of the Bank adopted an internal regulatory document - Parent Bank Guidelines for the management of complaints, payment cards claims and related customers' and supervisory authorities' requests, which, together with procedures for handling customer complaints, is an important part of a set of internal documents defining roles, responsibilities and rules for the orderly resolution of complaints and disputes regarding the protection of the rights of the Banca Intesa customers. With these documents, the Bank goes beyond the legal obligation, which confirms its strategic dedication to be fully committed to a continuous dialogue with its customers, in order to maintain mutual relations at a high level. Complaints processing has been centralized in such way that one organizational unit which directly

reports to the President of the Executive Board of the Bank, is responsible for resolution thereof.

Each customer can make personal contact with the employees of the Customer Satisfaction Office. In case the customer is not satisfied with the response, he/she can address the National Bank of Serbia, as the second-instance authority, for possible mediation.

The Bank has been monitoring customer satisfaction since 2008. In order to evaluate the level of customer satisfaction a scientifically tested and well-established approach has been used, based on the model of the European Customer Satisfaction Index (ECSI). The use of this model, makes it possible to compare the results of Banca Intesa Beograd with the achievements of the banks in the local banking market, but also with other ISBD banks (member banks of International Subsidiary Banks Division). ECSI includes a wide range of key factors: image, branch organization, the relationship with the staff, price and quality, after sales support, complaints resolution and other. Since 2016, in addition to customer satisfaction surveys from the segments of individuals, small businesses and small and medium-sized enterprises, associated segments of corporate and multinational customers joined the research and thus satisfaction surveys cover all segments of the Bank. Based on the model, the satisfaction index and the loyalty index are obtained.

Along with the internal customer satisfaction survey, which solely involves the customers, Banca Intesa has, at the level of the retail segment, implemented a comparative (benchmarking) research as well, which enables comparison with competitors in the local market, and not just when it comes to index customer satisfaction and loyalty, but also of all of the individual indicators (image, price and quality of products and services, relationships with the staff, organizational efficiency, support after sales, handling of complaints, electronic banking services, etc.). The results in 2016 clearly indicate the leadership of Banca Intesa in the field of customer satisfaction and loyalty of its customers. Other studies have also confirmed the high level of customer satisfaction, especially in the aspects of trust that they place in the Bank, customer care, followed by the relationship with employees and the support they provided after the sale. All of these aspects have been further confirmed by a high NPS (net promoter score) which makes it clear that the Banca Intesa customers are prepared to recommend its products and services to persons they are close to, which certainly builds on the clear intention to continue the cooperation with Bank, in the period to follow. The trust placed in the Bank, and a high level of satisfaction with the services and products offered by the Bank has also been expressed by their customers who belong to the segment of large and multinational companies. This is why Banca Intesa should be satisfied with the results, but above all to vigorously continue improving its services and products, with the aim of achieving sustainable continuity of high customer satisfaction and loyalty of its customers.

Upgrading the e-commerce services

For the purpose of improving the e-commerce services, in 2016 Banca Intesa introduced a new e-commerce infrastructure Nest Pay. Nest Pay is a system that provides secure purchase by payment cards on the internet selling points, in accordance with the applicable credit card standards. In addition to the existing functionality, Nest Pay allows you to pay in instalments, acceptance of various credit card brands, support for different languages, and improved system for monitoring the malicious user behaviour.

Also, during 2016, Banca Intesa continued to promote the latest payment technologies wanting to make the **Wave2Pay** service of contactless payments via mobile phone, available to all its customers. Great efforts were invested in education aimed at the better understanding of this technology to all parties involved in the payment process, with particular focus on the training of employees in the host network of the Banca Intesa POS terminals. Final and inclusive of December 2016, this service reported more than 3,100 users.

In order to further improve the quality of services within the business network of the Bank, a survey was initiated in 2016, based on the "Mystery Shopper" methodology. The survey, among other things, enables each branch to be considered as a separate entity and that, based on the results obtained, initiate and undertake activities which improve the quality of service provided and consequently, directly affect the experience and satisfaction of the most frequent customers. The task set in 2016 as part of the "We listen to you 100%" program was also the development of the so-called instant feedback tools, which, in future, will enable faster and easier interaction with customers when collecting feedback either via an email channel, the website of the Bank, the interactive voice response or at the "point of contact", i.e. at the actual branch.

Digital info

In 2016, the Bank continued with its active improvement of its network of branch offices. A total of eight branch offices have been adapted, while some of them have been refurbished so as to provide greater comfort to customers: a library, internet zone, coffee corner, 24h Zone with ATMs and info-terminal. In addition, the Bank has introduced a Digital info corner, which is a place where customers, with the help of professional staff, can be informed about the electronic banking services.

In some new branch offices, the latest generation of ATMs has been installed, as well as devices for Digital Signage. Digital Signage is part of the DigiCal project, which takes place at the level of Intesa Group and aims to bring together all communication channels to the customer. Digital Signage enables broadcasting of advertising content on the monitors that are placed in the branch offices, and owing to the state-of-the-art technology, the PR and Marketing Communication Department can manage these contents via a single platform.

Transparency of data

Establishing a relationship of trust implies a full understanding of the characteristics and values of products, so Banca Intesa strives, in addition to complying with the Law on the Protection of Financial Service Consumers, to additionally contribute to simplifying the communication on its products.

In line with the Law on the protection of financial service customers, in advertising its products, the Bank states all the costs that shall be borne by the consumers. The Bank is transparent in its price policy, which it always shows clearly and visibly along with representative examples containing data in accordance with the Law on the Protection of Financial Service Consumers. When it comes to contracts, the Bank strives to formulate them so that they are simple to understand, reducing any possibility of misunderstanding and ambiguous interpretation by providing clear and exhaustive information. The Bank notifies its customers in a timely manner on any change in the contracts and their terms and conditions. In 2016, the Bank has not recorded a single case of non-compliance with regulations or voluntary codes, which refer to adequate notification of customers about its products and services.

Data security

As defined in the Code of Ethics, the protection of persons, their assets and valuables as well as a multitude of data and internal organisational processes, is conducted in Banca Intesa in a way that fully meets the criteria of reliability, continuity and confidentiality.

In addition to its legal obligations, Banca Intesa complies with the criteria of absolute transparency in informing its customers of their rights to privacy and the way it treats their personal information. During 2016, in the sense of the definition of banking, as well as business secrets, Banca Intesa did not find any founded complaint in connection with the violation of customer privacy or any disclosure, leakage or theft of customer information. The three complaints that the Bank did receive, had no grounds in terms of a real violation of privacy.

Employees

Banca Intesa team comprises dedicated and professional people who, using their knowledge, experience and ideas enhance the Bank's operations, and therefore constitute an important resource. Therefore, only by creating an environment which fosters open communication, encourages the expression of ideas and individuality, provides equal opportunities for development and creates a sense of belonging, only then can employees reach their full potential and motivation to actively contribute to common goals. In order to recognize and meet the needs of employees, in the best manner possible, the following key areas have been defined, on which this process will be focused:

- Equal opportunities
- Human resource development
- Employee satisfaction

Equal Opportunities

Equal opportunities during employment and promotion in Banca Intesa are guaranteed by the Code of Ethics principles, in compliance with which imply objectivity and consistent conduct, preventing favouritism, abuse or discrimination based on any personal feature such as gender, ethnicity, religion, political beliefs, language, age, disability or trade union membership. In keeping records on employees, Banca Intesa uses an internal personnel application where employees are able, if they wish, to enter and update their personal information themselves.

At the end of 2016, Banca Intesa had a total of 3,032 employees, of whom 70.6% were women.

Total number of employees by category and gender																															
		2012				2013				2014				2015				2016													
		Managers		Officers		Employees		Managers		Officers		Employees		Managers		Officers		Employees		Managers		Officers		Employees							
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F						
		26	20	167	264	722	1,935	23	16	166	261	698	1,875	20	15	160	252	713	1,865	21	16	157	252	703	1,861	22	14	160	234	709	1,893
T O T A L		46		431		2,657		39		427		2,573		35		412		2,578		37		409		2,564		36		394		2,602	

Total number of employees by business locations	2012		2013		2014		2015		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Belgrade*	459	963	464	969	481	986	491	1,013	496	1,008
Other locations**	456	1,256	423	1,183	412	1,146	390	1,116	395	1,133
Total	915	2,219	887	2,152	893	2,132	881	2,129	891	2,141

* The number of employees in Belgrade includes all employees at the Bank Headquarters located in Belgrade, as well as all branch employees in the Belgrade Regional Centre.

** Employees in other locations include Bank Headquarters employees located in Novi Sad, as well as all branch employees in all the towns in Serbia in which the Bank operates (which include all branches in the three remaining Regional Centres: RC Novi Sad, RC Kragujevac, RC Niš). This interpretation of other locations is valid throughout the report.

*** The Bank does not employ permanent third parties.

Type of employment contract by location	2012		2013		2014		2015		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Fixed-term	29	56	31	40	49	79	52	88	47	115
Permanent	886	2,163	856	2,112	844	2,053	829	2,041	844	2,026
Total	915	2,219	887	2,512	893	2,132	881	2,129	891	2,141

Type of employment contract by location	2012		2013		2014		2015		2016	
	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent	Fixed-term	Permanent
Belgrade	12	1,410	39	1,394	94	1,373	99	1,405	78	1,426
Other locations	73	1,639	32	1,574	34	1,524	41	1,465	84	1,444
Total	85	3,049	71	2,968	128	2,897	140	2,870	162	2,870

*In terms of employment type, there are no part-time employees in the Bank, so all employees are engaged as fulltime employees.

Gender structure	2012		2013		2014		2015		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Employee gender structure	29.20%	70.80%	29.19%	70.81%	29.52%	70.48%	29.27%	70.73%	29.4%	70.6%
Management employee gender structure	56.52%	43.48%	58.97%	41.03%	57.14%	42.86%	40%	60%	42.3%	57.7%

Age structure	2012			2013			2014			2015			2016		
	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age	Under 30 years of age	Between 30 and 50 years of age	Over 50 years of age
Employee age structure	9.76%	75.47%	14.77%	7.77%	77.23%	15%	9.42%	74.88%	15.70%	7.41%	75.61%	16.98%	10%	74.5%	15.5%
Management age structure	/	84.78%	15.22%	/	66.67%	33.33%	/	80%	20%	/	80%	20%	1.2%	79.1%	19.8%

The preservation of jobs is one of the priorities of the Intesa Sanpaolo Group so Banca Intesa Beograd strives to maintain the employee turnover rate at stable levels.

Employee turnover	2012		2013		2014		2015		2016	
	M	F	M	F	M	F	M	F	M	F
Newly employed	60	74	60	60	67	78	71	85	103	140
Total number of newly employed	134		120		145		156		243	
Left the Bank	63	137	88	127	61	107	83	88	93	128
<30	8	26	10	14	8	11	8	14	17	15
30-50	35	51	55	71	41	66	69	56	60	85
>50	20	60	23	42	12	30	6	18	16	28
Total number of employees who left the Bank	200		215		168		171		221	
Turnover rate	6.38%		7.07%		5.55%		5.67%		7.24%	

In order to facilitate the process of adaptation of new colleagues to the work environment, in 2016, Banca Intesa, defined an activity, launched last year, of monitoring and supporting all newly employed, which implies active communication with mentors, support manuals and meetings with new employees.

In accordance with the current legislation of the Republic of Serbia, all Banca Intesa employees have the right to maternity leave. Being a responsible employer, the Bank guarantees a return to the job for all employees who exercise this right.

Right to maternity leave	2012	2013	2014	2015	2016
The total number of employees who exercised their right to maternity leave	287	270	168	166	148
Rate of return to work after the end of maternity leave	99.65%	99.26%	96.4%	98.8%	98.8%
Rate of remaining in employment 12 months after returning to work	96.17%	95.47%	98%	95.83%	91.6%*

* Out of 14 employees who have left their position, 11 of them have done so willingly.

Occupational Health and Safety

Issues related to the occupational health and safety in Banca Intesa is defined in the Collective Bargaining Agreement, the Rulebook on Occupational Health and Safety, and the Act on the Assessment of Risk in Workplaces and in the Working Environment of the Bank. The Collective Agreement and Rulebook on the OHS define the rights and procedures in this area, and the Act on the Assessment of Risk defines preventive measures for safe and healthy work in the workplace and the need for personal protective equipment. The said documents include the following themes: personal protective equipment, training and education, complaint mechanism, the right to refuse hazardous work, and periodical inspections.

The injury rate represents the frequency of injuries during the reporting period, for every 100th employee.

Injury rate - employees	Reporting period 2016	
	Male	Female
	0.097	0.389
Total	0.486	

*In 2016, there were no cases of occupational diseases.

The rate of lost days represents the frequency of lost days due to injuries for every 100th employee.

Rate of lost days - employees	Reporting period 2016	
	Male	Female
	0.076	8.034
Total	8.11	

Rate of absence from work represents the percentage share of days of sick leave in the total number of business days.

Rate of absence from work - employees	Reporting period 2016	
	Male	Female
	0.38	3.04
Total	3.42	

*In 2016, there were no fatal outcomes.

Human Resource Development

Opportunities are equally available to all employees, and in particular for continuous professional and personal development, while newly acquired knowledge and skills create space for different understanding of the work process, proposing new business solutions or more efficient overcoming of the challenges faced.

Transparency and objectivity of the process indicators are the main principles which the Bank adheres to in monitoring the realization of its employees and their fair remuneration. Assessment of performance was made for 95.63% employees in 2016, and thus the Bank preserved continuity relative to previous years - 2015 (93.19%), 2014 (94.87%), 2013 (93.45%) and 2012 (94.64%).

Banca Intesa internally ensures studying and education opportunities to its employees in the form of training, seminars, workshops and especially through the distinguished e-learning platform that includes various online training programmes.

Occasionally, the Bank publishes Rulebooks and other internal tools that facilitate spreading knowledge on individual relevant themes. Besides, the Bank also supports employees in initiatives to externally acquire the necessary knowledge and skills, ensuring financial support for these types of educational activity, as well as for various study trips with guaranteed return to their job.

Being a member of the Intesa Sanpaolo Group, in 2016, the Bank has encouraged the international career development, as well as gaining of new professional knowledge through the exchange of experience with the colleagues from the Group.

In late 2015, the pilot phase of the project "SinteZa" was launched, aimed at improving sales and management skills of employees in the Bank's sales teams, better cooperation within the teams, as well as increasing the efficiency of the process at all management levels. The idea is that employees who are gathered in a special Task force team convey, in the best manner possible, to their colleagues, the new standards in the business process and thus help them adapt to the new changes.

The pilot phase of the project aimed at improving the skills of employees working with individuals consisted of a total of 205 hours of mentoring activities with the participation of 240 employees, of which the best ones, were awarded with special prizes. After its successful completion, and the results reflecting in significant improvement of the sales service model as well as better customer experience in the Bank's branches, the "SinteZa" was officially launched in April 2016. The project included another 29 branches in the Regional Centre of Belgrade, and 10 branches initiated the pilot phase for the small business segment.

Training	2012		2013		2014		2015		2016	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total number of training hours by gender	16,065	31,762.5	26,422.5	64,825	22,070	49,147.5	29,754.5	59,785.5	33,900	61,580
Average number of training hours per year by gender*	17.56	14.31	29.79	30.12	24.71	23.05	33.77	28.08	42.22	35.43

	2012			2013			2014			2015			2016		
	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees
Total number of training hours by employee category*	720	11,025	36,082.5	607.5	18,342.5	72,297.5	637.5	8,145	62,435	950	19,025	69,565	1,425	14,590	79,465
Average number of training hours by employee	15.65	25.58	13.58	15.85	42.6	28.1	18.21	19.77	24.22	25.67	46.51	27.13	41.61	43.55	36.58

* The division into employee categories is derived from the Bank's HR system.

Banca Intesa has, during 2016 successfully developed an innovative development program entitled "Small Business Academy", intended for current and future advisors for small businesses. The Academy is designed to cover a wide range of knowledge and skills that are needed in everyday work, such as sales, communication skills and conflict resolution, financial analysis, time management, and the use of available tools. This program, which consists of three modules, a test and certification for employees who successfully complete the training will be configured as a standard training for the staff at the said position. The program was initiated in late 2015 for all new colleagues from the Business Network and since end of 2016 it is being applied to the new colleagues at the headquarter.

The organization of training programs for employees from other departments has also continued, such as vocational programs for the colleagues in charge of the corporate sector, entitled "InCorporated", while colleagues from the Credit Management Department had a series of trainings entitled "Credit Risk Management Academy".

Employee Satisfaction

Investing into personal and professional development of the employees goes hand in hand with the recognition of their needs and desires, but also with the efforts to ensure that they are adequately met. The Bank's focus on the overall care of the people and creation of prerequisites for their satisfaction with the work environment is an area in which steady progress can be observed. The degree of importance attached to this area is also the fact that employee satisfaction is one of the key topics in the business plan of the Intesa Sanpaolo Group, as well as in that of Banca Intesa.

Besides the rights guaranteed to employees by law - rights to healthcare, maternity leave, severance retirement pay and benefits for disability - the Bank

provides an annual leave contribution, meal allowances and transportation allowances. All employees in Banca Intesa are covered by the Collective bargaining agreement, whether they are trade union members or not.

Banca Intesa employees are offered privileged terms for loans, the right to private health insurance under favourable terms and special conveniences and discounts for in-store purchases and travel agent's with which the Bank has business cooperation. Moreover, the Bank plans the retirement of employees who are at the end of their working life and disburses severance retirement pay taking into account the age and years of work.

The complaint procedure for employees is defined in the internal documents of the Bank, which are available to employees on the internal portal. Any complaint of an employee is considered thoroughly and the employee is provided with detailed feedback in a timely manner. In 2016, a total of 10 disputes were administered in the area of labour rights, whereby eight of them by the former employees and two appeals filed by people who are currently the Bank's employees. In the same period, one internal procedure was administered pertaining to a potential case of mobbing, which was amicably resolved.

In October 2015, Banca Intesa launched a project for the examination of its corporate culture, with the purpose of mapping the key points that make up the corporate culture of the Bank and establishing what employees consider to be an ideal culture, and to objectively perceive room for further improvement. The research results indicated the direction which the Bank is to take, on regular basis, if striving to improve its operation and the organizational system in the years to follow. Based on the research results, a set of activities was implemented and realized in 2016, which was devised for further improvement of the internal culture, satisfaction and employee motivation.

Corporate Volunteering

In 2013, Banca Intesa launched a corporate volunteering program, "Intesa from the Heart", the goal of which was to contribute to the community by putting the time, talents and knowledge of its employees at its disposal. Employees can submit proposals themselves for volunteering engagements and the organization of actions, thus making volunteering a true part of our corporate culture. See the chapter "Community" for more about the numerous activities implemented during 2015.

Internal Communication

WEB TV and ONE DESK platform

WEB TV - a modern, simple and easily accessible channel through which employees are able to learn about any novelties in the Group in different markets - is available in all the member banks of the Intesa Sanpaolo Group. This project was developed with the aim of strengthening the feeling of belonging to the Group, and implies access to video content in the local languages of all members of the division. This is a communication channel resulting from years of research and compliance with the trends in the application of the state-of-the-art communication solutions. Access to WEB TV is enabled by clicking on the banner located on the homepage of the internet portal. During 2016, a new international communication platform, OneDesk, was launched as well. It is an online tool that connects employees of the ISBD division, helping them to share professional experiences and documents, with a number of functionalities and workspaces for different organizational units. The purpose of OneDesk is to link different markets, because it allows people to interact with each other across borders and help them to expand their professional and personal network of contacts.

During 2016, the **IntesaTim** campaign continues, with the aim of strengthening corporate values, horizontal communications, team spirit and the feeling of belonging. The campaign involves a series of activities that contribute to employees in different organisational units knowing each other better and encourage any employee to think about their role in the Bank. A series of activities have been implemented within the campaign. "In someone else's shoes," through which managers got better acquainted with the employee colleagues they worked with on a daily basis, and tried their hand at the tasks the employees performed. During 2016, 13 directors of organizational parts took part in this activity. Also, the "Open Door" activity, to departments and offices, continued, whereby their work was presented to the colleagues of other organizational parts.

Sports Activities

The Intesa Sanpaolo Group regularly organises sports competitions as part of its regular activities, aimed at building a strong team spirit and enabling employees in the banks to get to know each other.

Around 50 employees presented Banca Intesa at the seventh in a row ISBD Olympic Games, which was held in Portorož and Koper, in September 2016. More than 400 colleagues took part in the competitions, and in particular those from:

Bank Koper (Slovenia), VUB Bank (Slovakia), Intesa Sanpaolo Bank (Romania), Privredna banka Zagreb (Croatia), Intesa Sanpaolo Bank (Albania), CIB Bank (Hungary), Intesa Sanpaolo Bank (Bosnia and Herzegovina), the ISP Card company and for the first time, the colleagues from the Eurozone Investment Fund from Italy.

Under the auspices of the Intesa Sanpaolo Group, more than 350 colleagues from Italy and seven member states of the ISBD division took part in the third in a row Istra marathon, which was held in April 2016, in Slovenia. For the first time, Banca Intesa had thirteen of its representatives, since, with the support of the Group, all of the applied athletes went to Portorož.

Care for Employees' Children

Sports events are organized for children as well - children of colleagues from the Group member banks. The fifth ISBD Children's Olympiad, held in May 2016, and hosted by Banca Intesa, was attended by more than 250 children from eight member banks. As was the case in previous years, they had a chance to show what they know in football, volleyball and basketball. While the football players and volleyball players competed to win, the basketball players had the opportunity to attend a basketball school - the Armani Junior camp for boys and girls, led by the coaches of the Armani Milano basketball club.

For the twelfth year in a row, Banca Intesa has, and in 2016 as well, enabled the children of its employees to spend a two-week holiday in Tuscany, in the small town of Follonica. This was also an opportunity for the children from Serbia to meet their peers from Italy and Egypt, spend some time with them and thus work on their independence as well. In August, this part of Italy was visited by 71 children of the Bank's employees.

In cooperation with the Foundation for international educational exchange "Intercultura", Banca Intesa has, in 2016 as well, supported a one-year training program abroad. The program is aimed at high school students, aged 15 to 18 years, which can easily adapt to changes, and are curious and open to accept cultural and other differences. Two children of the Bank's employees completed the last school year in Italy, taking advantage of an opportunity to learn Italian, live in a different cultural environment and gain new experiences.

Community

Constantly monitoring the needs of the community in which it operates, Banca Intesa has, for a number of years been striving to adequately respond to them, both in the area of corporate philanthropy, as well as by reinforcing the concept of social and financial inclusion, but also through the development of its own projects of social responsibility. The Bank's concept of corporate social responsibility has been practically applied through the provision of support to the community, by implementing specific voluntary activities and reinforcing the culture of corporate volunteering. The Bank has strategically defined the primary aspect of its activities directed towards the community:

- **Heritage preservation and culture promotion**
- **Social and financial inclusion**
- **Support to young talents**

In 2016, the Bank has focused its support to health institutions, projects in the field of culture and preservation of cultural heritage, as well as the numerous initiatives of social and humanitarian significance. For the purpose of development of the society and the local community through donations, sponsorships, non-financial benefits and volunteer activities, during 2016, a total of over 28 million of dinars has been invested. According to reports issued by Ekonometar and Business Magazine for 2016, among the financial institutions that operate in Serbia, Banca Intesa is fourth in terms of the amount of funds allocated for the development of society and the local community.

Heritage preservation and culture promotion

In line with its commitment to contribute to the preservation of cultural and historical heritage, in 2016 the Bank allocated substantial funds for the promotion of art and culture through investments in support of regional and local cultural initiatives, including theatre festivals and art events. Among the many projects supported by the Bank during 2016, the highlights were the celebration of Zoran Radmilović in Zaječar, the "Smederevska jesen" (Autumn in Smederevo) event, as one of the oldest cultural events in the country, Ljubičevu Equestrian Games in Požarevac, Mokranjac's days in Negotin, and the regional theatre festival "Bez prevoda" ("Without translation") in Užice.

Intesa Sanpaolo support to the cultural heritage of the region

In July 2016, the Marche Foundation, the Chamber of Commerce of Ancona, the Polytechnic University of Marche (Università Politecnica Delle Marche), the city of Ancona and institute ISTAO, with the support of the Intesa Sanpaolo Group, issued a second call for applications in the "Ecapital Culture Adriatic Start Up School". A school for young people from the countries of the Adriatic-Ionian area, which aims to promote cultural and historical heritage of the region through the development of innovative 'start up' initiatives.

Candidates aged up to 40 years from eight countries: Serbia, Montenegro, Bosnia and Herzegovina, Albania, Croatian, Slovenia, Greece and Italy, had the opportunity to submit their business ideas, whereas the minimum requirement for application was the necessary secondary education and English language proficiency.

The school attended by the best candidates, began its work in mid-October in the Italian city of Ancona and includes thematic variety of lectures, workshops and analysis of numerous case studies, followed by studies in the field of development and implementation of a business plan, improvement of techniques for "start up" projects and planning and the launch of "start up" initiatives. The "Ecapital Culture Adriatic Start Up School" was launched in 2015, when the school was attended by 25 young people from Serbia, Bosnia and Herzegovina, Croatia, Albania, Greece and Italy.

Social and financial inclusion

Being an integral part of the community, it is the Bank's responsibility to take care thereof, and this care is featured through program of donations, with which the Bank helps the community by donating equipment and money, trying to support the inclusion of specific social groups. Thus, in 2016 the Bank endeavoured to contribute to the solving of current social issues through the provision of financial assistance for projects in the field of education, sports, and social and health care. In addition to direct financial benefits, the Bank makes available time, skills and energy of its employees through the program "Intesa from the Heart" constantly improving their volunteering activities and opens up new opportunities to help the community.

Support to paralympic sports

Through donor support programs for the development and promotion of Paralympic sports, "Banca Intesa Visa Classic Paralympic", by means of which the Bank renounces part of membership fees and transactions generated by the Paralympic Visa cards, has, in 2016, provided financial support for the Paralympic Committee of Serbia and its foundation in excess of 5.5 million dinar. Significant support directed at funding athletes with disabilities has made the Bank a 2016 special award winner of the Paralympic Committee for the contribution to the development and popularization of Paralympic sports in the country and the title of the largest corporate donor of Paralympic sports in Serbia.

In 2016, Banca Intesa placed particular emphasis on the donation of computer equipment, which has helped the work of various institutions and organizations in the education, health, social and non-profit sector. To boost the long-term collaboration between the civil and the business sector in Serbia, a donation of a total of 490 computers and 150 printers was realized, which have been put out of use in the information and communication systems of the Bank. By **donating functional computer equipment**, the Bank has made an important contribution to improving the sustainability and improvement of working conditions in 74 organizations that deal with important social issues and activities aimed at improving the quality of life of citizens at the local level.

Apart from the aforementioned, the corporate philanthropy program allocated financial support to broadcast the second season of a TV show of humanitarian character named **"With Tamara in Action"**, which aims to raise public awareness about the problems faced by socially vulnerable citizens in our country. In collaboration with MasterCard, Banca Intesa supported each of the families with 100,000 dinars in order to contribute to the improvement of their living conditions. The season supported by the Bank consists of episodes recorded in several cities in the south of the country, and each aims to improve the living conditions for a family from this area.

Among the numerous financial donations in the area of health, which are aimed at improving conditions for the treatment, as well as the work of medical staff, those sent to the Clinical Centre of Serbia, the Association of Endocrine Surgeons, of the Smederevo Hospital, as well as the BELhospice organization, stand out. On two occasions in 2016, the Bank donated funds to the BELhospice organisation as necessary assistance in the construction of the first Hospice centre in Serbia for palliative care and palliative care of patients with malignant diseases in the progressive, advanced stage for which the prognosis is limited, since in Serbia there are no specialized institutions for the care of terminally ill patients.

Corporate volunteering

In 2013, Banca Intesa launched a corporate volunteering program, **"Intesa from the Heart"**, the goal of which was to contribute to the community by putting the time, talents and knowledge of its employees at its disposal. In line with such commitment, Banca Intesa continued in 2016 to incorporate new activities into the program of corporate volunteering "Intesa from the Heart".

For the sixth year in a row, Banca Intesa volunteers participated in a major volunteer action **"Our Belgrade"** and embellished the environment, and therefore the everyday life for children who attend the "Naša bajka" (Our Fairy Tale) nursery in Zvezdara. Having visited the Gerontology Centre "Bežanijska Kosa" last year, in 2016, 50 volunteers from the Bank supported the youngest citizens by active participation in the improvement of the nursery and its yard. The initiative "Our Belgrade" is being implemented in the organization of the Responsible Business Forum and Smart kolektiv, with the support of the Forum member companies and USAID, and is now held for the eighth time. Volunteering, humanity and good will gathered so far 30 companies and more than 2,700 employees, who have done good and useful work for their city and its fellow citizens, and thus made a direct impact on improving the quality of life for 9,000 people and children.

In addition, during 2016, an independent volunteer Banca Intesa project was continued as well, called **"The Volunteer Day"**, which brought together as many as 120 volunteers from different parts of the country and who have, having invested 480 volunteer hours of working together, gave a personal contribution to the improvement of working conditions and quality accommodation in a total of four institutions of social and medical care for children in Kragujevac, Niš, Novi Sad and Belgrade. The project has been improved in 2016, compared to the previous year, with the possibility of having the employees themselves choose the location and specific institutions for the care of children, via online platforms, especially those who wanted to visit and provide help through voluntary engagement. Thus, the Bank has contributed to better recognition of the needs of local communities and in an efficient and transparent manner harmonizes these needs with the expertise and motivation of employees and volunteers.

The largest voluntary initiative of the Bank **"Wrap a gift, make a child smile"** was also improved in 2016 by applying new concepts. In fact, since 2016, "selling" tickets / badges for the performances of the newly formed "BIB band" collected funds that are used to support and direct assistance to children throughout Serbia. The first concert within the **"BIB band plays for children"** project, was held in Belgrade in December in front of about 800 employees, who, having bought about 1,100 badges or tickets for the performance,

collected a total of more than half a million, with which 560 New Year's gifts for children with disabilities have been bought, as well as those for the Roma children and children without parental care in five institutions of social and medical care. Otherwise, the "BIB band" consists of the Bank's employees who will at concerts and other regional centres of the Bank, i.e. in Niš, Novi Sad and Kragujevac, completely voluntary, and over the next year as well, donate their time and talent to support the implementation of the CSR initiatives of the Bank and provide continuous help to the community.

Apart from the aforementioned, during the year, traditional voluntary activities have been organized as well, such as the mentoring project "Banking Officer", intended for students and teachers of secondary schools of economics in Serbia and conducted within the Working group of the UN Global Compact for corporate social responsibility in banking and finance as well as the "AmChamps summer school", the educational program "Women in business", to which the Bank and its employees contributed by individual volunteer work - lectures, workshops, trainings. There were a total of nine colleagues who took part and spent about 120 volunteer hours in this segment.

According to the internal records, in 2016, the Bank realized a total of 4.018 volunteer hours.

Support To Young Talents

Providing support to projects aimed at children and young people, whether in terms of their education or mental and physical development, is one of the main strategic guidelines of community investment. In the area of education, the Bank seeks to contribute to improving the quality of education in Serbia and promoting talents through the preparation for their further development, as well as performance on the job market. Also, the sponsorship activities of Banca Intesa were focused on the promotion of the values of sport, which imply unity, solidarity and team spirit, and puts children in an environment in which in the earliest period of their upbringing confidence is built and important leadership skills are acquired, that will accompany them throughout life.

In 2016, under the auspices of the Bank, the traditional **Italia soccer camp** was held, attended by 120 children aged from seven to 14 years. With the support of the national and international experts they had the opportunity to learn and perfect their football skills. Namely, the young people who attended the camp of the national team of Italy were given the opportunity to improve their football skills following the methods of official Italian coaching staff, and children with special talents will be further carefully monitored in order to be offered the opportunity to demonstrate their skills in Italy. The most successful participants of the camp have been invited to attend the National Day Camp

Italy in Florence in April 2017, on the grounds of the Academy of Coverciano. Selected players were able to enjoy a tour of the Museum of Italian football, trainings and as well Serie A match.

As part of support to the amateur sports and young talents, the Bank also supported the tennis tournament of future champions (the Futures tournament in July 2016, in Belgrade).

In addition to supporting amateur and Paralympic sports, the Bank has supported the development of professional sports at the national level by offering official support to **Water polo Association of Serbia**, which significantly contributed to the popularization of this trophy sport and the extraordinary results achieved in 2016.

Support to educational initiatives and institutions in the field of education, is reflected in the Bank's support of the most successful secondary institution, **the Mathematical High School**, as well as support for participation in international competitions for students of the Faculty of Law in the field of arbitration and international commercial law - **Willem C. Vis International Commercial Arbitration Moot**.

Banca Intesa also supported the **"Forum of Young Leaders YES"**, a three-day conference which brought together young leaders from across Serbia with the aim of mutual interaction and motivation for the launching of initiatives in the society, as well as the work on the development of their skills and circle of contacts. The purpose of this forum was a gathering of 100 young leaders from across the country up to 35 years of age. During the conference, about 60 employee participants and about 40 senior students of faculties of various profiles had the opportunity to attend numerous workshops, panels, motivational speeches and networking cocktails devoted to the topics of apathy among young people and the need for their encouragement and engagement. The position of young managers in companies was also discussed and the possibilities for advancement and career building in Serbia, as well as the start-up scene in the country. Lecturers were successful young people with interesting experiences in various fields, the participants of various competitions, young representatives of companies, successful young entrepreneurs, young leaders from all over Serbia who have stood out with some of their activities, as well as professors, directors of the most successful companies in Serbia, including Draganja Đurić, the President of the Executive Board of Banca Intesa.

The realization of the Forum was supported by the Association of Economists of Serbia and the "Business Info Group", under the auspices of the Kopaonik Business Forum, as well as the leading companies from Serbia, relevant professional organizations, numerous embassies and funds.

The one-week **"AmChamps Summer School"**, whose main partner was Banca Intesa, was organized in 2016 with the aim of enabling students to acquire knowledge and skills that can help them skilfully overcome the first challenges of the modern business environment, regardless whether they opt for a corporate career, or choose to start their own business. School has emerged as one of the sub-projects of "AmChamps - Young Leaders in Change" program of the American Chamber of Commerce in Serbia, with the idea of having more students be given the opportunity to learn firsthand, personal and professional experiences and advice of successful business people, who at lectures and workshops convey their knowledge and familiarize them with the best results from their own practice. The summer school was divided into several parts: interactive lectures and workshops; preparation of a start up project and consultations with the supervisor; presentation of projects. From the Bank, three colleagues presented business skills to the students of the final year of undergraduate studies and postgraduate studies at the University of Belgrade. The organization of the "AmChamps summer school" was a sort of a Bank's volunteer project given that the fellow presenters invested their time to work with students and thus gave a personal example of support to the academic community.

Banca Intesa was also one of the strategic partners of the international competition in solving **BBICC case studies**. The city of Belgrade and the Faculty of Organizational Sciences have, for the fourth time, hosted the competition, which represents a unique opportunity for students of the world universities to try and solve real business challenges. The competition brought together 16 teams from prestigious world universities, and Banca Intesa had the pleasure to participate in the preparation of case studies and set up the task.

The task for the teams was to define the Bank's three-year strategy, while focusing on innovative and "low cost" solutions. For the preparation of the entire presentation, the students had had five hours in order to present their solutions to the members of the jury, composing of the representatives of Banca Intesa, as well as other eminent representatives of the Serbian economy, managers and representatives of consulting companies.

Suppliers

Banca Intesa has a significant, direct impact on the society, local economy and the environment, through its supply chain. As a leading bank in the market and a large contractor, the Bank has the possibility of positively influencing the development of sustainability practices in companies which are part of its supply chain, by applying principles of social and environmental responsibility during the selection of its suppliers.

The Bank's initiatives in this area are directed at the following, primary aspects:

- **transparency and equality in supplier selection**
- **promoting social responsibility in the supply chain**

Sustainability within the supply chain is recognized as a significant topic in important internal documents: Procurement Policy, the Procedure for the procurement of goods and services and the Code of Ethics, which regulate all key aspects of cooperation with suppliers.

Transparency and equality in supplier selection

Starting from the said principles, criteria for the selection of suppliers in the selection process in 2016 as well, are as follows: price offered, quality i.e. adjustment of the characteristics of the offered goods/services to the required characteristics, delivery term, payment terms and method, warranty period, servicing/maintenance services during and after the warranty period, existence and level of cooperation with the Bank and/or members of the Group, and other special conditions depending on the type of procurement. One criterion is also the adjustment of the operation of the supplier to the social responsibility principles. The Real Estate Management and Procurement Department and the organisational unit in charge of the given procurement are obliged to adjust the criteria for the evaluation of bids before inviting bidders to submit bids and evaluate them using the qualitative and quantitative analysis methods.

Clear and objective criteria, i.e. principles of cooperation have been defined in the Code of Ethics, which the suppliers become familiar with during the process of registration in the supplier register. Relations with suppliers are founded on principles of equal opportunities, transparency, fairness and integrity, as well as on the principle of two-way communication.

Since 2015, according to the recommendations of the Parent Group, Banca Intesa Beograd has been implementing the application systems **SAP R/3 and**

Supplier Portal– Portale Fornitori. Apart from the centralized list of suppliers, the Supplier Portal includes an area dedicated to online procurements, within which applicants are registered and if invited, they can take part in tenders, keep up with all of the stages of the process in a transparent manner. For the purpose of better understanding its suppliers and their sustainability policies, during the online registration, all suppliers are presented with a set of questions regarding social and environmental responsibility.

In accordance with the **Procurement Policy** and the **Procurement of Goods and Services Procedure**, employees in the Real Estate and Procurement Management Department have an obligation to report any potential conflict of interest, implement provisions prescribing that the procurement of goods and services between the Bank and its employees and family members is prohibited, and to avoid any type of contacts that exceed business customs, except if they have the approval of their superiors. The issue of the conflict of interest has been in particular defined in the Bank's Code of Ethics, with which, those employees, who have a direct contact with the suppliers, are well acquainted. In 2016, no case of violation of the Code of Ethics has been recorded, nor reported by the suppliers.

Promoting social responsibility in the supply chain

Social responsibility, as one of the criteria in the selection of suppliers, was introduced in 2012 by the adoption of the Procurement of Goods and Services Procedure. The same document provides for the introduction of a questionnaire on the basic information of the company, which also contains questions related to socially responsible operation. Thus, the Bank gains insight into the existing practice of the potential suppliers, but also raises awareness of this topic.

The questionnaire encompasses the following topics:

Corporate Governance

- transparent procedures for the election and operation of the Board of Directors;
- equal and timely access for shareholders to relevant information on the operation of the company;
- equal and timely access for investors to relevant information on the operation of the company;
- a Code of Ethics/Code of Conduct that all employees are aware of;

- data on the structure of proprietorship of the company is publicly available;
- the financial statements of the company are publicly available;
- information on the sectors in which the company operates is publicly available;
- transparent publication of the market in which the company operates;
- anti-trust principles and principles of the protection of competition, in accordance with which the company operates;
- social responsibility and sustainable development are incorporated into the mission, vision or strategy of the company;
- social responsibility principles are defined.

Market

- informing customers about products/services;
- complain channels for customer comments and claims.

Working Environment

- equal opportunities for employment as well as for promotion;
- the right of employees to collective association;
- occupational safety measures and health protection

Environment

- consideration of influence on the environment when making strategic decisions;
- the existence of an Environmental Protection Policy;
- defined key aspects of the environment, relative to activity;
- annual budget planned for costs and investments in the area of the environment;
- documented measurement and monitoring of impacts on the environment conducted;
- reporting on aspects of impacts on the environment that are not mandatory by law;
- impact on the environment is taken into consideration in the selection of suppliers;
- the application of some volunteering instrument concerning environmental protection (ISO:14001, ISO:50001, EN:16001);
- protection of the environment is among the responsibilities of members of the top management of the company;
- employees are informed about the Environmental Protection Policy;
- a procedure is in place with a term for responding to complaints in relation to the environmental protection;
- innovation in production and products/services directed to reducing impacts on the environment;
- gas emission measurements;
- the rational use of energy and the implementation of economy measures;
- the rational use of water and the implementation of economy measures;
- responsible waste management;
- tackling climatic changes;
- application of the "green procurement" principle

Local Community

- estimates of impacts on the community;
- consulting stakeholders;
- procedures for granting monetary donations.

Certain topics stemming from the area of social responsibility have been covered by contracts with suppliers, which, in addition to other general provisions and cooperation conditions, contain articles that relate to the application of technical, measures, fire protection measures and occupational health and safety protection measures, in line with the applicable legal regulations.

The environment

Environmental protection is one of the key objectives of the Banca Intesa commitment to responsible operation. Having identified the most important impacts in this area, the Bank's initiatives focus on the following material aspects:

- **Responsible resource management**
- **Responsible financing**

Managing direct and indirect impacts of the Bank, in this area, has been defined in **the environmental protection and energy efficiency improvement Policy**, which is based on the principles of reduction of waste, energy efficiency and thus improving the direct and indirect performances of the Bank in the area of ecology, as well as focusing attention on the consequences which the Bank's decisions may have on the environment and the society in general. This policy is available to all employees, on the Internet portal.

When talking about responsible landing process, the Bank has confirmed its dedication to integrating social and environmental criteria into its business decisions in order to contribute to reducing the adverse impacts on the environment, which was further reaffirmed by the adoption and implementation of the **Social and Environmental Risk Management Procedure and Rulebook** and the **Implementation of the Equator Principles in Project Financing Procedure**.

The Social and Environmental Risk Management Procedure regulates the credit process when approving loans to corporates and entrepreneurs to which the credit exposure of the Bank is at a level of one million Euros or higher, including the requested new product, in the case of credit products from a credit line facility or other funds approved to the Bank by international development banks and when approving long-term credit products funded from other sources.

The **Implementation of the Equator Principles in the Project Financing Procedure** is also applied, when preparing and implementing project financing and related advisory services, where the investment value of the project is at the level of 10 million dollars or higher, both for new projects and for all project financing intended for the expansion or improvement of existing facilities where changes can create significant environmental and/ or social impacts or significantly change the natural environment. The Equator principles are a set of international standards applying to project

financing in the amount of 10 million dollars or higher and provide criteria for their classification based on different risk levels, together with appropriate tools for managing such risks. Please read the Risk Management Section on further information regarding the aforementioned procedures.

In addition to guaranteeing full compliance with the legal provisions relating to the protection of the environment, the objective of Banca Intesa is to identify innovative and effective solutions in this area, apply the best standards for the environment and promote and develop the concept of environmental responsibility, with continued commitment to the transfer of the international principles, and in particular the Declaration of the United Nations environment Program (UNEP) and the United Nations Global Compact, into concrete deeds. Banca Intesa is also open to dialogue and discussion with stakeholders for whom the environmental protection is a priority topic.

An hour for our planet

For five years in a row now, Banca Intesa takes part in the action **"An Hour for Our Planet"**, which is held once a year and is the largest global volunteering campaign for the preservation of nature and the environment. The World Wide Fund for Nature, which is the organiser of this campaign, invites all individuals and companies to turn off the lights at the same time on the same day for an hour and thus send a strong message that together we can help mitigate climate change and the consequences of the excessive consumption of natural resources. As in previous years, in 2016 as well, Banca Intesa joined this action by turning off its neon signs on its branch offices and decorative lighting, on its business premises. Apart from that, throughout the internal portal and social network Facebook, both the employees and the wider public have been invited to join and support the campaign.

	2012	2013	2014	2015	2016
Total energy consumption, kWh*	13,136,308.00	3,129,296.00	2,419,176.00	12,409,809.00	12,419,176.00
Total water consumption, m3**	87,074.00	86,380.00	85,977.00	84,654.00	85,977 ***

* Total energy consumption for 2012, 2013 and 2014 implies indirect energy. Data for 2015 related to the total energy consumption within the company.

** Data on the total energy and water consumption relate to all administrative buildings and the overall branch network in Serbia and is obtained by assessing the costs of utility services, electricity/water bills.

*** Cause for the slight increase in consumption of both resources - water and energy during 2016 are extensive construction works on the reconstruction and refurbishment of the new administrative building for the relocation of all organizational units into a common area.

Responsible resource management

With the aim of responsible resource management, Banca Intesa invests continuous efforts in reducing the consumption of key resources in all aspects of daily operations in order to minimize the direct adverse impacts on the environment. During 2016 the implementation of an automatic mechanism for remote computer shut-down at the end of the day has been continued, which brought savings of 29.54%, i.e. 217.773,04 kWh of electricity.

Involvement of employees

An important part of coordinated efforts to protect the environment are the internal initiatives as well, to raise awareness and involvement of employees. The Bank is conducting an internal campaign to reduce the consumption of electricity and water in messages intended for employees on each floor of the administration building. In front of the administrative building in Belgrade, as well as branch offices of the Bank at this location, parking ramps for bicycles have been installed, in order to motivate employees and customers to make more use of this sustainable mode of transport. Also, a number of voluntary actions involving employees of the Bank are aimed at environmental protection.

Waste generation is also one of the significant impacts of the Bank's operations on the environment. In addition to efforts to reduce the generation of waste by applying a responsible approach, in cooperation with authorized subcontractors, optimal methods of its disposal are applied. The Bank's branches are separating municipal, metal, plastic and paper waste.

Total waste generated (t)	2014	2015	2016
Hazardous waste	17,04	39,6	48,83
Non-hazardous waste	268.007	410.08	385.627
Total	285.047	414.04	434.457

* The following estimate was used for municipal waste: 0.7 kg/employee/day x 8/24h x 365 days x 3.000 employees.

** The increase in the quantity of hazardous waste in 2016 was consequence of the periodic write-off of the equipment/devices which have been handed over as hazardous waste (UPS batteries, cartridges).

	2011	2012	2013	2014	2015	2016
Total recycled paper waste (t)	37	60	74	96.48	150	130
Total recycled electronic and electrical waste (kg)	18,950	33,000	22,560	22,000	39,600	46,750

In addition to switching to sending electronic versions of daily press-clipping reports in 2013, since 2012 the focus has been on reducing the paper waste and ensuring that all internal documents that are adopted by the Executive Board and Board of Directors are approved electronically, without the need to print and physically sign the documents. Furthermore, in the organisation process for all events, the Bank sends invitations only in electronic form, for the internal training of all employees and for external events. In 2015, the Bank continued the Printing Consolidation Project, which included the active promotion of both-side printing, as well as white-and-black printing in all business processes.

High standards in the vehicle pool of the Bank are maintained with the purpose of mitigating the impacts on the environment through transportation. The pool of vehicles of the Bank only consists of new generations of vehicle that use Euro Premium BMB 95 and Euro Diesel fuel, which is adapted to the Euro 5 standards of European quality. The planned procurement of a new pool of vehicles, in the period to follow, shall additionally improve this segment.

Responsible financing

Relying on two strategic documents: the **Social and Environmental Risk Management Procedure** and the **Implementation of the Equator Principles in Project Financing Procedure**, Banca Intesa abides by the principles of responsible financing, throughout the entire financing process – starting with the social and environmental assessment of each individual customer, as well as during the financing relation, with full transparency.

Support to the promotion of responsible investing

In 2016, Banca Intesa supported the realization of the investment conference "Corridors - foreign investments and development", held with the aim of practical improvements in the area of energy, civil engineering, transport and railway infrastructure, telecommunication technologies, energy efficiency, renewable energy and environmental protection. Also, wishing to contribute to the development of sustainable environmental solutions applied in the civil engineering industry with an increase in energy efficiency, the Bank supported the realization of the event "Green Building Expo and Conference 2016", which promotes sustainable technologies, services and products that are applicable in the civil engineering sector, primarily construction of "green buildings", thereby contributing to the improvement of the quality of life and creating opportunities for growth.

Each agreement that Banca Intesa enters into with its customers within the Corporate Banking Products Department contains, among other things, an article that addresses environmental protection and obliges the loan user, during the validity of the loan, to act with adequate diligence and care concerning the environment, to ensure the rational use of natural resources, to implement regulations on environmental protection, and to plan and undertake measures and usual activities in order to prevent environmental degradation, in line with the Law on Environmental Protection, as well as the treaties, permits, technical and other standards and norms in the area of environmental protection. If the loan user does not meet the above contractual obligations, the Bank is entitled, by delivering a notice to the loan user, to declare the whole amount of the loan or a portion of the loan principal as due, including accrued interest and other claims calculated in line with the agreement, and to request immediate payment or payment at first call by the Bank if the Credit Management Department has determined that there is increased social and environmental risk.

Financing the improvement of energy efficiency and the use of renewable energy sources is a significant part of the total crediting of Banca Intesa, which is supported by the fact that the Bank has, independently, as well as in cooperation with international financial institutions, granted the small and medium enterprises, as well as the public sector, with more than 25 million of Euros of loans, for the subject purposes. In the second half of 2016, a set of by-laws has been adopted in Serbia, providing better conditions for investments to be made into renewable energy resources, as well as better profitability of the local projects. Better conditions for the development and financing of these projects enable the Bank to define a strategy for stronger financing, thus providing additional support to the protection of environment. In 2016, the Bank had, in its offer, loans for energy efficiency in households, as well as energy efficiency and environmental protection in small and medium enterprises, public and agricultural sector.

Credit line of the KfW Development Bank intended for Energy Efficiency and Environmental Protection for the Public Sector

The Bank has signed a Loan Agreement with the Development Bank of Germany, which provides EUR 10 million for financing customers in the public sector, for projects involving the improvement of energy efficiency and environmental protection. The loans are granted for a period of up to 9 years with a grace period of 3 years and a fixed interest rate. The specificity of this credit line is that it enables a potential grant from the EU amounting to 20% of the credit amount if the project demonstrates energy savings, i.e. improvement of the conditions for environmental protection. More than EUR 7.3 million from this credit line have been invested by now, and EUR 926,000 was granted to customers.

EBRD Credit Line for Financing Energy Efficiency for the Public and Private Sector

Banca Intesa and the European Bank for Reconstruction and Development (EBRD) have signed an Agreement on the use of a credit line for energy efficiency amounting to EUR 10 million, whose users may be private enterprises regardless of their size, as well as local governments and public utility companies.

Funds from the credit line are intended for financing investments into fixed assets that lead to energy savings of at least 20%, with a maximum repayment term of 5 years and a maximum credit amount of EUR 2 million for private companies and EUR 2.5 million for customers in the public sector. A specificity of this credit line is grants amounting to 5-15% of the loan amount, which the end user receives after the implementation of the investment.

More than EUR 9,5 million has been invested by now from this credit line. In 2016, EUR 1,8 million was granted to the sector of small and medium enterprises.

Agreement with the Guarantee Fund of AP Vojvodina for Micro, Small and Medium-Sized Enterprises and Farmers

A new agreement with the Guarantee Fund of AP Vojvodina for registered farmers, entrepreneurs and micro, small and medium-sized enterprises makes available long-term loans for the improvement of energy efficiency and the use of renewable energy sources. The Guarantee Fund of AP Vojvodina dates back from 2006 and includes a set of loan arrangements for the financing of registered farms, as well as businesses of female entrepreneurs in the territory of Vojvodina, within which the Bank has, during 2016, granted around 96,000 EUR of loans.

The Green for Growth Fund Southeast Europe Credit Line (GGF) for Retail, Small Businesses and Agriculture

Loans for households, customers in the segment of small businesses and agriculture are invested from the GGF credit line.

In the segment of private individuals, these loans are intended for all individuals and serve for financing works and the procurement of equipment that will improve the energy efficiency of buildings, whereby minimum savings of 20% should be realised. An energy efficient device is one that has a high degree of efficiency, i.e. small losses during the transformation of one form of energy into another. The funds can be used for the replacement of a heating system, the installation of thermal solar systems for hot sanitary water, the replacement of conventional heating systems with a heat pump, as well as the installation of a networked photovoltaic system. The loans are also granted for the insulation of external walls and roofs, the replacement of outside doors and windows, the installation of new radiators in combination with thermostatic valves on radiators and the replacement of uncontrolled pumps for central heating with new electrically controlled pumps, for the purchase of household appliances, of A+ energy class (refrigerators and fridges, dish washers and washing machines) and of A energy class (electric stoves and ovens, air-conditioning devices). A total of 147 loans for energy efficiency were granted in 2016, amounting to EUR 425,508 i.e. 71.4% of totally realised consumer loans during the year.

3. GRI index and indicators



GRI index

General data		Page
Strategy and analysis		
G4 -1	Foreword by president of the executive board	6
G4 -2	Strategic approach, key impacts, risks and opportunities in the context of sustainability	9, 10, 16-18
Company profile		
G4-3	Name of the company	9
G4-4	Primary brands, products, and/or services	9
G4-5	Location of the organization's headquarters	9
G4-6	Number of countries where the organization operates	9
G4-7	Legal form and nature of ownership	10
G4-8	Markets served	9
G4-9	Scale of the organization	9,21-22
G4-10	Workforce	31,32
G4 -11	Percentage of total employees covered by collective bargaining agreements	34
G4-12	Organization's supply chain	40
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	10
Commitment to external initiatives		
G4-14	Risk management in the context of united nation's precautionary principle	16,17
G4-15	Externally developed initiatives which organization endorses	11
G4-16	Membership in associations	11
Identified material aspects and boundaries		
G4-17	List of all entities included in the organization's consolidated financial statement or equivalent documents	10, 51
G4-18	Process for defining the report content and the aspect boundaries	7, 12, 13, 51
G4-19	List of all identified material aspects	13
G4-20	Internal aspect boundaries	13
G4-21	External aspect boundaries	13
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatement	/
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	/
Stakeholder engagement		
G4-24	List of stakeholders engaged by the organization	12
G4-25	Process for identification and selection of stakeholders	13
G4-26	Organization's approach to stakeholder engagement	12-13
G4-27	Key topics raised through stakeholder engagement	13
Report parameters		
G4-28	Reporting period	51
G4-29	Date of most recent previous report	51
G4-30	Reporting cycle	51
G4-31	Contact point for questions regarding the report	51
G4-32	GRI index	47-49
G4-33	Report verification	/
Governance		
G4-34	Governance structure of the organization	14
G4-35	Process for delegating authority for economic, environmental and social topics	15
G4-38	Composition of the highest governance body	14
G4-39	Function of the chair of the highest governance body within the organization management	14
G4-40	Appointment procedure for Board members	14
G4-41	Existing procedures for prevention of conflict of interest	15
G4-42	The role of the Board and Senior executives in the development, adoption and revision of mission, strategy, policies and objectives related to sustainability	15
G4-51	Remuneration policies for the highest governance body and senior executives	14, 15
G4-52	Process for determining remuneration	14, 15
Ethics and integrity		
G4-56	Values, principles, standards and norms of behavior	10, 11, 15
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	15
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior	15
GRI and UNGC		50

GRI categories and indicators		2012.	2013.	2014.	2015.	2016.	Page
GRI sustainability reporting guidelines (G4)*							
Category: economy- disclosure on management approach							21, 22
Aspect: economic performance – DMA							21, 22
1.	G4 –EC 1 direct economic value generated and distributed	✓	✓	✓	✓	✓	23
Aspect: indirect economic impacts – DMA							21
2.	G4- EC 7 Development and impact of infrastructure investments and services supported	✓	✓	✓	✓	✓	21
CATEGORY: ENVIRONMENTAL - DISCLOSURE ON MANAGEMENT APPROACH							42
Aspect: energy – DMA							42, 43
3.	G4 - EN 3 Energy consumption within the organization * *for 2012., 2013. and 2014. Reported according to the GRI G3.1. EN 4: Indirect energy consumption by primary source	→	→	→	✓	✓	43
4.	G4- EN 6 Reduction of energy consumption* *for 2012., 2013. and 2014. reported according to the GRI G3.1 EN 5: energy saved due to conservation and efficiency improvements	✓	✓	✓	✓	✓	42
Aspect: water – DMA							42
5.	G4 -EN 8 Total water withdrawal by source	✓	✓	✓	✓	✓	43
Aspect: effluence and waste – DMA							43
6.	G4- EN 23 Total weight of waste by type and disposal method in t	✗	✗	✓	✓	✓	43
Aspect: products and services - access to management – DMA							43, 44
7.	G4- EN 27 Extent of impact mitigation of environmental impacts of products and services Supplier Environmental Assessment – DMA	✓	✓	✓	✓	✓	44 40
8.	G4- EN32 Percentage of new suppliers that were screened using Environmental criteria* *new indicator introduced in GRI G4	n/a	n/a	n/a	✓	✓	40, 41
Category: social – disclosure on management approach							24, 31, 40, 42
Sub-category: labor practices and decent work – disclosure on Management approach							31
Aspect: employment – DMA							31
9.	G4- LA 1 total number and rates of new employee hires and employee turnover by age group, gender and region	✓	✓	✓	✓	✓	32
10.	G4-LA 2 benefits provided to full-time employees	✓	✓	✓	✓	✓	34
11.	G4- LA 3 Return to work and retention rates after parental leave, by gender	✓	✓	✓	✓	✓	33
Aspect: occupational health and safety – DMA							33
12.	G4-LA 6 RATE OF INJURIES, OCCUPATIONAL DISEASES, LOST DAYS AND LEAVE OF ABSENCE AND NUMBER OF WORK RELATED DEATH CASES BY REGION	✗	✗	✗	✗	✗	33
13.	G4- LA 8 Health and safety topics covered in formal agreements with Trade unions	✗	✗	✗	✓	✓	33
Aspect: training and education – DMA							33, 34
14.	G4 -LA 9 Total number of hours of training per employee	✓	✓	✓	✓	✓	34
15.	G4- LA 10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in successful managing career endings	✓	✓	✓	✓	✓	33, 34
16.	G4- LA 11 Percentage of employees receiving regular performance and career development reviews	✓	✓	✓	✓	✓	33
Aspect: diversity and equal opportunity – DMA							31
17.	G4- LA 12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	✓	✓	✓	✓	✓	31, 32

Gri categories and indicators		2012.	2013.	2014.	2015.	2016.	Page
Aspect: supplier assessment for labor practices – DMA							40
18.	G4-LA 14 Percentage of new suppliers that were screened using labor practices criteria* *new indicator introduced in GRI G4	n/a	n/a	n/a	✓	✓	40, 41
Aspect: human rights grievance mechanisms – DMA							34
19.	G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms* *new indicator introduced in GRI G4	n/a	n/a	n/a	✓	✓	34
Sub-category: human rights - disclosure on management approach							15, 36, 40
Aspect: supplier human rights assessment – DMA							40
20.	G4- HR 10 Percentage of new suppliers that were screened using human rights criteria* * new indicator introduced in GRI G4	n/a	n/a	n/a	✓	✓	40, 41
Aspect: supplier human rights assessment – DMA							34
21.	G4- HR 12 Number of grievances about human rights impacts field, addressed, and resolved through formal grievance mechanisms	✓	✓	✓	✓	✓	34
Sub-category: society – disclosure on management approach							36
Aspect: local communities – DMA							36
22.	FS 13 Access points in low-populated or economically disadvantaged areas by type	✗	✗	✓	✓	✓	25, 26
23.	FS 14 Initiatives to improve access to financial services for disadvantaged people	✗	✗	✓	✓	✓	26, 27
Aspect: anti-corruption – DMA							17
24.	G4- SO 3 Total number and percentage of operations assessed for risk related to corruption	✗	✗	✗	→	→	18
25.	G4- SO 4 Communication and training on anti-corruption policies and company procedures	✓	✓	✓	✓	✓	18
26.	G4-SO 5 Confirmed incidents of corruption and actions taken	✓	✓	✓	✓	✓	18
27.	G4-SO 6 Total value of pecuniary and non-pecuniary contributions to political parties, politicians and related institutions	✓	✓	✓	✓	✓	18
Aspect: supplier assessment for impacts on society – DMA							40
28.	G4- SO9 Percentage of new suppliers that were screened using criteria for impacts on society* * new indicator introduced in GRI G4	n/a	n/a	n/a	✓	✓	40, 41
Sub-category: product responsibility - disclosure on management approach							24
Aspect: product and service labeling – dma (including former indicator FS16 - initiatives to enhance financial literacy by type of beneficiary)							27, 28, 30
29.	G4- PR 3 Type of product and service information requires by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	✓	✓	✓	✓	✓	30
30.	G4- PR 4 Total number of incidents of non-compliance with regulations and voluntary codes of conduct related to product and service data and labelling, by type of outcome	✗	✗	✗	✗	✓	30
31.	G4- PR 5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	✓	✓	✓	✓	✓	28, 29, 30
Aspect: Customer Privacy – DMA							30
32.	G4- PR 8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	✓	✓	✓	✓	✓	30
Financial services sector supplements according to GRI G4							
Aspect: product portfolio – DMA (former fs 1 and fs 2)							16, 17
33.	FS 7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	✗	✓	✓	✓	✓	26, 27
34.	FS 8 Monetary value of products and services designed to deliver as specific environmental benefit for each business line broken down by purpose	✗	✓	✓	✓	✓	44, 45

The level of meeting the indicators in accordance with the GRI methodology:

- ✓ Fully met
- Partly met
- ✗ Not met

Report has been prepared in accordance with the Core option of the GRI G4 Guidelines (core). Additionally, some requirements for comprehensive options have also been met: G4-2, G4-35, G4-38 to G4-42, G4-51, G4-52, G4-57, G4-58

Cross reference table United nations global compact principles (ungc)	Relevant GRI G4 indicators
Human rights	
Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights and	G4 - HR 12
Principle 2 Make sure that they are not complicit in human rights abuses.	G4 - HR 10
Labour	
Principle 3 Business should uphold the freedom of association and the effective recognition of the right to collective bargaining,	G4 - 11
Principle 4 The elimination of all forms of forced and compulsory labour,	G4 -HR 10*
Principle 5 The effective abolition of child labour and	G4 -HR 10*
Principle 6 The elimination of discrimination in respect of employment and occupation.	G4 - 10 G4 - LA 1 G4 - LA 3 G4 - LA 9 G4 - LA 11 G4 - LA 12
Environment	
Principle 7 Business should support a precautionary approach to environmental challenges,	G4 - EN 3 G4 - EN 8 G4 - EN 27
Principle 8 Undertake initiatives to promote greater environmental responsibility	G4 - EN 3 G4 - EN 6 G4 - EN 8 G4 - EN 23 G4 - EN27 G4 - EN32
Principle 9 Encourage the development and diffusion of environmentally friendly technologies.	G4 - EN 6 G4 - EN 27
Anti-corruption	
Principle 10 Business should work against corruption in all its forms, including extortion and bribery.	G4 - 56 G4 - 57 G4 - 58 G4 - SO 3 G4 - SO 4 G4 - SO 5 G4 - SO 6

*In accordance with the GRI principle of materiality based on which priority topics present in the report are defined, the corresponding indicators are not covered by this report, taking into account their relevance to the banking sector. The Bank, as an active member, supports the promotion of all 10 Global Compact principles in its partners, suppliers, customers and in the general business and social community.

Report parameters

The Sustainability Reporting cycle is an annual one. Data presented in the report relate to the activities of Banca Intesa ad Beograd for the year 2016. Wherever possible, comparative data for previous years (2015, 2014, 2013 and 2012) were provided as well. Thus, the GRI principles were observed for the quality of the report: timeliness and comparability. Compared to the previous year there were no significant changes regarding the basic parameters of the report, and the change in methodology, i.e. the transition from the GRI G3.1 to GRI G4 version of the Guideline on sustainability, was carried out in 2015. Due to the comprehensive convergence to the organizational model of the Parent Bank, the Bank's Human Resources and Organization Department is in charge of the preparation of this report, within which, since December 2016 is the CSR function positioned.

Other individual organizational units of the Bank participated in the collection and processing of information via the internal network of the CSR ambassadors. The majority of data was collected directly, and the assessment, measurement methods and data sources were specifically mentioned where necessary. The credibility of the information presented in the report provided a consistent adherence to GRI principles for quality reports: balance, accuracy, clarity and reliability.

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The previous sustainability reports of Banca Intesa (for 2010, 2011, 2012, 2013, 2014 and 2015) are available on a [special page of the Bank's official website](#).

GALLERIE D'ITALIA. THREE MUSEUM CENTRES: A CULTURAL NETWORK FOR THE COUNTRY.

Through the Gallerie d'Italia project, Intesa Sanpaolo intends to share its artistic and architectural heritage with the public at large: 1,000 works of art displayed in historic palazzi in three cities, forging the links in a museum network that is unique of its kind.

In an architectural complex of great value, **the Gallerie di Piazza Scala in Milan** host a selection of two hundred nineteenth-century works of the Lombard school, along with a display itinerary dedicated to Italian art of the twentieth century.

The Gallerie di Palazzo Leoni Montanari in Vicenza display the most important collection of Russian icons in the West, examples of eighteenth-century Veneto art and a collection of ceramics from Attica and Magna Graecia.

In Naples, the Gallerie di Palazzo Zevallos Stigliano present the Martyrdom of Saint Ursula, one of Caravaggio's last masterpieces, along with works of southern Italian art ranging from the seventeenth to the early twentieth century.

Cover photo:



HENDRIK FRANS VAN LINT (Antwerp, 1684 - Rome, 1763)
Church of Santa Maria della Salute with Punta della Dogana, ca. 1750
 Oil on canvas, 46.5 x 71.5 cm
 Intesa Sanpaolo Collection
 Gallerie d'Italia - Palazzo Leoni Montanari, Vicenza

Van Lint's view of the Church of Santa Maria della Salute with Punta della Dogana belongs to the Intesa Sanpaolo's 18th century Venetian art collection, which is part of the permanent exhibition at Gallerie d'Italia - Palazzo Leoni Montanari, the Bank's museum venue in Vicenza.

The collection offers a review of all the pictorial genres - particularly landscape painting - that won Venice and its school a central role on the international artistic scene in the 18th century. Views of many Italian locations, including Venice, painted by Gaspar van Wittel (late 1600s) were crucial for the success met by this genre in the 1700s. Among his main followers, we cannot fail to mention Hendrik Frans van Lint, a famous Flemish painter who was much sought after for the extreme refinement of his works.

