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FOREWORD
BY PRESIDENT OF THE EXECUTIVE BOARD

In the year of significant business challenges and a weakened economic environment, Banca Intesa succeeded in achieving stable results while meeting its responsibilities towards the community, its customers, employees, shareholders and all other stakeholders. Integrating the sustainable business concept in both the long-term strategy and its daily activities, the Bank continued recording further progress in corporate social responsibility, achieving a balance between its business, social and environmental goals.

During 2012, we launched new CSR projects and products, while improving existing activities and initiatives. In response to citizen needs, we created products such as loans for financing medical services and those that include insurance in case of job loss. At the same time, we supported economic development through our traditionally largest participation in the Government’s programme for economic recovery, the development of innovative products as well as favourable lending from international credit lines. Furthermore, continuous work on improving customer support enabled us to take the leading market position by customer satisfaction and loyalty. Also, we provided economic certainty and a simulative work environment for our employees while continuing to contribute to community wellbeing by investing in culture, health care, education and sports, as well as by strengthening our corporate volunteering.

In the field of the CSR management model, we adopted a number of strategic documents including the Policy of Environmental Protection and Energy Efficiency as part of efforts to be even more responsible towards the environment by managing our direct and indirect impacts. Seeking to promote the culture of social and environmental responsibility in the entire supplier chain, we also included CSR criteria in the process of procurement and supplier selection.

The Bank’s third annual CSR report offers an overview of all our efforts to take even better care of the needs of all our stakeholders. For the first time, our report is aligned with the standards of international reporting methodology Global Reporting Initiative (GRI) that enabled us to present and evaluate the results of all our projects and activities in a more systematic and quality manner, and, what is even more important, to improve performance tracking.

The fact that we not only aligned our report with this advanced reporting framework, but also met the requirements of the B level of reporting in our first document of this kind serves as additional confirmation of our commitment to constantly improve our CSR practices and strengthen dialogue with all stakeholders. This dedication will remain the basis of our sustainable operations in the period ahead.

Sincerely,

Draginja Đurić
President of Banca Intesa Executive Board
WHY DO WE REPORT?

For Banca Intesa, sustainability reporting presents a valuable instrument for monitoring the results achieved in relation to the corporate values and sustainability goals set at the level of the Bank, as well as its parent group, Intesa Sanpaolo, to the Bank’s CSR strategy, as well as to its Code of Ethics. In addition, the Report also creates a platform for improving dialogue and exchanging views with all stakeholders, providing them with a possibility of monitoring and assessing the Bank’s performance in comparison to the previously set sustainability goals and decisions owing to regular and consistent disclosure of information.

HOW DO WE REPORT?

Sustainability Report 2012 is Banca Intesa’s third annual corporate social responsibility report and the first to include, in addition to the reporting principles of the United Nations Global Compact, 22 indicators of the Global Reporting Initiative (GRI 3.1), according to which Reporting Level B is met.

The Report content is defined in accordance with the GRI principles of materiality, sustainability context, stakeholder inclusiveness and completeness. The Report is designed to address directly major stakeholders, covering topics that are of the highest importance to them and thus become part of Banca Intesa’s priorities. In order to provide a detailed, clear and transparent insight into the activities that it implemented during 2012 with the aim of creating social and environmental value added, the Bank applied the GRI principles of balance, comparability, accuracy, timeliness, clarity and reliability in compiling the Report.

Individual organisational units of the Bank contributed to the process of information gathering and processing through CSR ambassadors, selected representatives of departments, offices and units, who closely cooperated with the Marketing and Communications Department in the preparation of the Report. The indicators and the measurement system were developed in accordance with standard performance indicators, obligations arising from international methodological frameworks for reporting and the Bank’s desire for each step on the sustainability path to be measurable. Most of the information was gathered directly and assessments, measurement methods and information sources were specifically stated where needed. The Report is published annually and refers to the activities of Banca Intesa ad Beograd.

Previous reports:
2010: http://www.bancaintesa.rs/code/navigate.aspx?id=598

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1.1. BANK PROFILE

INTESA SANPAOLO

With a history of more than 400 years, Intesa Sanpaolo group provides sustainable safety and the best financial solutions, focusing on the ability to create real value for community as a whole in the way to sustainable development.

Intesa Sanpaolo is one of the leading banking groups in Europe and the largest in Italy. Created by the merger of the leading Italian banks, Sanpaolo IMI and Banca Intesa, the Group holds the leading position in Italy in terms of providing financial support to retail and corporate customers and serves 1.6 million customers – individuals, entrepreneurs, SMEs, and large companies and local governments. As a member of the leading international banking groups, Sanpaolo IMI and Banca Intesa, Banca Intesa is the leader in the domestic market by all key performance indicators.

Intesa Sanpaolo focuses its business operations on Central and Eastern Europe, the Middle East and Northern Africa, where it serves 8.3 million customers in 12 countries through a network comprising more than 1,500 branches. Intesa Sanpaolo also supports corporate customers through its international network covering 29 countries, with an emphasis on the Middle East, Northern Africa, the US, Russia, China and India.

www.intesasanpaolo.com

BANCA INTESA

In addition to providing financial support to its customers, Banca Intesa takes care of the needs of all other stakeholders, as well as the wider community, supporting a better quality of life, prosperity and the development of the economy and society at large.

Banca Intesa is the leading financial institution in the Serbian market, the Bank whose power is trusted by around 1.6 million customers – individuals, entrepreneurs, SMEs, large companies and local governments. As a member of Intesa Sanpaolo Group, the Bank provides reliability that is a result of business stability and knowledge of one of the leading international banking groups.

Banca Intesa is the leader in the domestic market by all key indicators of banking performance, while its comprehensive offer of modern banking products, a well-developed business network of nearly 200 branches, as well as the expertise and commitment of its employees make it the Bank of choice for customers across Serbia.

Striving to complete its offer of financial services, in 2006 Banca Intesa founded a leasing company, Intesa leasing d.o.o. Belgrade, which is also a member of Intesa Sanpaolo group. The operation of the leasing company is not covered by this Report.

www.bancaintesa.rs

1991 One of the first private banks in Serbia, with the head office in Belgrade.
2005 Becomes a member of Banca Intesa group, now named Intesa Sanpaolo.
2006 Intesa Leasing founded.
2007 Becomes the leading bank in Serbia by all key performance indicators.
2008 Panonska Banka acquired and the number of employees increased to 3,000. Novi Sad becomes the second seat of the Bank.

MISSION

Banca Intesa’s mission is to provide excellence in banking and financial services for its customers, leveraging on developing its presence in all the areas in which it operates. The Bank encourages a style of growth that focuses on sustainable long-term results and on establishing a trust-based process that stems from customer and shareholder satisfaction, from its employees’ sense of belonging and listening to the needs of local communities.

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.
EXCELLENCE - We are committed to continuous improvement and cultivation of creativity with the aim of innovation.
EQUALITY - We oppose any kind of discrimination and respect gender, race, religious, political, language and intellectual differences, as well as age difference.
TRANSPARENCY - Transparency is the basis for all our activities, communication and contracts with the aim of helping our customers to make independent and conscientious decisions.
RESPECT FOR EACH INDIVIDUAL - We carefully listen and work on improving the relations with each of our customers.

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.

RESPONSIBLE USE OF RESOURCES - We strive to carefully use all resources and to promote the conduct based on the optimal use of resources and avoidance of waste.

STRATEGIC APPROACH TO SUSTAINABILITY

Banca Intesa’s growth strategy is based on the principle of achieving sustainability while creating economic value. The Bank strives to achieve its growth strategy goals by contributing to increasing wellbeing of citizens and strengthening competitiveness of companies, by maintaining social cohesion, creating jobs and investing in projects with greater social, environmental and economic value.

Banca Intesa acts in accordance with the strategic priorities of Intesa Sanpaolo Group:

SUSTAINABLE GROWTH

Supporting economic growth that arises and is consolidated over time within a social context that implies the wellbeing of people, households and the production sector.

PRODUCTIVITY

Investing in the future so that in the event of limited resources process efficiency, leadership skills of the management and employee motivation keep our operational basis solid.

RISK CONTROL

Assessment and consideration of social, environmental and reputational risks related to business operations in order to ensure the stability of the company and raise awareness of these aspects when making business decisions.

The Bank’s daily operation, identity, as well as the growth strategy itself, are based on:

• The Code of Ethics, which is an expression of the company culture and tradition from which Banca Intesa originates. This document provides, on the one hand, a framework within which the Bank observes and interprets different situations and, on the other hand, the ultimate goal to which it strives.
• The CSR Strategy adopted in 2011 with the aim of precisely defining the strategic priorities, the manner of their implementation, as well as monitoring and measurement mechanisms in corporate social responsibility.

STRATEGY IN PRACTICE

Committed to being a reliable partner to all its customers and a stable support to the whole community, Banca Intesa strived to harmonise its business strategy in the best way with market demands and needs of the social and economic environment in 2012 as well. The primary areas of activity were defined based on the results of the dialogue with stakeholders and a detailed impact analysis, especially given the economic situation of Serbia that was characterised by a large budget deficit and economic activity decline primarily due to the negative impact of external factors, before all the continuing crisis in the Eurozone.

The deteriorated business environment resulted in a slowdown of lending activity due to reduced demand for loans, as well as in a high level of non-performing loans. Despite the difficult market conditions, Banca Intesa managed to maintain the continuity of stable operating results based on sustainable foundations. The Bank did not defer support for its customers, reaffirmed its position as the most active partner of the Government in terms of participation in the subsidised corporate lending programme and continued to improve its retail and corporate lending offer.

Banca Intesa also continued to contribute to sustainable growth through active participation in the dialogue that seeks solutions for overcoming the consequences of the economic crisis. The Bank was a partner of the conference Financing Growth in Serbia, organised in Belgrade by financial magazine The Banker, part of publishing company The Financial Times. The conference brought together renowned economists and financial experts with the aim of pointing out the ways to increase the competitiveness of the Serbian economy and attract investment.

In addition, the Bank supported the Summit of SEE Governors and Finance Ministers dedicated to the financial future of the region. The event discussed the danger of growing public debt, fiscal stabilisation and consolidation, the impact of the crisis on public finances in the region, as well as the financing of the deficit and the tax and excise duty reform.

In accordance with its commitment to establish a balance between economic goals on the one hand and the needs of all stakeholders on the other, the Bank also made significant progress in implementing the existing CSR projects and at the same time launched new initiatives. True to its tradition of philanthropy, Banca Intesa continued to invest in arts, culture, health care, education and sports, as well as to strengthen the culture of corporate volunteering.

In the period ahead, Banca Intesa will remain focused on providing credit support for its customers, both in the retail and corporate sectors, while further improving the quality of its services and products.
Joint Initiatives
By joining the local networks of international initiatives that promote corporate social responsibility, Banca Intesa strives to contribute to spreading responsible business practices, which gain additional importance in the current economic and social environment. In this regard, the Bank is involved in the projects aimed at improving the overall social and economic situation in Serbia.

1.2. Governance at Banca Intesa

Corporate Governance

Shareholders of Banca Intesa ad Beograd – ownership structure: Intesa Sanpaolo Holding International S.A 77.79%, Intesa Sanpaolo SPA 15.21%, International Finance Institution (IFC) 7.00%. The governance of the Banca Intesa joint stock company is organised as a two-tier system.

The Bank’s Board of Directors consists of five members elected by the General Meeting of Shareholders upon the shareholders’ proposal, 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 of Banca Intesa is Massimo Malagoli and its members are Paolo Sarcinelli, Beata Kissne Foldi, Nevenka Žarkić Joksimović, PhD, and Ivan Sramko.

The Executive Board of Banca Intesa consists of seven 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 Vice President of the Executive Board is Marco Capellini, and Board members are Darko Popović, Head of the Corporate Banking Division, Vlastimir Vuković, Head of the Retail Division, Dragača Mihajlović, Head of the Financial Management and Treasury Division, Slađana Jelić, Head of the Risk Management Division and Miroslav Marković, Head of the Operations Management Division.

Women account for 40% of the members of the Board of Directors and 42.86% of the members of the Executive Board of Banca Intesa.

The Bank’s Audit Committee consists of three members, including the Chairman. The term of office of Committee members is three years, with a possibility of re-election. The Co-Chairman of Committee is Giovanni Bargamini and its members are Beata Kissne Foldi and Nevenka Žarkić Joksimović, PhD.

The President of 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 performs daily monitoring of the activities of the Bank employees, 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, financial condition and operating results of the Bank addressed to the Bank’s shareholders, the public and the National Bank of Serbia.

In line with the Law on Banks and the Decision of the National Bank of Serbia, as well as the Bank’s bylaws, 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 clearly list the conditions that members of the Executive Board and the Board of Directors must 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, an 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. In addition to the conditions, the domestic regulations also specify a list of documents confirming the fulfillment of the required conditions and this list is submitted to the National Bank of Serbia in order to obtain its approval. After obtaining the approval, the appointed person is registered with the Business Register Agency as well.

Banca Intesa provided in its bylaws for the mechanisms and channels of direct e-mail communication with its parent group Intesa Sanpaolo with the aim of respecting the individual and dignity of each employee, as well as the values proclaimed by the Code of Ethics. The Bank’s shareholders, i.e. 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 annual report of the Board of Directors

The adopted remuneration policy for the entire human resources of the Group, including the variable components, is based on equality, merit and sustainability of results. The guidelines for defining the management remuneration policy are based on objective elements and parameters resulting from the assessment of organisational positions, as well as performance and potentials, with the aim of creating an integrated system
for the members of management, thus helping their professional development. The policy provides for re-
muneration 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 so as to avoid giving benefits that, in the long term, are in accordance with the Group’s interests. Based on the performance indicators closely linked with the long-term goals, the benefit de-
termination systems are based, among other things, on the principle of symmetry, with the amounts of paid benefits being based on the results achieved at the Group, business sector and individual levels and there-
fore being capable of decreasing significantly and even reaching a zero if the minimum indicators that reflect the Group profitability are not achieved, also taking into account the risks assumed and the capital used.

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, an obligation for members of the Board of Directors and the Executive Board to submit a writ-
ten statement of conflict of interest to the Banca Intesa 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 the transactions with related par-
ties and the conflict of interest, to submit once a year a completed standard questionnaire of decision-taker. The form is designed by the parent Group and which contain the information relevant for establishing if there is any conf-
ict of interest.

One of the methods of controlling the sustainability at Banca Intesa is to bind the power of the Board of Directors as a governance body to set up a single risk management system at the Bank and the supervision of this system, as well as its duty to make sure that the Executive Board identify the risks to which Banca Intesa is exposed and to control these risks in accordance with the approved policies and procedures. The Board of Directors gives approval to the Bank’s exposure to one or a group of speciﬁc risks, including those related to credit, lending to all customers engaged in production and service activities and the criteria related to environmental risk management.

Risk Management

Controlling social and environmental risks in the governance process

By a decision of the Executive Board, the Bank ap-
pointed the persons responsible for environmental pro-
tection with the aim of establishing an Environ-
ment Management System – EMS and ensuring compliance with the rules of environmental protection and corporate social responsibility in lending opera-
tions so that the system would be fully applied until the final collection of all loan instalments. A Senior Environmental Management Officer (Deputy President of the Executive Board) and an Environmental Man-
agement Coordinator (compliance risk management specialist) were appointed.

The Environmental Management Coordinator, with the approval of the Senior Environmental Manage-
ment Officer, informs the Executive Board, the Asset Quality Committee and the Credit Committee of any signiﬁcant increase in the level of socio-environmen-
tal risks in individual Bank customers, particularly in customers with high credit exposure, and prepares reports on socio-environmental risks for international development organizations towards which the Bank has such reporting obligations.

The responsible organisational unit of the Bank moni-
tors risks through the process of evaluating loan ap-
plications, through due diligence criteria related to-
ly lending to all customers engaged in production and service activities and the criteria related to environ-
mental risk management.

Fight against corruption and compliance

The internal regulatory source that governs the system for control and mitigation of corruption risks comprises: the Code of Ethics, the Code of Conduct, the Rulebook on Relations with Political Parties and the following Bank procedures: the Procedure for the Prevention of Internal Fraud and Abuse at the Bank and the Employment Ter-
mination Procedure.

The Code of Conduct prescribes in detail the rules in connection with receiving and giving gifts, and the measures prescribed in the event of corruption are relat-
ed to the violation of work duties, so the measures stipu-
lated by external regulations, i.e. the Labour Law (e.g. compensation for damage, removal of employee from work or employment termination) but also the Criminal Code may be pronounced against an employee. Based on the Legal Department records, no proceedings were initiated against Banca Intesa ad Beograd in connection with corruption, since no complaints or complaints prior to complaint were delivered during 2012. In the same period, 30.47% of the employees received an internal statutory AML training, with the aim of acquainting the employees with the method of identifying and report-
ing transactions that are considered suspicious and that the Bank is legally obliged to report to the relevant regu-
latory body – the Administration for the Prevention of Money Laundering.

The Rulebook on Relations with Political Parties pre-
scribes the obligation of the Bank to refrain from granting donations and sponsorship to:

• Political parties and any organisations related to them;
• Political movements and their organisational units;
• Trade union organisations;
• Competent authorities and institutions.

The prohibition of granting donations and sponsorship to the above organisations aims at the protection against any grants that would result in a privileged position to the Bank or unfair decisions in favour of the Bank.

The Compliance Office, as well as the relevant organisa-
tional units of the Bank, is committed to the regulation of processes and the definition of procedures and their operating rules, as well as practice, which efﬁciently pre-
vent the violation of applicable regulations. The Compli-
ance Office also provides support to the top bodies of the Bank in monitoring the compliance risk. The compli-
ance risk assessment process is constant. Through semi-
annual reporting these risks are identiﬁed and priority measures for their elimination or mitigation are deter-
mised, i.e. the level of efﬁciency of the existing compli-
ance controls is assessed.

The Internal Audit provides direct support to the top bodies of the Bank in identifying the compliance risk and adequacy of the rules contained in the Bank’s by-
laws. If it identiﬁes critical issues during its activity, the Internal Audit informs the relevant organisational units and the top bodies of the Bank with the aim of deter-
mising adequate measures for risk mitigation and the method of their implementation.

Reputational risk management

The Bank attaches great importance to reputational risks that are assessed as part of the compliance control system, which is within the competence of the Compli-
ance Ofﬁce. Banca Intesa believes that the standards in this area, as well as the business ethics, are key el-
ements that form the basis of banking operations, which, by their nature, are based on trust.

Bylaws, such as the Code of Ethics, policies and other, deﬁne that any non-compliance with the bylaws, the principles and values contained in them, as well as with external regulations (laws and secondary legislation) ex-
poses the Bank to a certain level of reputational risks.

Management of social and environmental risks in lending

Equator Principles

As a member of international banking group Intesa San-
paolo, Banca Intesa was informed in 2012 about the Group Rules for the implementation of the Equator Prin-
ciples. The bank has started in the year 2012 the preparation for active implementation of the Equa-
tor Principles for project financing and advisory services in connection with project financing. The goal of these principles is to identify and assess risks and perform risk management based on the criteria defined by the Equator Principles, with the aim of adhering to the principle of sustainability of natural resources, human health, human rights, cultural heritage and biodiversity.

Arms

The sensitive sectors that the Bank monitors with special attention are activities related to armament production and trade, in accordance with the relevant bylaw of its parent Group, the Policy of Not Financing of Armaments, in 2011 Ban-
ca Intesa adopted the Procedure for the Performance of Transactions Related to Armament Production and Trade which regulates the identification and preparation of the summary of the customers engaged in armament and military equipment production and trade, the monitor-
ing of the transactions and loan applications of the cus-
tomers engaged in armament and military equipment production and trade, the approval of the transactions and loan applications related to armament and military equipment production and trade in accordance with the Policy of Not Financing of Armaments, as well as the preparation of reports on the transactions related to armament and military equipment production and trade.

Protection of health and safety

Occupational health and safety at Banca Intesa are regu-
lated by procedures in accordance with international directives, recom-
mandations and positive laws of the Republic of Serbia.

During 2012, an assessment was made of the situation regarding occupational health and safety and the risk level for about 200 facilities at which work is performed. A schedule of elimination of recorded risks to the health of Bank employees was defined and implemented ac-
 according to priorities and the budget planned. In connec-
tion with this, risk assessment documents were updated as well.

When it comes to physical security, investments in tech-
tical solutions continued in 2012 as well. The number of robberies decreased by 33.33% in 2012 relative to 2011, while the number of customers and employees who were present at the branch during robbery fell by around 60%.
Risk management in supply chain

- Supplier check

The Procurement Unit and the organisational part in charge of procurement are obliged to evaluate the received supplier bids applying the methods of qualitative and quantitative analysis, as well as to align the bid evaluation criteria, prior to inviting the bidders to submit offers, by combining specific criteria, one of which is the Compliance of Bidder’s Operations with the Corporate Social Responsibility Principles.

- Health and safety risk assessment

In accordance with the Procurement Policy, members of Intesa Sanpaolo Group are expected to include the parameters of assessment of environmental management and occupational health protection in their procurement process, giving priority to the use of recycled paper, highly energy efficient products and environment-friendly technical equipment.

Group members must include special provisions in the procurement contracts they conclude with their suppliers. These provisions provide for the obligation of suppliers to comply with the principles specified in the Intesa Sanpaolo Rules for the Environmental and Energy Policy. Constant checks are performed in the countries where local measures regarding environmental protection were adopted, in order to ensure compliance.

In the area of personnel training and spreading the awareness of the importance of these issues, the training of the employees who directly communicate with suppliers must include fields related to corporate social responsibility, as well as to the responsibility for environmental protection.

CSR management model

The adoption of the Code of Ethics with the defined values to which Banca Intesa is committed introduced a management model based on the principle of responsibility that requires commitment to aligning everyday business activities with the declared values at the individual level, as well as at the level of the Bank’s organisational units.

The Marketing and Communications Department, independently, as well as in close cooperation with CSR ambassadors, delegated representatives of all organisational parts of the Bank, implements and coordinates projects and activities in the area of corporate social responsibility. The CSR ambassadors provide the Department with necessary information in connection with the implementation of projects and activities and participate in monitoring, measuring and reporting to the parent Group and other stakeholders.

The Marketing and Communications Department also takes steps to make the criteria of corporate social responsibility a recognisable element of the whole management system and, to this end, cooperates with the top management in the process of defining the policies and strategies of corporate social responsibility, communicating to the top representatives of the Bank the results of dialogue with the stakeholders, their needs and key issues that should be a part of strategic guidelines. In this context, the process of preparing the Sustainability Report is of key importance for monitoring social and environmental impacts and activities as it integrates the results of dialogue with the stakeholders, quantitative indicators and compliance with the Code of Ethics.

REPORTING ON NON-COMPLIANCE WITH THE CODE OF ETHICS

The Procedure for Managing the Reports of Non-compliance with the Code of Ethics was adopted in 2011 and is implemented in all organisational units of the Bank in the process of delivering reports in cases of suspicion or knowledge of any activities or individual acts that are contrary to the Code of Ethics and other bylaws of the Bank.

The procedure for managing the reports of non-compliance with the Code of Ethics consists of several steps: non-compliance reporting, report analysis, translating and 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.

The Bank employee who noticed any behaviour of one of his/her colleagues that seems not to be in accordance with the moral and ethical principles prescribed by the Code of Ethics delivers a non-compliance report to the following e-mail address: etck@bankaintesa.rs. The report may also be delivered in hard copy to the following address: Banca Intesa ad Beograd, Marketing and communications department, Bulevar dr Zorana Đinđića 2a, 11070 New Belgrade.

Through the above mechanism, Banca Intesa recorded no cases of human rights violation, as defined by the Code of Ethics, during 2012.

1.3. RELATIONS WITH STAKEHOLDERS

The dialogue with stakeholders that it fosters with the aim of defining sustainability strategies is an integral part of Banca Intesa’s wider business activities and a prerequisite for preparing the Sustainability Report. A constant exchange of opinions with all those that are parts of everyday business, social and natural environment of the Bank enables it to understand current social issues, expectations and risks, both reputational and operating, which in connection with its strategic decisions.

Due to the importance of this process to all stakeholders, as well as to the Bank itself, its full efficiency is ensured by adopting a strategic approach based on the international methodology of stakeholder engagement, the AA1000 Standard (Institute of Social and Ethical Accountability). Year after year, the dialogue is carried out using different techniques including focus groups, on-line questionnaires, satisfaction surveys and similar. Based on the results obtained, the achievements so far are analysed and new goals for the future are set.

During the process of designing the CSR Strategy of Banca Intesa and in cooperation with expert consultants, a number of qualitative interviews were held with stakeholders, i.e. representatives of key sectors – public, civil and business – who were selected to participate in the analysis based on the importance of their role for the Bank itself or for a specific CSR area.

GROUP ENGAGEMENT MECHANISM KEY TOPICS

CUSTOMERS

- On-line questionnaires
- Surveys
- Employee satisfaction survey
- Telephone interviews
- On-line surveys
- Focus groups
- Benchmarking surveys
- Satisfaction survey
- Complaint and grievance analysis
- Retail: Support to households, financial inclusion of retired persons and youth, innovative products for improving the quality of life
- Corporate: support to the development of entrepreneurship and economic growth

EMPLOYEES

- On-line questionnaires
- Surveys
- Employee satisfaction survey
- Equal opportunities
- Professional development
- Remuneration policy and performance monitoring
- Quality of relations

COMMUNITY

- Meetings with civil society organisations (CSOs)
- Working groups, working bodies
- Financial inclusion of vulnerable groups
- Support to children and youth
- Community development through support to culture, art, health care, sports and projects of wider national importance

SUPPLIERS

- Supplier information form
- Risk prevention: health and safety corporate social responsibility of suppliers

ENVIRONMENT

- Meetings with CSOs
- Working groups, working bodies
- Investment in energy efficiency projects
- Responsible resource management
STAKEHOLDER MAP

Key stakeholders are defined based on several AA1000 Standard criteria, including:

- Influence – the groups and/or individuals who may influence the making of strategic and operating decisions in the Bank
- Representation – the groups and/or individuals who represent other individuals and/or groups
- Degree of dependence – the groups and/or individuals who mostly depend on the Bank.

MATERIALITY

The indicators that arise as a result of stakeholder engagement are analysed in detail within the Bank in order to determine the extent to which the Bank is able to meet the needs and expectations of its environment. In addition to the need for them to be mutually harmonised, it is important that the interests of various stakeholders be consistent with the Bank’s strategy.

In the area of sustainability, the Bank addresses a number of topics of different levels of importance while keeping up with the practices of its parent Group. These topics are presented in the Materiality Matrix, which is created as a result of needs monitoring, and the issues located in the high-value field on both axes are priority issues for Banca Intesa.

The Sustainability Report is designed in the same way – a MARERIALITY MATRIX

- Improvement of the Bank’s organisational model
- Business process optimisation
- Efficient project and change management in the Bank
- Commitment to the development and improvement of corporate social responsibility
- Commitment to the promotion of corporate value sustainability

TABLE OF GOALS

Done in 2012 | Goals for 2013 | Strategic framework
---|---|---
- Improvement of the Bank’s organisational model | - Implementation of the first phase of regional structure consolidation with the aim of simpler management of the business network | - Rulebook on Internal Organisation of the Bank
- Business process optimisation | - Simplification of organisational structure and improvement of internal organisation of some organisational units | - Improving the Bank’s internal control system by introducing a new management function
- Efficient project and change management in the Bank | - Grouping of organisational units in charge of risk and operations management into divisions with the aim of optimisation and achieving a greater balance of the organisational structure | - Improvement of the Magnifica service model by forming the Affluent Centre organisational unit
- Commitment to the development and improvement of corporate social responsibility | - Further improvement of the social and environmental risk management system through additional employee training | - The Code of Ethics
- Commitment to the promotion of corporate value sustainability | - Improvement of the regulatory framework in the anti-corruption area | - The Code of Conduct
- The management structure in the risk management organisational segment was changed introducing a new management position | - Improvement of competition protection through additional employee training | - The Procedure for the Performance of Transactions Related to Armament Production and Trade
- The internal organisational structure of some organisational units was improved | - Improvement of processes in connection with the disposal and use of paper, electronic waste and other waste | - The Rulebook on the Relations with Political Parties
- All regional business support functions were centralised | - Improvement of the procedural framework for personal data protection | - The Social and Environmental Risk Management Procedure

**CUSTOMERS**

INDIVIDUALS

- SMALL BUSINESS
- SMES
- LARGE COMPANIES
- LOCAL GOVERNMENTS
- CONSUMER ASSOCIATIONS
- BUSINESS ASSOCIATIONS
- PUBLIC ADMINISTRATION

**EMPLOYEES**

MANAGERS

- OFFICERS
- EMPLOYEES

**COMMUNITY**

LOCAL AND STATE PUBLIC INSTITUTIONS (REGULATORY BODIES, LOCAL GOVERNMENT, ETC.)

**SUPPLIERS**

DOMESTIC

- FOREIGN

**ENVIRONMENT**

ENVIRONMENTAL ORGANISATIONS

NEXT GENERATIONS
### RELATIONS WITH CUSTOMERS

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improvement of the work process</td>
<td>- Continued introduction of the QMS system</td>
<td>- The Code of Ethics</td>
</tr>
<tr>
<td>- Technological improvement of services</td>
<td>- Full implementation of the new CRM solution, CRISP, which improves the management of customer relations and speeds up the processes in the work with customers</td>
<td>- The Law on the Protection of Financial Services Consumers</td>
</tr>
<tr>
<td>- Strengthening partner relations through educational contents</td>
<td>- Linking the QMS and CRISP systems</td>
<td>- Operating instruction: Standing Orders for Corporate Customers</td>
</tr>
<tr>
<td></td>
<td>- Employee training and workshops aimed at better communication with customers and recognition of their needs</td>
<td>- Product and Service Development Procedure</td>
</tr>
<tr>
<td></td>
<td>- Preparation of a sales manual for employees aimed at improving communication with customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Introduction of a standing order for corporate customers for credit cards and fees for FX payment operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Improvement of the on-line banking application for corporate customers</td>
<td></td>
</tr>
</tbody>
</table>

### PRODUCTS AND SERVICES FOR COMMUNITY DEVELOPMENT

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Products and services for vulnerable social groups</td>
<td>- Introduction of cash loans with unemployment insurance and instalment delay option</td>
<td>- The Code of Ethics</td>
</tr>
<tr>
<td></td>
<td>- Introduction of new purposes for the Intesa Vita loan programme</td>
<td>- Product and Service Development Procedure</td>
</tr>
<tr>
<td></td>
<td>- Introduction of refinancing loans with unemployment and permanent disability insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Independent loan programme for financing health care services</td>
<td></td>
</tr>
<tr>
<td>- Support for youth and children</td>
<td>- The Prive You 100% student competition</td>
<td>- The CSR Strategy</td>
</tr>
<tr>
<td></td>
<td>- Financial education of youth through the UNGC Serbia Working Group on CSR in Banking and Finance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Student education through the competition in the course Project Management for the Use of Heritage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The Prive You 100% student competition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Practical training of students who won the Prive You 100% student competition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Financial education of youth through the UNGC Serbia Working Group on CSR in Banking and Finance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Support to the winners of the competition in the course Project Management for the Use of Heritage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Support to the winners of the competition in the course Project Management for the Use of Heritage</td>
<td></td>
</tr>
<tr>
<td>- Support to the development of businesses and enterprises</td>
<td>- Further promotion of start-up loans for women entrepreneurs</td>
<td>- Training of all employees in the business network</td>
</tr>
<tr>
<td></td>
<td>- Participation in the programme of Government measures for supporting the economy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Introduction of long-term loan for entrepreneurs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Support to agriculture through five new loan models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Support to agriculture through five new loan models</td>
<td></td>
</tr>
</tbody>
</table>

### RELATIONS WITH EMPLOYEES

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Dialogue and engagement with employees</td>
<td>- Based on the results of the employee satisfaction survey, the induction training for new employees was improved</td>
<td>- The Code of Ethics</td>
</tr>
<tr>
<td></td>
<td>- Improvement of the internal portal</td>
<td>- The Training, Professional Advancement and Human Resource Development Procedure</td>
</tr>
<tr>
<td></td>
<td>- The launch of internal campaigns Get Involved and We Are Our Stories</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Higher participation in volunteer campaigns, involvement in new initiatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The programme of training the employees in the business network with an emphasis on the improvement of managerial knowledge and skills</td>
<td></td>
</tr>
<tr>
<td>- Improvement of the working conditions in terms of safety (OHS, fire protection, physical security)</td>
<td>- Training of new employees in the business network in cooperation with the Human Resources Department</td>
<td>- The CSR Strategy</td>
</tr>
<tr>
<td></td>
<td>- Adoption of a rulebook on training and raising awareness about safety among employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Training the employees in the provision of first aid</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Assessment of safety risks on all sites in the areas of OHS, fire protection and physical security</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The Place I Love project by car-pooling programme</td>
<td></td>
</tr>
</tbody>
</table>

### PRODUCTS AND SERVICES FOR COMMUNITY DEVELOPMENT

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continued promotion of start-up loans for women entrepreneurs</td>
<td>- Agreement with the EIB, EBRD and KfW on credit lines for SMEs, public and large companies</td>
<td>- Continued promotion of the Intesa Vita loan programme</td>
</tr>
<tr>
<td>- Agreement with the EIB, EBRD and KfW on credit lines for SMEs, public and large companies</td>
<td>- Continued implementation of the Place I Love project by carrying out the works in Novi Sad and examining the ways for the implementation of the project in Belgrade</td>
<td></td>
</tr>
<tr>
<td>- Introduction of loans from the EFSE credit line</td>
<td>- Continued implementation of The Place I Love project by carrying out the works in Novi Sad and examining the ways for the implementation of the project in Belgrade</td>
<td></td>
</tr>
<tr>
<td>- Continued implementation of The Place I Love project by carrying out the works in Novi Sad and examining the ways for the implementation of the project in Belgrade</td>
<td>- Continued implementation of The Place I Love project by carrying out the works in Novi Sad and examining the ways for the implementation of the project in Belgrade</td>
<td></td>
</tr>
<tr>
<td>- Loans from the EFSE credit line</td>
<td>- Continued implementation of The Place I Love project by carrying out the works in Novi Sad and examining the ways for the implementation of the project in Belgrade</td>
<td></td>
</tr>
<tr>
<td>- Continued implementation of loans from the EFSE credit line for the public sector and SMEs</td>
<td>- The Balkans (LEDB) programme</td>
<td></td>
</tr>
<tr>
<td>- Introduction of the Intesa Vita loan programme with unemployment insurance</td>
<td>- Conclusion of new agreements with the IFC on credit lines for the public sector and SMEs</td>
<td></td>
</tr>
<tr>
<td>- Introduction of new purposes and instalment delay option</td>
<td>- Mentoring – induction of new employees by assigning them a mentor and providing on-the-job training</td>
<td></td>
</tr>
<tr>
<td>- Introduction of the Global Performance Assessment and Remuneration System</td>
<td>- Adoption of the Code of Conduct and the new Collective Bargaining Agreement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Providing scholarships for master studies of employees in Italy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Introduction of a distance learning (e-learning) system</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- More than half of the employees received some form of training</td>
<td></td>
</tr>
</tbody>
</table>

### LOCAL ECONOMIC DEVELOPMENT IN THE BUSINESS NETWORK

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Introduction of the Intesa Vita loan programme for financing the Intesa Vita loan programme</td>
<td>- Development of the assessment system for employees in the business network</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Introduction of new purposes for the Intesa Vita loan programme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Improvement of the internal communication channels, including a redesign of the internal portal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Launching new internal campaigns</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Launching a corporate volunteering programme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Participation in the projects of cultural and historical heritage protection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The Place I Love project</td>
<td></td>
</tr>
</tbody>
</table>

### USE OF HERITAGE

<table>
<thead>
<tr>
<th>Done in 2012</th>
<th>Goals for 2013</th>
<th>Strategic framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The CSR Strategy</td>
<td>- The Code of Ethics</td>
<td></td>
</tr>
<tr>
<td>- The Code of Ethics</td>
<td>- The Training, Professional Advancement and Human Resource Development Procedure</td>
<td></td>
</tr>
<tr>
<td>- Introduction of the Global Performance Assessment and Remuneration System</td>
<td>- Development of the assessment system for employees in the business network</td>
<td></td>
</tr>
<tr>
<td>- Providing scholarships for master studies of employees in Italy</td>
<td>- Providing scholarships for MBA programmes</td>
<td></td>
</tr>
<tr>
<td>- Introduction of a distance learning (e-learning) system</td>
<td>- The programme of training the employees in the business network with an emphasis on the improvement of managerial knowledge and skills</td>
<td></td>
</tr>
<tr>
<td>- More than half of the employees received some form of training</td>
<td>- Mentoring – induction of new employees by assigning them a mentor and providing on-the-job training</td>
<td></td>
</tr>
<tr>
<td>- Adoption of the Code of Conduct and the new Collective Bargaining Agreement</td>
<td>- Adoption of the Code of Conduct and the new Collective Bargaining Agreement</td>
<td></td>
</tr>
<tr>
<td>Done in 2012</td>
<td>Goals for 2013</td>
<td>Strategic framework</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>- Carbon footprint reduction</strong></td>
<td>- Implementation of the pilot phase of the Printing Consolidation project</td>
<td>- The Code of Ethics</td>
</tr>
<tr>
<td></td>
<td>- Responsible resource management by reducing the use of direct energy (automatic computer shutdown)</td>
<td>- The Environmental Protection and Energy Efficiency Policy</td>
</tr>
<tr>
<td></td>
<td>- Increasing the quantities of recycled electronic, electrical, paper and hazardous waste</td>
<td>- The Procurement Policy</td>
</tr>
<tr>
<td></td>
<td>- Emission reduction through fleet improvements</td>
<td>- The Goods and Services Procurement Procedure</td>
</tr>
<tr>
<td><strong>- Investment in energy efficiency and renewable energy sources</strong></td>
<td>- Subsidised loans for improving the energy efficiency of households</td>
<td>- Loans from the KfW credit line for the improvement of energy efficiency of SMEs</td>
</tr>
<tr>
<td></td>
<td>- Loans from the KfW credit line for the improvement of energy efficiency of small businesses</td>
<td>- Conclusion of agreements with the KfW for the public sector for energy and environmental management with an EU grant, as well as the extension of the KfW credit line for energy efficiency of SMEs</td>
</tr>
<tr>
<td></td>
<td>- Further granting of loans from the GGF credit line for the improvement of energy efficiency of small businesses</td>
<td>- Conclusion of agreements with the EBRD for energy efficiency of SMEs</td>
</tr>
<tr>
<td></td>
<td>- Conclusion of agreements with the EBRD for energy efficiency of SMEs</td>
<td>- Subsidised loans for improving the energy efficiency of households</td>
</tr>
</tbody>
</table>

2. **SUSTAINABILITY**
Banca Intesa continued to post good business results in 2012 as well. Despite the economic crisis, the Bank continued to be a reliable partner to businesses and individuals through its stable credit support strengthening its leading position in the Serbian banking sector. The Bank’s total loans to corporate and retail customers including cross-border loans reached 2.62 million euros at the end of December 2012, while deposits totalled 2.41 million euros. The business network consisted of 199 branches, 5 home loan centres and 4 home loan offices. In addition, Banca Intesa has the most developed network of POS terminals and ATMs, with 16,348 active POS terminals and 257 ATMs.

**CORPORATE BANKING**

In the corporate segment, Banca Intesa had 119,000 customers at the end of 2012. The constant increase in the lending activity from the previous year continued during 2012 as well, with corporate loans reaching 1.76 million euros at the end of December. At the same time, small business loans reached 156 million euros, while loans granted to farmers amounted to 36 million euros.

**MARKET POSITION**

According to the official data of the National Bank of Serbia as of December 31, 2012, Banca Intesa is the leader in all business segments.

**RETAIL BANKING**

The Bank had 1.47 million retail customers at the end of 2012. The total loan portfolio was 670 million euros, while retail deposits increased to 1.319 million euros. Banca Intesa confirmed its leading position in e-banking and payment card business during 2012 as well and had around 1.3 million debit and credit cards issued at the end of December. At the same time, small business loans reached 156 million euros, while loans granted to farmers amounted to 36 million euros.

**DIRECT AND INDIRECT ECONOMIC VALUE GENERATED IN 2012**

<table>
<thead>
<tr>
<th>Source</th>
<th>Value in million euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets</td>
<td>3,635</td>
</tr>
<tr>
<td>Customer loans</td>
<td>2,363</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,300</td>
</tr>
<tr>
<td>Equity</td>
<td>792</td>
</tr>
</tbody>
</table>

**2.1. GENERATED ECONOMIC VALUE**

**MARKET POSITION**

As an active partner of the state, Banca Intesa supports economic development initiatives of the Government.

**RETAIL BANKING**

The budget of Serbia received 991,900,043 dinars in the form of regular tax payments. The Bank directly provides over 3,000 jobs, and it paid 1,997,940,391 dinars into the budget of Serbia as taxes and contributions for wages and pensions.

The investment in the community amounted to 33,204,000 dinars through donations to the local community, 24,827,000 dinars through investment in infrastructure and 2,614,163,40 dinars through volunteer activities.

The economic value distributed through operating costs and personnel expenses and liabilities to the Government and the community amounted to 11,685,276,481 dinars.

The economic value generated during 2012 amounted to 22,091,943,750 dinars.

The economic value distributed amounted to 22,091,945,000/RSD.

**2.2. Employee expenses**

Wages and salaries: -3,312,415

Costs of taxes and contributions on wages and wage allowances: -1,997,940

**TOTAL OPERATING COSTS**

-5,091,449
2.2. STAKEHOLDER VALUE ADDED

2.2.1. ECONOMIC VALUE RETAINED

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Indirect taxes and duties</td>
<td>-161,352</td>
</tr>
<tr>
<td>4. Income tax</td>
<td>-830,548</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES RELATED TO LIABILITIES TO THE GOVERNMENT</strong></td>
<td>-991,900</td>
</tr>
<tr>
<td>2.4. Community-related expenses:</td>
<td></td>
</tr>
<tr>
<td>Donations and corporate social responsibility</td>
<td>-33,204</td>
</tr>
<tr>
<td><strong>TOTAL COMMUNITY-RELATED EXPENSES</strong></td>
<td>-33,204</td>
</tr>
<tr>
<td>2. TOTAL EXPENSES RELATED TO LIABILITIES TO THE GOVERNMENT</td>
<td>-991,900</td>
</tr>
<tr>
<td>3 ECONOMIC VALUE RETAINED 4</td>
<td>10,406,668</td>
</tr>
</tbody>
</table>

1. The item differs from the income statement in the annual report in that the Provisions for Employee Benefits (IAS 19), Legal Disputes and Restructuring (IAS 37) are excluded.
2. The item differs from the income statement in the annual report in that the Operating Costs are presented in the section Distributed Economic Value in several segments stated, while Direct Write-offs of Investment in Shares of Other Legal Entities Due to Liquidation is not presented within Other Operating Expenses.
3. The 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, the Gains and Losses on Deferred Tax Assets and Liabilities, the Depreciation Costs and the Direct Write-offs of Investment in Shares of Other Legal Entities Due to Liquidation.

2.2.2. CUSTOMERS

By integrating corporate social responsibility into its core business, Banca Intesa strives to contribute to sustainable growth by offering innovative products and services that respond to the needs of citizens and the economy in the most adequate manner.

In order to understand properly the needs of its customers and the problems they face most often, while also providing them with important advisory services.

The Bank’s goal is to provide support to its corporate and retail customers, while observing the highest standards of good business practice customer relations. In the area of customer support, the topics in focus are:

- SUPPORT TO ECONOMY
- FINANCIAL INCLUSION AND EDUCATION
- CUSTOMER SATISFACTION

2.2.3. SUPPORT TO ECONOMY

Banca Intesa supported the programme of measures of the Government of the Republic of Serbia for support to the economy in 2012 as well and started to approve applications for loans with subsidised interest rate in early September. Since the very beginning of the programme for mitigating the effects of the crisis, which was initiated in 2009, Banca Intesa has been the most active commercial bank in granting subsidised lending.

In late 2012, Banca Intesa and the European Investment Bank (EIB), which has provided EUR 70 million in corporate loans so far, concluded an agreement on a new, EUR 30 million credit line for investment loans and loans for durable working assets for financing medium-sized and large enterprises. At the same time, through a new five-year credit line of the European Bank for Reconstruction and Development (EBRD), Banca Intesa provided an additional EUR 30 million for SME customers. The funds from this credit line are granted in the form of revolving loans, loans for working assets and investment loans with the maximum repayment period of up to five years and a grace period of up to one year.

2.2.4. AWARD FOR THE BEST ENTREPRENEUR

In March 2012, as part of the Blic Entrepreneur initiative conducted by Banca Intesa in cooperation with the Blic daily newspaper for the fifth consecutive year in order to promote and encourage the development of entrepreneurial spirit in Serbia, identify the most successful SME in the country and provide financial support for its development.

Dragan Ćirić, the owner of D-Company from Babušnica, which manufactures automobile parts, was pronounced the most successful entrepreneur of Serbia in the SME sector. Banca Intesa awarded the winner with a cheque for EUR 30,000. According to the competition rules, the funds may be used solely for the improvement of current business operations or investment in new business projects.
The prize was awarded based on the decision of the ex-ecutive body that was in charge of the definition of the merits and quality of the enterprise during the previous business year, as well as additional criteria: export performance and export potential, the number of employees and new em-ploee hiring, the development of the company's name in the media, technological innovation, environmental protection, as well as contribution to local community development.

Banca Intesa also introduced long-term loans for entrepreneurs aiming to help the development of entrepreneurship and provide continuous support to small businesses focused on trade, production and other service activities. The entrepreneurs have the opportunity to borrow longer-term funds to be used for unspecified purpose, with the repayment period and the amount of monthly instalment aligned with their ability to repay regularly the principal. The customers may use the funds for investment, working capital financing and current liquidity.

Wishing to stimulate self-employment, Banca Intesa sought to contribute to the development of entrepre-neurship by offering low-profit loans in 2012 as well, such as start-up loans for women entrepreneurs in Vojvodina, provided in cooperation with the Guar-anantee Fund of the Autonomous Province of Vojvodina. The purpose of the loan was to finance the purchase of equipment for entrepreneurs and women founders of small enterprises that have been operating for less than three years, as well as to finance the start-up programme for unemployed women.

When it comes to lending for farmers, in 2012 the Bank added a new offer, a mortgage loan for purchasing agricultural land from the European Fund for Southeast Europe (EFSE) credit line, designed in cooperation with the Guarantors of the Agricultural and Forestry Development Fund of the Autonomous Province of Vojvodina for purchasing agricultural machinery, loans for financing spring sowing designed in cooperation with local governments, loans with subsidised interest rate for financing infrastructure projects and the procurement of equipment in the following areas: water management, sewerage system and wastewater management, solid waste management, noise abatement, recreation and protection of the environment, etc., helped develop a range of innovative consumer loan models

The Bank also cooperates with the public sector and local governments, ensuring a long-term balance in terms of growth and modernisation, while improving the quality of life in wider community. In addition to traditional services, in its operations with the public sector and local authorities Banca Intesa was one of the first banks in the country to offer financing municipal projects through investment in the public sector. The municipal bond of the City of Pančevo with RSD 170 million in 2012, by which funds were collected for preparing the construction of a swimming pool, bulkwarks, an industrial zone, as well as the street reconstruction. As the arranger in a consortium with another bank, Banca Intesa signed an Underwriting Service Agreement with the City of Pančevo.

Banca Intesa cooperates with the public sector in the area of technological innovation, environmental protection, as well as contribution to local community development. The Bank also meets the needs of its customers with services for vulnerable social groups is the basic way for their integration into society.

Wishing to provide high-quality and specialised financial support to citizens who plan to expand their family, but who are not eligible for regular use of social health services, Banca Intesa developed a range of innovative consumer loan models called Intesa Vita. Whether or not they are customers of Banca Intesa, all citizens have access, under equal and most favourable conditions in the Bank, to loans for in vitro fertilisation, financing the preservation and storage of stem cells, DNA analysis and payment for dental services. In addition, the citizens can opt for consumer loans to purchase insurance under special conditions as those applying to consumer loans from the Intesa Vita programme. The Intesa Vita programme is designed as an open platform that will gradually include new products with the aim of strengthening the existing offer and providing a proactive response to the growing needs of customers. With the same aim, the Bank also expanded the possibilities offered by the Intesa Hit Account bundle by introducing the Delta Generali health insurance policy which covers not only the account holder but also members of his/ her family (children, spouse and parents).

In 2012, the Bank continued to promote the Senior Cash loan with life insurance included and was the first financial institution in the domestic market to create this type of loan, enabling retired citizens to bor-row up to 74 years of age.

The Bank also meets the needs of its customers with improved refinancing loans, which enable them to settle obligations towards Banca Intesa, as well as towards other banks. The loan also includes insurance against job loss or disability due to an accident. Furthermore, Banca Intesa provided access to subsidised housing loans to young couples with low income buy-ing their first house in order to help them solve their housing problem.

In addition, the Bank continued to issue the Visa Classic and Visa Electron Paralympic cards, the first charity payment cards in the country, which Banca Intesa introduced in 2008 in cooperation with the Para-lympic Committee of Serbia. This was the first initiative of the kind in the domestic market aimed at establishing a strong, stable and independent mechanism for long-term assistance to athletes with disabilities and Paralympic sport in the country. At the same time, the Bank also introduced the Easy Travel Card (ETC) and Maestro ISC, with free current account opening and maintenance, are intended for students.

Aware of the importance of financial education, both for the overall development of the country and the higher quality of life of people, Banca Intesa strives to contribute to the development of financial literacy in the country both through own initiatives and involvement in cooperation programmes. The Bank organised Intesa Academia Executive Workshop in 2012 for its corporate customers, reputable business people and employees of state institutions. The workshop was part of the Intesa Academy business conference named “Eurovision”, which was dedicated to the future of the euro, the importance of preserving a strong common currency, the development of Eurozone countries, with special reference to the opportuni-ties that the European integration brings to Serbia and the countries in the region. Intesa Academia Executive Workshop provided an overview of the ways in which demographic and geopolitical changes affect the develop-ment and expansion of industries and technologies and thus the global and local economies, which was of great importance for regular users of Eurozone zones, to the further development of their own business strategies. Special guest speaker was Erik Peterson, Managing Di-rector of A.T. Kearney’s Global Business Policy Council. Peterson presented new products with the aim of strengthening the existing offer and providing a proactive response to the growing needs of customers. With the same aim, the Bank also expanded the possibilities offered by the Intesa Hit Account bundle by introducing the Delta Generali health insurance policy which covers not only the account holder but also members of his/ her family (children, spouse and parents).

CUSTOMER SATISFACTION

Open communication, respect for customer opinion and mutual trust are the key values that Banca Intesa nurtures and nurtures carefully. In order to demonstrate this com-mitment in practice, the Bank launched a unique initia-tive named Listening 100% back in early 2008.

The programme, developed in line with the European Customer Satisfaction Index (ECSI) methodology, in-cludes regular surveys of customer satisfaction along with measurement of customer satisfaction with Bank prod-ucts and services with the aim of improving the quality of services and increasing customer satisfaction. ECSI includes a wide range of key factors that are involved in the model itself: image, branch organisation, staff relationships, service quality, after-sales support, complai-ment handling and other. The customers involved in this survey were those who had signed consent for the collecture of personal data in accordance with the Law on Personal Data Protection and those listed as ac-tive customers of the Bank. The survey (an interview according to the CATI method) provides basis for pre-determination of customer satisfaction. After their implementation, the surveys are repeated to obtain a clear picture of whether the customers have recognised the action as positive and adequate as a solution to the problem.

By listening to its customers, the Bank is better able to get to know and understand their needs in order to respond to them in the best possible way and thus create even better conditions for them in their operating long-term partner relations. The surveys were conducted on a quar-terly basis until 2012 and semi-annually since 2012. The surveys also show the Bank has been a customer leader at the highest level since 2009. The ECSI as well as the Loyalty indices are stable, with a high percentage of customers, which is an indicator of the high-quality and continuous satisfaction of customers in the following 12 months. The surveys also record a high percentage of customers who are willing to recommend the Bank to the persons close to them, as well as of those who will continue and expand their cooperation with the Bank.

COMPLAINT MECHANISM

Various communication channels are open to any Banca Intesa customer who wishes to submit their grievances, complaints and suggestions.

Phone: +381 11 310 88 88
E-mail: info@banca-intesa.rs
Fax: +381 11 310 88 55
Personal contact, i.e. submitting a written complaint in person
Contact form on the official website of the Bank
Postal address: 10000 Belgrade, Customer Satisfaction Unit, Omladinska Brigada 90a, 11070 New Belgrade

Customers will receive an answer within the stated time limits, and in any event not later than in accordance with the decision of the National Bank of Serbia. Each customer may also personally contact unit employees. If the customer is not satisfied with the answer, the National Bank of Serbia will act as a second-instance body, and there is also a possibil-ity of mediation.
Based on the results of the customer satisfaction survey and the proposals and complaints of its customers, Banca Intesa continuously improves its business operations both in the branch network and in e-business. A number of initiatives were undertaken during 2012:

- 42 branches were adapted and renovated (in 2011 and in the first half of 2012)
- 90% of the planned branches were equipped with the Queue Management System (QMS)
- Self-service terminals were installed in some branches enabling customers to make cashless payments and print monthly statements of accounts and cards for retail customers, as well as daily statements for corporate customers.

One of the main factors on the basis of which branches were selected as the first to be renovated, adapted or equipped with the QMS was the Branch Customer Satisfaction Index (BCSI) – an indicator for measuring the level of customer satisfaction with the work of a branch, which was included in the branch adaptation, renovation and relocation planning system back in 2010. A detailed analysis of BCSI results produced a list of those branches with which the customers were less satisfied. The inclusion of the BCSI in the branch adaptation and renovation planning system continued during 2011 and 2012.

In addition, the number of offices intended for work with affluent customers using specialised service model Intesa Magnifica was increased to 40 during 2012.

Moreover, Banca Intesa upgraded the online banking solution in 2012 which enabled it to significantly improve the retail e-banking services. The new online service introduced the following functionalities: multi-browser support (using the service through different web browsers), activation of SMS and e-mail notifications, activation and deactivation of the Intesa Mobi mobile banking service, as well as updating personal data and PFM – Personal Financial Manager. In addition, the Bank enabled the use of its Intesa Mobi service on Android and iPhone devices.

In order to help its customers to find the nearest ATM, Intesa Sanpaolo developed a new tool, Intesa Sanpaolo ATM Locator. Using this service, Banca Intesa customers can find around 254 Bank ATMs in Serbia, but also any of the 9,000 Intesa Sanpaolo ATMs in 12 countries in total. This application is a novelty in the Serbian market once again confirming the position of Banca Intesa as an innovative bank that recognises customer needs. The application is available on the Bank’s website, the websites of all Group member banks, as well as mobile applications available on iTunes and Google Play.

Transparent advertising of products and services

In accordance with the Law on the Protection of Financial Services Consumers, Banca Intesa advertisements clearly state all costs that are to be borne by the customer and which are included in the calculation of the effective interest rate. Banca Intesa is transparent in its pricing policy and always states the prices in a clear and visible manner, while at the same time providing representative examples that include all information for each of its products in line with the Law on the Protection of Financial Services Consumers.

Data security

The protection of customer security, as well as their assets and confidential information is not only Banca Intesa’s primary duty, but also the basis of the relationship of trust that the Bank wants to strengthen with its customers. The protection of persons, their assets and valuables, as well as a multitude of data and internal organisational processes 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. In 2012, 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.

EMPLOYEES

As the largest employer in the domestic banking sector, Banca Intesa is aware that teamwork, professionalism and motivation of employees is key to achieving and maintaining success.

Within its strong and recognisable identity, Banca Intesa carefully fosters a spirit of unity, promoting its values and their importance so that all its employees can identify with them. At the same time, the Bank strives to create a stimulating work environment that enables optimal professional development and personal advancement of all its employees.

Banca Intesa promotes the strategic role of internal communication, wishing to encourage its employees to participate actively and thereby contribute to the development of the Bank, as well as to their own advancement. As a responsible employer, the Bank seeks to listen carefully to their suggestions and recognise their needs, aiming to respond adequately to them through the following primary aspects:

- • EQUAL OPPORTUNITIES
- • HUMAN RESOURCE DEVELOPMENT
- • EMPLOYEE SATISFACTION

EQUAL OPPORTUNITIES

Banca Intesa believes that respect for individuals and the dignity of each employee represents the foundation for developing a work environment based on mutual trust and loyalty, which is enriched by contribution from each employee. Therefore, the Bank operates in accordance with the employment and HR management procedures based on objectivity and consistent conduct, preventing discrimination on any grounds.

The fact that employees have equal opportunities for employment and advancement is also confirmed by the following data: Banca Intesa employs a total of 3,134 persons on full-time basis* – women account for 70.8% of the total number and as many as 43.48% of senior management.

*In terms of employment type, there are no part-time employees in the Bank.

**The Bank does not employ third parties.

Total number of employees by location

<table>
<thead>
<tr>
<th>Location</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgrade</td>
<td>459</td>
<td>963</td>
</tr>
<tr>
<td>Other locations**</td>
<td>456</td>
<td>1,256</td>
</tr>
<tr>
<td>**Total</td>
<td>915</td>
<td>2,219</td>
</tr>
</tbody>
</table>

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

**Employees in other locations are Bank Headquarters employees located in Novi Sad, as well as all branch network employees in all towns in Serbia in which the Bank operates (which include all branches in 4 Regional Centres: RC Novi Sad, RC Kragujevac, RC Užice, RC Niš).

Total number of employees by type of employment contract

<table>
<thead>
<tr>
<th>Employment contract type</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under fixed-term contract</td>
<td>29</td>
<td>56</td>
</tr>
<tr>
<td>Under permanent contracts</td>
<td>886</td>
<td>2,163</td>
</tr>
<tr>
<td>**Total</td>
<td>915</td>
<td>2,219</td>
</tr>
</tbody>
</table>

Total number of employees by type of employment contract by location

<table>
<thead>
<tr>
<th>Location</th>
<th>Under fixed-term contract</th>
<th>Under permanent contracts</th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgrade</td>
<td>12</td>
<td>1,410</td>
<td>1,532</td>
</tr>
<tr>
<td>Other</td>
<td>73</td>
<td>1,639</td>
<td>2,412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85</td>
<td>3,049</td>
<td>3,904</td>
</tr>
</tbody>
</table>

Employee age structure

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 years of age</td>
<td>9.70%</td>
<td>9.80%</td>
</tr>
<tr>
<td>30 - 50 years of age</td>
<td>75.47%</td>
<td>75.48%</td>
</tr>
<tr>
<td>&gt; 50 years of age</td>
<td>14.77%</td>
<td>14.82%</td>
</tr>
</tbody>
</table>

Management age structure

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 years of age</td>
<td>84.78%</td>
<td>84.80%</td>
</tr>
<tr>
<td>30 - 50 years of age</td>
<td>15.22%</td>
<td>15.20%</td>
</tr>
<tr>
<td>&gt; 50 years of age</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Total number of employees by gender and category

<table>
<thead>
<tr>
<th>Gender</th>
<th>Managers</th>
<th>Officers</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>26</td>
<td>167</td>
<td>722</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>264</td>
<td>1,935</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>46</td>
</tr>
<tr>
<td>Female</td>
<td>431</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,657</td>
</tr>
</tbody>
</table>
Banca Intesa applies the principles of equality and objectively and the merit criterion in the assessment, remuneration, motivation and career development of its employees. Given that employees are the main strategic resource of Banca Intesa, the Bank undertook to protect and encourage them to achieve their maximum potential, because this is also a key factor in ensuring a sustainable competitive advantage for the Bank. The Bank strives to motivate them to achieve the set goals so that it would reward them appropriately, while its management and remuneration policies recognise and respect individual and group contributions to the achievement of the Bank’s results.

The employee turnover rate was 6.38% in 2012. In this period, 200 employees left the Bank, while 134 persons were employed.

### Employee turnover

<table>
<thead>
<tr>
<th>Category</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>New employees</td>
<td>60</td>
<td>74</td>
</tr>
<tr>
<td>Left the Bank</td>
<td>63</td>
<td>137</td>
</tr>
<tr>
<td>&lt;30</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>30 - 50</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>&gt;50</td>
<td>20</td>
<td>60</td>
</tr>
<tr>
<td>Total number of employees who left the Bank</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

The rate of return to work after maternity leave is high, reaching 99.65%. This means that of 287 persons who exercised their right to maternity leave during 2012, 286 persons returned to work, while as many as 276 employees remained in employment 12 months after the end of their maternity leaves.

### Rate of return to work after the end of maternity leave

- 99.65%

### HUMAN RESOURCE DEVELOPMENT

Investment in the development and improvement of employee potential is an important part of Banca Intesa’s business policy. The Bank created a dynamic work environment that provides opportunities for practical and theoretical training, professional development and advancement. The development and career of each employee are planned in line with the Bank’s strategic goals, and internal mobility enables the Bank to meet new professional challenges, whether within the Bank itself or within its parent Group.

Banca Intesa guarantees all its employees equal opportunities for professional development and improvement. Training programmes are designed to follow the changes in the business environment, and every employee is given an opportunity to be trained in accordance with job requirements and individual career development plans. The Bank provides its employees with support and financial assistance in skill improvement through internal and external training, also supporting study leaves by guaranteeing their return to work. For the employees at the end of their career, the Bank carefully plans retirement and pays retirement pay taking into account employees’ age and years of service.

More than half of employees receive some form of internal or external training during the year, with almost 48,000 hours devoted to employee training and development during 2012.

### Objective performance assessment

In 2012, Banca Intesa started the implementation, i.e. adaptation of a new performance assessment project, the GPS (Global Performance System) of the parent Group that calls for implementing a common employee performance assessment and remuneration system in all member banks. This very important project was initiated for three reasons:

- Bringing the employee assessment and remuneration systems to comply with the current regulations of the European Union
- Harmonising the process and methodology of the employee assessment and remuneration system
- Spreading the performance assessment culture by adopting common assessment principles.

The parent Group, with the help of its external partner Mercer, conducted a detailed analysis of the processes and methodology used in all Group member banks. Based on all collected data, a global performance assessment and remuneration system was created, which is divided into three basic subsystems:

- Assessment system for managers (MBO)
- Assessment system for employees at the Headquarters
- Assessment system for employees at the Bank’s business network.

Simplicity and objectivity of performance assessment, high transparency of the system, as well as its connection with the remuneration system, are singled out as the greatest advantages of the new system.

During 2012, 94.64% of Bank employees underwent the performance assessment.

### OS Academy

In March 2012, Banca Intesa hosted OS Academy (Organization and Security Academy), a training programme initiated and designed by the parent Group with the aim of improving the organisational function, knowledge and experience exchange and learning more about the work methodologies and practice of Intesa Sanpaolo – from business process management to the methodologies for analysing the number of employees and to innovations and trends in the impact of new technologies on work organisation. The Human Resources Department and the Organisation and Project Management Department took part in the organisation of the three-day training in Belgrade attended by 15 participants, including employees from Pivneda Banka Zagreb and Intesa Sanpaolo Bank Bosnia and Herzegovina.

### E-Learning

In order to respond successfully to the demands of the dynamic market, the Bank also developed a distance learning system (e-learning), which makes it considerably easier for employees to acquire required knowledge and skills. In addition, mentoring and on-the-job training are being developed to support the development of employees in their employment where it suits them best. The e-learning system was introduced as an additional learning channel, and it is accessible to every employee. The system enables the employees to learn at the time of their convenience, with more concise and interactive contents. It is suitable for all kinds of professional and technical training, information contents, as well as all other forms of training intended for a large number of employees. It also contains a collaboration module, which means that the session takes place in real time with a possibility of direct communication between the participants. The system was introduced in order to make not only financial and time savings, but also large investments in the Bank’s internal capacities effective, fast and relevant contents when this knowledge is most needed. E-learning will not replace the current training; instead, it will be an integral part of all the activities that enable the provision of top-quality service to customers in the most professional and expert manner.

### Employee satisfaction

Banca Intesa believes that listening and dialogue are the foundations of the relationship on which trust is built. It bases its communication with employees on the criteria of fairness, completeness, simplicity and transparency. One of the Bank’s priorities is a regular analysis of employee attitudes and satisfaction based on which annual action plans are created in accordance with their needs. Active involvement of as many employees as possible in research of this and similar types is of extreme importance in identifying and then addressing more easily all operating problems.

Based on the obtained results, the Human Resources Department, in cooperation with other responsible departments, is launching an initiative to design an action plan that will be implemented and presented during the following year in accordance with the results of the 2012 survey and employee expectations. The plan aims at putting a special emphasis on those aspects of work that are perceived as the most critical by the employees and taking measures for their improvement. In line with this plan, induction training for new employees was initiated in order to enable them to get detailed information about the Bank and the Group.

### Employee benefits

In addition to the right to maternity leave, retirement pay, disability benefit, vacation allowance, meal allowance and travel allowance, Banca Intesa employees enjoy preferential loan conditions, private health insurance under more favourable conditions, as well as special benefits and discounts when shopping at various stores and travel agencies with which the Bank has business cooperation. The Bank supports the Freedom of Association and Collective Bargaining, as evidenced by the fact that all employees are covered by the Collective Bargaining Agreement.

### Internal communication and employee involvement in CSR activities

With the aim of providing employees with timely and quality information about all important Bank activities, the previous version of the Intesa Inside internal portal was improved and redesigned in 2012. The creation of new content, i.e. the restructuring of the previous content was preceded by an internal survey through organised focus groups. The employees who participated in the internal survey helped create a complete picture as to what should be changed and in what way, all with the aim of creating in it, modern and, above all, useful source of information.

The portal contains pages in which all departments are presented, as well as pages of all independent organisational units.
Employee volunteering

Banca Intesa initiates and encourages employee volunteering through helping children with special needs, while it also participates traditionally in the activities that promote environmental protection. Significant improvements in this field are planned for 2013, in which volunteering will be promoted and brought closer to employees in this field.

The Group operates, such as international banking ski competition, tennis tournament, sports games that include football, volleyball and basketball, as well as competition in track-and-field disciplines such as the half marathon and marathon.

Community development

The projects implemented by Banca Intesa in 2012, independently or in cooperation with local partners, are the result of the Bank's commitment to contribute actively to the social and cultural development of the community.

As the leading bank in the domestic market, Banca Intesa has the responsibility to contribute to improving the quality of life of society by responding to the needs of the community and supporting the initiatives and projects of the broadest national importance.

Thus, the focus of the Bank’s CSR activities is on the protection of historical, artistic and cultural heritage, corporate philanthropy, investment in education, as well as on support to the youth and education. Banca Intesa takes into account the wider significance of the social needs that it meets and focuses its strategic guidelines on:

- **COMMUNITY DEVELOPMENT**
- **SUPPORT TO CHILDREN AND YOUTH**
ASSISTANCE IN EMERGENCY SITUATIONS

A programme of assistance to citizens affected by low temperatures and snowfall was implemented in 2012 in co-operation with the Belgrade Community Initiatives Fund (BCIF). Banca Intesa partici-
pated in the programme, within which assistance was provided for the purchase of basic food provi-
sions (flour, rice, oil, sugar, canned food) for the families of the Bata and Draga Kraljić, Draga Lamčić Han and Svižj municipalities, as well as the Svižj municipality vil-
lages of Izvor, Burdimo, Tijovac and Bućim.

Investment in health care

The Bank donated funds for improving the work of health care institutions in 2012 as well. A project that stands out is a RSD 6.58 million donation with which Banca Intesa enabled the procurement of a modern ultrasound machine as part of an initiative to mod-
ernise and extend a section of the European Hyp-
tension Centre at the Clinical Centre of Ser-
bia. The Hypertension Centre pays special attention to the prevention, timely and correct diagnosis of this widespread disease of the modern world, as well as the education of physicians and population. This is the only centre of its kind in the country, bring-
ting together the work of several medical specialists. The centre’s extension and equipment modernisation, which includes a new ultrasound machine, as well as new blood pressure meters, enabled a more effec-
tive work with patients and helped raise the centre’s operation to a higher level.

SUPPORT TO CHILDREN AND YOUTH

Prove Yourself 100%

Knowing that the future and prosperity belong to the generations to come, while trying to contribute to the sustainable development of the entire community, Ban-
ca Intesa actively invests in young, talented people and helps them improve skills and realise potential. The Prove Yourself 100% project fully fits into this commitment.

Through the Prove Yourself 100% student competition Banca Intesa awards for the second consecutive year the most talented students of Serbia for projects in customer satisfaction management. The aim of the competition is to encourage the creativity of future academic citizens and an innovative approach to problem solving by put-
ting them in real business situations in order to provide them with the opportunity to develop competitive spirit, but also to share experience with their peers in Europe.

The competition, which was announced in March 2012, attracted 240 applications, nearly twice as many as in the

previous year. Eligible to apply were undergraduates with completed course of studies and students of the third and fourth years of any university in Serbia with a G.P.A. above 8.00 and good knowledge of English. Twelve fi-

nalis were selected, students of the universities in Bel-
grad, Novi Sad, Niš, Nis, and Novi Beograd, divided into 3 teams, which had four weeks to prepare projects on given topics. The solutions were assessed and the best ones selected by an expert committee comprising the representatives of the Bank, the International Subsidiary Banks Division and the Ministry of Science and Technological Development. Because of the outstanding quality of the works, Banca Intesa made a discretionary decision to give the first prize to three, rather than two teams, as was initially provided for by the competition rules. The winner announcement cer-
mony was held at the Belgrade University Rectorate in June 2012.

Six contestants from the three best ranked teams were each awarded with a EUR 1,000 scholarship. All three teams subsequently participated in the international competition in Milan, competing against the winners of the local competitions conducted in seven countries in which Intesa Sanpaolo operates through its International Subsidiary Banks Division. A Serbian team also won at the international level, and the winners got the oppor-
tunity to receive advanced training at the Division or to attend summer school at Universita Cattolica.

As a member of the Working Group on CSR in banking and finance of the United Nations Global Compact Serbia, Banca Intesa actively participated in an educational project targeting students of post-secondary schools of economics as part of which Bank experts gave two lectures. Furthermore, in cooperation with the Art History Department of the Faculty of Philosophy, Univer-
sity of Belgrade, Banca Intesa launched a com-
petition as part of the Project Management for the Use of Heritage course for the students of the third and fourth years. Banca Intesa repre-
sentatives were members of the committee evalu-
ating student projects that mastered the knowl-
edge and skills of project management using The
Place I Love initiative as an example, with the task of designing mini-projects that would contribute not only to the preservation and restoration, but also to the revival and use of the three winning sites of the Place I Love project. Their projects were fo-
cused on interpreting the cultural and historical heritage, educating, raising awareness, as well as encouraging people to take care of the heritage. As committee members, Bank representatives provided the students with valuable insight into the criteria, expectations and needs of the busi-
ness sector related to CSR projects. The Bank also financially supported the implementation of the three most successful student projects.

School of Friendship

In line with its commitment to help improve the educa-
tion of children and encourage their creativity, Banca Intesa supported the 12th School of Friendship in 2012 organized by the Naša Srbija (Our Serbia) NGO and tended by a total of 500 children from Serbia and the neighbouring countries. During three weeks of summer vacation at Mount Tara, the children had an opportu-
nity to socialise and acquire new skills and knowledge by attending various sports and cultural activities, as well as to visit numerous cities in Serbia and neighbouring countries. During three weeks of summer vacation at Mount Tara, the children had an opportu-
nity to socialise and acquire new skills and knowledge by attending various sports and cultural activities, as well as to visit numerous cities in Serbia and neighbouring countries.

UNICEF Friends Club

In 2012, Banca Intesa became a member of the UNICEF Friends Club, a programme of permanent monthly donors whose aim is to ensure a happier childhood to the children of Serbia and improve the conditions for their growth and development. Supporting the UNICEF Friends Club, Banca Intesa also invited its customers to contribute to the work of the Fund by opening a stand-
ning order which they can use to make monthly pay-
ments to UNICEF. In time, the UNICEF Friends

programme in Serbia without any commission. The Bank actively informs its customers of the ways in which they can give cash donations to the Fund, as well as of the benefits it offers to them in the implementation of these philanthropic activities. The aim of the UNICEF Friends Club is to raise awareness that children are the concern of every individual, every company and the entire com-
munity. The Club also strives to highlight the need for care of the youngest and enable as many people as pos-
sible to support the activities of this organisation with regular monthly donations, regardless of their amount, and thus help create better conditions for life and develop-
ment of children in the country.

ONLINE DONATIONS

Thanks to the development of modern e-com-
merce services of Banca Intesa, all people of good will, whether they are citizens of Serbia or another country in the world, can quickly, easily and ef-
ficiently donate funds to those in greatest need.

The Bank established cooperation with several major non-profit associations and foundations in the country such as UNICEF, Naša Srbija, the Di-
vac Foundation, the Balkan Community Initiatives Fund and others, as well as the University Children’s Hospital in Tirlišova Street, Belgrade. Donations are accepted through their respective websites. The online acceptance and processing of donations is a pioneering endeavour in the domestic banking sector and confirms yet another way Banca Intesa’s determination to integrate CSR into all segments of its business.
Gifts for children’s smiles

As part of the traditional volunteering campaign Wrap a Gift and Make a Child Smile, Banca Intesa employees prepared New Year’s gifts for children with special needs for the fourth consecutive year in order to present them with books, toys, clothes and sweets. A record number of gifts was collected in 2012, nearly 2,000 of them, which Bank employees took to the children in eight primary schools for children with special needs and one special kindergarten, and spent an afternoon with them. The gifts were given to the children at Novi Beograd, Anton Skala and Miloje Pavlović special primary schools, as well as Vence special kindergarten in Belgrade and to the children at Veselin Nikolić special school, Krusevac, 12 September primary school, Negotin, Special Institute for Children and Youth Dr. Nikola Šumenković, Petrovac Na Mlavi, St. Sava primary school, Sabac, as well as Anton Skala school for primary and secondary education, Staro Pazova.

**SUPPLIERS**

It is in its relations with suppliers, Banca Intesa seeks to set an example in business practices and help them embark on further endeavours and build their own values.

Banca Intesa believes that by establishing and maintaining long-term partner relations with its suppliers, based on the principles of dialogue, transparency and equality, it creates value for its own business, as well as for the companies in its supply chain. By empowering these companies, Banca Intesa contributes to employment and fosters the development and growth of the local economy and local communities.

Following the advanced practices of its parent Group, the Bank has carefully identified strategic areas of action:

- TRANSPARENCY AND EQUALITY IN SUPPLIER SELECTION
- PROMOTING SUSTAINABILITY IN THE SUPPLY CHAIN

**TRANSPARENCY AND EQUALITY IN SUPPLIER SELECTION**

To Banca Intesa, the Code of Ethics represents the basis on which it builds relations with suppliers. In the procurement and supplier selection process conducted in accordance with the Policy on procurement and Procedure for the procurement of goods and services, the Bank insists on transparency, believing that only a clear and open approach contributes to maintaining lasting relationships with our partners. Therefore, the selection of suppliers is based on clear and proven criteria and implemented through objective and transparent procedures.

**Bid evaluation criteria**

The Procurement Unit and the organisational part responsible for procurements are obliged to evaluate received bids applying the methods of qualitative and quantitative analysis and to agree on the bid evaluation criteria prior to inviting offers by combining the following criteria:

- Offered price
- Quality, i.e. the compliance of the characteristics of tendered goods/services with the required characteristics
- Term of delivery
- Payment terms and method
- Warranty period
- Servicing/maintenance during and after the warranty period
- Compliance of bidder’s business activities with the principles of corporate social responsibility
- Existence and level of cooperation with the Bank and/or Intesa Sanpaolo group members
- Other conditions

Banca Intesa employees who are in direct contact with suppliers are familiar with the Bank’s Code of Ethics, which defines in detail the way of doing business that is desirable in order to avoid any potential conflict of interest. When selecting a supplier, the employees are expected, above all, to respect the principles of equality and transparency adopted by the Bank and only then to consider any other advantages of the tendered services, as well as their price. In this regard, the employees working in the Real Estate and Procurement Management Department are obliged to:

- Report any potential conflict of interest
- Implement the provision that provides that the activities of procurement of goods and services between the Bank and its employees, as well as their family members are prohibited
- Avoid any kind of contact that goes beyond business customs, unless they are authorised to do so by their superiors.

**PROMOTING SUSTAINABILITY IN THE SUPPLY CHAIN**

In keeping with its belief that the commitment to corporate social responsibility is reflected in all every-day activities of the company, in 2012 Banca Intesa adopted a new Procedure for the procurement of goods and services that includes corporate social responsibility as one of the criteria in supplier selection. The procedure takes into account the level of engagement of potential suppliers in corporate social responsibility and introduces a questionnaire containing questions related to corporate social responsibility. This is also a way of promoting the culture of responsibility towards the natural and social environment and raising it to a higher level within the entire supplier chain.

**ENVIRONMENT**

Banca Intesa’s approach to environmental protection is based on the principle of reducing the Bank’s direct and indirect impact while constantly looking for new ways to contribute to the environment.

As a socially responsible company and an active participant in the life of the community in which it operates, Banca Intesa is aware that in addition to economic responsibility, it has the responsibility for the consequenc es that its decisions have on the environment. Striving to apply environmentally responsible practices, identify innovative and efficient solutions in this field and promote the integration of environmental protection in all aspects of its business, the Bank adopted the Policy on environmental protection and energy efficiency in accordance with the relevant act of its parent Group.

The policy is based on the principles of waste reduction, improvement of energy efficiency and performance, as well as paying attention to the consequences that Bank decisions have on the environment and society. The goal of the policy is the prevention, management and, where possible, reduction of environmental impact caused by direct or indirect activities of the Bank.

**RESPONSIBLE RESOURCE MANAGEMENT**

**RESPONSIBLE FINANCING**

In order to reduce energy consumption in its every-day activities, the Bank introduced a procedure for automatic shutdown of computers at the end of the working day and during holidays. Thanks to this initiative, a total of 487,000 kWh of electricity or 1,753.2 GJ of energy was saved during 2012.

| Total energy consumption in 2012 | 13,136,308.00 kWh |
| Total water consumption in 2012 | 87,074.00 m3 |

*Total energy consumption refers to indirect energy.
**The data on total energy and water consumption refer to all administrative buildings and the entire business network in Serbia and were estimated based on the costs specified in utility (electricity/water) bills.

When it comes to managing recyclables, paper consumption is reduced through the implementation of the Printing Consolidation Project that promotes both-side and black-and-white printing at the Bank. As part of the project, in 2012 the Bank purchased 43 new printers that were installed in the headquarter s, and a 20% lower paper consumption at the annual level or savings of over 30 tonnes of paper is expected to be achieved as the result. A total of 60,048 kg of paper waste was collected for recycling during 2012, compared to 37,770 kg in 2011.
and more than 33,000 kg of electronic and electrical waste was delivered to the waste management entity, compared to 18,950 kg in the previous year.

Furthermore, the Bank introduced the environmental protection principle in event organisation, while internal magazine Espress:o, published in more than 3,000 copies, was printed entirely on recycled paper.

In addition, the fleet was renewed with vehicles that only use Euro Premium BM95 or Euro Diesel fuels, in accordance with the European quality standards.

Environmental protection culture

The Bank also tries to raise employee awareness about the importance of environmental protection and to involve them in CSR activities, both at the every-day business level and at the level of national volunteering campaigns. In addition to traditionally participating in the Our Belgrade and Let’s Clean up Serbia environmental volunteering campaigns, Banca Intesa marked Earth Day, April 22, by inviting its employees to be responsible and to switch off lights in their homes for one hour.

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Responsibility for energy efficiency

In the SME segment, the Bank concluded an agreement with German development bank KfW in 2012 on a credit line intended for property purchase, reconstruction and extension with the aim of improving energy efficiency and using renewable energy sources. In addition, Banca Intesa offered, for the first time, energy efficiency loans to customers in the small business segment. The lending expanded the purpose of the GGF credit line for supporting energy efficiency among retail customers. In this way, entrepreneurs were enabled to achieve significant savings in primary energy, while giving active contribution to environmental protection. Investment in energy efficiency involves investing in equipment for the reduction of energy consumption, a greater degree of comfort and the standard of living through lower energy consumption, investment in renewable energy sources, insulation, and control devices for energy consuming products, as well as the replacement of inefficient energy consuming products with efficient ones. The loan was developed in line with the new Law on planning and construction, so that the clients using funds for this purpose will more easily get the “energy passports”, without which no structure will be able to obtain a use permit or be registered.

Responsive financing

Environmental responsibility focuses on managing direct impacts of the Bank’s business operations, but it also concerns potential impacts resulting from its activities in relations with suppliers, to which the Bank sets a number of CSR criteria through its procedure for the procurement of goods and services, as well as with customers, to which it offered special financial products for investment in renewable energy and energy efficiency improvement.

Retail

During 2012, Banca Intesa further strengthened its offer by introducing favourable subsidised loans for improving energy efficiency from the Programme of the Ministry of Environmental Protection, Mining and Spatial Planning for individuals. After the funds provided by the programme were exhausted, Banca Intesa developed its own model of loans to help clients improve their life quality while at the same time reducing costs.

Due to the great interest in this type of loan, the Bank and the Green for Growth Fund (GGF) signed a EUR 7 million credit line agreement for supporting the improvement of energy efficiency for retail customers. The GGF credit line is predominantly intended for improving energy efficiency in buildings and other places where savings may be made by improving heat insulation in walls, by installing energy-efficient windows, boilers and more advanced district heating system, as well as by other innovative energy saving solutions. During 2012, 1,868 loans were granted, and the funds provided by the GGF credit line are estimated to ensure 20% savings in primary energy, which will consequently lead to a reduction in electricity consumption by 20 million kWh and to a 6,500-tonne lower emission of carbon dioxide at the annual level.

Corporate

When it comes to corporate lending, in 2012 Banca Intesa granted loans for efficient energy consumption and renewable energy sources from a EUR 14 million credit line granted by the European Bank for Reconstruction and Development (EBRD), which provides incentives for sustainable energy projects for the Western Balkans. The funds are intended for energy efficiency projects in industry, renewable energy projects, as well as projects for energy efficiency of buildings. The customers are expected to achieve total savings of around EUR 10 million at the annual level based on the implemented projects financed by these loans.

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3. GRI CONTENTS AND INDICATORS
### GRI Indicators

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<td>EC 1 C Total income and expenses</td>
<td>20-22; 32.</td>
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<td>EC 8 C Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement</td>
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<td>LA 1 C Total workforce</td>
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<td>✓</td>
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<td>LA 2 C Total number and rate of employee turnover</td>
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<td>LA 3 AD Benefits provided to full-time employees</td>
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<td>LA 4 C Percentage of employees covered by collective bargaining agreements</td>
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<td>LA 10 C Total hours of training by employee category</td>
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<td>LA 11 AD Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td>28.</td>
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<td>LA 12 Ao Percentage of employees receiving regular performance and career development reviews</td>
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<td>LA 13 Ao Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity</td>
<td>27.</td>
<td>✓</td>
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<tr>
<td>LA 15 C Return to work and retention rates after parental leave, by gender</td>
<td>28.</td>
<td>✓</td>
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#### Human Rights – Management Approach

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<tr>
<td>HR 11 C Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms</td>
<td>12; 25.</td>
<td>✓</td>
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#### Social Community – Management Approach

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<td>SO 3 C Percentage of employees trained in organization’s anti-corruption policies and procedures</td>
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<td>SO 4 C Actions taken in response to incidents of corruption</td>
<td>10.</td>
<td>✓</td>
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<td>SO 6 Ao Total value of financial and in-kind contributions to political parties, politicians, and related institutions</td>
<td>11.</td>
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#### Product Responsibility – Management Approach

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<td>PR 3 C Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements</td>
<td>26.</td>
<td>✓</td>
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<td>PR 5 Ao Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
<td>25.</td>
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<tr>
<td>PR 8 Ao Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>26.</td>
<td>✓</td>
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</table>
**GIVEN THAT THEY WERE ADDED SUBSEQUENTLY TO THE NEW GRI GUIDELINES VERSION G3.1, THE LA 15 AND HR 11 INDICATORS ARE ENTERED INTO THE COMPARISON TABLE ACCORDING TO THE AUTHOR’S ESTIMATE.**

**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.**

### UNGC AND GRI CROSS REFERENCE TABLE

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<td>principle 1 businesses should support and respect the protection of internationally proclaimed human rights; and</td>
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<td></td>
<td>LA 13</td>
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<td></td>
<td>LA 15*</td>
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<td>principle 2 make sure that they are not complicit in human rights abuses.</td>
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<td><strong>LABOUR</strong></td>
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<td>principle 3 businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</td>
<td>LA 4</td>
</tr>
<tr>
<td></td>
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<tr>
<td>principle 4 the elimination of all forms of forced and compulsory labour;</td>
<td>**</td>
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<td></td>
<td>**</td>
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<tr>
<td>principle 5 the effective abolition of child labour; and</td>
<td>**</td>
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<td>principle 6 the elimination of discrimination in respect of employment and occupation.</td>
<td>LA 2</td>
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<td></td>
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<td><strong>ENVIRONMENT</strong></td>
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<td>principle 7 businesses should support a precautionary approach to environmental challenges;</td>
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<td>principle 9 encourage the development and diffusion of environmentally friendly technologies.</td>
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<td>principle 10 businesses should work against corruption in all its forms, including extortion and bribery.</td>
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*Given that they were added subsequently to the new GRI guidelines version G3.1, the LA 15 and HR 11 indicators are entered into the comparison table according to the author’s estimate.*

**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.*