

Sustainability Report 2014



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Foreword by President of the Executive Board



Ladies and gentlemen,

Modern business, which, in addition to stable financial and market results, presupposes the satisfaction of customers, employees, shareholders, as well as the social community at large, calls for the application of the sustainability concept in all aspects of activity. Following this approach, in the previous year Banca Intesa again tried to generate long-term value for all stakeholders in various ways, giving a measurable contribution to the strengthening of the economy and development of the whole society, which is evidenced by the recognitions and awards that we received along the way.

The year behind us will remain remembered, before all, by the catastrophic floods that brought major challenges to our economy and the whole society, so it is no wonder that the help in remedying the consequences of this unprecedented disaster was the focus of Banca Intesa's philanthropic activity during last year. I am proud of the way we demonstrated our solidarity and assisted our citizens affected by this adversity, our employees and customers from affected areas. We allocated significant cash and food donations, provided relief to our customers and waived our fees for donor payments. In addition, our employees themselves collected aid for their colleagues and got involved as volunteers in the rehabilitation efforts in Obrenovac.

We did not neglect the other areas of corporate social responsibility, either, which is traditionally based on the support we provide to the promotion of art and culture, the work of health care and social care institutions, as

well as the development of sports and education, while strengthening the corporate volunteering programme through which employees of Banca Intesa give their time and energy to those in need. As a result of this orientation, last year we increased the total funds that we channel to community development, as well as the investments we make through our volunteering activities. We responded to the needs of our customers by improving the existing products and introducing new products, but also by adjusting the working hours of our branches, which are now better aligned with the customers' habits. At the same time, we recorded further progress in the reduction of environmental impact through savings in the use of resources, and ensured for our employees a motivating work environment that provides them with an opportunity to develop their talents and acquire new knowledge, with the introduction of new forms of training and projects that strengthen corporate values, team spirit and the sense of belonging.

Such a comprehensive approach of Banca Intesa to integrating the sustainability principle into its business is eventually reflected in the constant improvement of the reporting process itself. Thus the annual sustainability report, which is prepared for the third consecutive year in accordance with the internationally accepted Global Reporting Initiative (GRI) methodology, includes even more indicators this year, providing a systematic overview of implemented activities and performance results. We shall further improve this process next year by using the latest, fourth-generation reporting guidelines – G4, which will further increase the quality of Banca Intesa sustainability reports and reaffirm its commitment to cater for the needs of all stakeholders with even greater care.

Sincerely,

A handwritten signature in blue ink that reads "Draginja Đurić".

Draginja Đurić
President of Banca Intesa Executive Board

About the Report

Sustainability Report 2014 is Banca Intesa's fifth corporate social responsibility (CSR) report and the third designed according to the most relevant international reporting initiative, Global Reporting Initiative (GRI). The Report was prepared in accordance with the GRI Sustainability Reporting Guidelines G3.1, as well as with the GRI Financial Services Sector Supplement (FSSS). Pursuant to the strategic agreement between the Global Reporting Initiative and the United Nations Global Compact (UNGC), the Report also fully complies with the requirements of the UNGC Communication on Progress.

The aim of the Report is to provide a comprehensive insight into all aspects of the Bank's operation that are of importance to our internal and external stakeholders. In addition to transparent communication with stakeholders, the reporting process enables the Bank to review the existing processes and the achieved results thoroughly and systematically, as well as to improve the performance and monitoring mechanisms.

In line with the strategic commitment of its parent group Intesa Sanpaolo and with global trends moving towards mandatory reporting on environmental and social parameters, Banca Intesa strives to improve its sustainability reporting practice year after year, so this year's report presents the data on new key parameters through responses to the total of 29 GRI Guidelines indicators. In this way, the requirements of the Application Level B of the GRI G3.1 Guidelines have been met.

Structure and Contents

The Report is divided into three main parts:

- Identity, which contains information on the Bank profile, its mission and strategy, business results and corporate governance;
- Sustainability, which includes an overview of our activities and results presented according to their impact on the most important groups of stakeholders. The Report provides a strategic approach to governance, an overview of activities and responses to relevant performance indicators for each of the identified areas.

- GRI contents and indicators, which systematically present the compliance with the GRI requirements, the fulfilment of the performance indicators, as well as their connection with the relevant principles of the United Nations Global Compact.

The Report was prepared according to the GRI principles for defining content: materiality, stakeholder inclusiveness, sustainability context and completeness. An analysis of relevant topics in relation to their importance to stakeholders and the broader external context led to identifying the material topics that are presented in each of the chapters.

Report Parameters

The Report is published annually. The data in the Report refer to the activities of Banca Intesa a.d. Beograd in 2014. Comparative data for 2013 and 2012 were also provided wherever possible. This ensured compliance with the following GRI principles for report quality: timeliness and comparability.

There were no significant changes regarding the main Report parameters relative to previous year.

The PR & Marketing Communications Department of the Bank was in charge of the Report preparation and the other individual organisational units of the Bank were involved in information gathering and processing through delegated CSR ambassadors. Most of the data were gathered directly and estimates, measurement methods and data sources were specially mentioned where necessary. The credibility of the information presented in the Report was ensured by consistently adhering to the GRI principles for report quality: balance, accuracy, clarity and reliability.

Contact person in charge of Sustainability Report 2014: Branislav Jovanović, CSR Manager, branislav.jovanovic@bancaintesa.rs

Previous Banca Intesa sustainability reports (for 2010, 2011, 2012 and 2013) are available at: <http://www.bancaintesa.rs/code/navigate.aspx?id=384>

			C	C+	B	B+	A	A+
Required	Self-declared level							
	Verified by third party		Report verified by external source		Report verified by external source		Report verified by external source	
Optional	Verified by GRI							

1. Identity

1.1. Bank Profile

Intesa Sanpaolo is the leading banking group in Italy and one of the largest in Europe. With 11.1 million customers and around 4,500 branches in Italy, Intesa Sanpaolo is a leading financial service provider to both retail and corporate customers. The Group services include banking intermediation, life insurance premiums, asset management, pension funds and factoring.

The Group is also strategically focused on Central and Eastern Europe, the Middle East and Northern Africa. With the total of 8.4 million customers and a network of around 1,400 branches, it is among the leading players in several countries: it ranks first in Serbia, second in Croatia and Slovakia, third in Albania, fifth in Egypt, sixth in Hungary, seventh in Bosnia and Herzegovina and Slovenia. Intesa Sanpaolo also provides support to corporate clients via an international network comprising 29 countries, focusing on the Middle East, North Africa, America, Russia, China and India.

In 2014, the Group made strong progress in terms of profitability despite the existing challenges in the market and confirmed that its balance sheet remained solid. With the achieved results, Intesa Sanpaolo exceeded the targets of the Business Plan adopted for 2014: a 39% increase in real profit relative to 2013 was achieved; the increase in net fee and commission income exceeded 10%, while the increase in equity was above 13%. EUR 34 billion was granted to retail and corporate customers as medium-term and long-term loans for financing several thousands of new investments, the shareholders were distributed dividends totalling EUR 1.2 billion and the employees were paid wages totalling EUR 5.1 billion.

Excellent score of the Group on the European Central Bank stress test

Intesa Sanpaolo Group successfully passed the comprehensive capital assessment by the European Central Bank and the European Banking Association conducted at the European Union level for 2014. The European Central Bank and the European Banking Association conducted the assessment based on balance sheets of European banks as of 31 December 2013 and the analysis consisted of the Asset Quality Review (AQR) and a test that considers the impact of negative macroeconomic scenarios on bank capital (stress test).

In 2014, Intesa Sanpaolo Group was included again in the European Dow Jones Sustainability Index. This puts the Group among the global corporations that approach economic, social and environmental sustainability with the highest degree of commitment. The Dow Jones Sustainability Indices have been used since 1999 to monitor economic, social and environmental achievements of the leading companies listed on global stock exchanges.

Intesa Sanpaolo on the Global 100 list of the Corporate Knights magazine

In 2014, Intesa Sanpaolo Group was included for the first time in the Global 100 list, which is compiled each year by the renowned Canadian specialised magazine Corporate Knights based on the best risk management strategies and opportunities in the fields of environment, community and governance. Companies are evaluated based on twelve indicators, including the policies of environmental protection, human resources, remuneration policies and management commitment to sustainability, innovation and transparency.

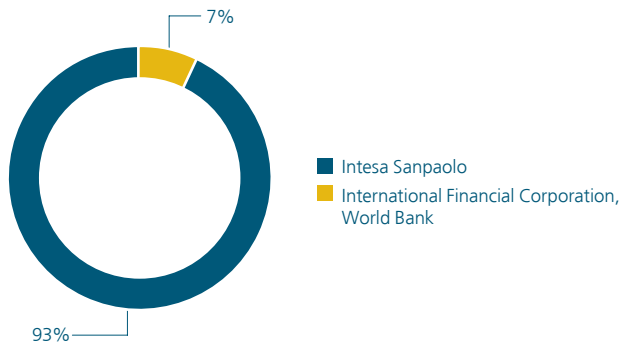
Banca Intesa

Banca Intesa is the leading financial institution in the Serbian market measured by key performance indicators – total assets, loans, total deposits and revenue. The key to the Bank's success is in a unique combination of knowledge, ideas and international experience.

At the end of 2014, the Bank did business with 1.6 million individuals and around 119,000 legal entities. The Bank's business network consists of 177 branches, three mortgage loan centres and five mortgage loan offices, with more than 3,000 employees. The Bank also has the most developed network of POS terminals and ATMs,

with 14,762 active POS terminals and 258 ATMs. Banca Intesa confirmed its leading position in electronic banking and card operations at the end of 2014 as well, with 1.4 million debit and credit cards issued.

Ownership structure



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.

Award of the EMEA Finance magazine

In May 2014, Banca Intesa won the award of the reputable financial magazine EMEA Finance as the best bank in Serbia in 2013 in the category of banks operating as part of international banking groups. This is the second consecutive year that Banca Intesa won the EMEA Finance award, which is awarded based on an analysis of total achievements of banks within the context of economic circumstances and performance of the banking sectors of the countries in which they operate. The commitment to sustainable growth and to customer needs, as well as the quality and diversity of the portfolio of products and services were the criteria of special importance in selecting the award winners.

Mission

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

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

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 in the spirit of signed agreements.

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

Transparency – We are committed to make transparency the basis for all our activities, communication and contracts, with the aim of enabling our stakeholder to make independent informed decision.

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

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

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

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

Participation in Joint Initiatives

Raising the awareness of the business community and broader community of the significance of corporate social responsibility, sharing good practice and synergetic action are the reasons for which Banca Intesa actively participates in the work of business associations. As the leading financial institution in the country, the Bank is aware of its position and responsibility that comes with it, so it strives to influence, through individual and joint efforts, the development of the society in which it operates.

UNITED NATIONS GLOBAL COMPACT	BUSINESS LEADERS FORUM	SERBIAN ASSOCIATION OF MANAGERS	AMERICAN CHAMBER OF COMMERCE	FOREIGN INVESTORS COUNCIL	NATIONAL ALLIANCE FOR LOCAL ECONOMIC DEVELOPMENT	ITALIAN-SERBIAN CHAMBER OF COMMERCE
The largest global CSR network bringing together more than 10,000 members throughout the world and promoting the protection of human and labour rights and the environment and fight against corruption.	The first business network for CSR in Serbia comprising 25 members.	A business association founded with the aim of becoming a credible social partner of the Serbian Government in the process of improving the business environment and accelerating economic development	An organisation promoting the improvement of business environment in Serbia, as well as partnership between US and Serbian companies for the purpose of economic development.	A business association whose activities contribute to the improvement of the investment and business climate in Serbia.	A business association that brings together representatives of all three sectors of society – companies, municipalities and NGOs, which work together on improving the conditions for local economic development and doing business.	A non-profit organisation that fosters, promotes and develops trade between Italy and Serbia.

1.2. Governance in Banca Intesa

Corporate governance

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 Božo Prka, Paolo Sarcinelli, Arthur Philippe and Nevenka Žarkić Joksimović, PhD. Arthur Philippe and Nevenka Žarkić Joksimović, PhD, are non-executive members of the Board of Directors.

The 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 implements business policy and strategy, while the Board of Directors makes strategic decisions aimed at the Bank's compliance, takes care of and is responsible for the accuracy of all reports on operation, financial condition and operating results of the Bank addressed to the Bank's shareholders, the public and the National Bank of Serbia.

The **Executive Board** of Banca Intesa consists of five members, including the President. The term of office of Executive Board members is three years, with a possibility of re-election. The President of the Executive Board of Banca Intesa is Draginja Đurić, the Vice President of the Executive Board is Alessio Cioni, and Board members are Darko Popović, Head of Retail and Small Business Division, Slađana Jelić, Head of the Corporate Banking Division and Dragica Mihajlović, Head of the Financial Management and Treasury Division.

Women account for 20% of the members of the Board of Directors and 60% of the members of the Executive Board of Banca Intesa. The work of the Executive Board is evaluated through the MBO (Management by Objectives) system based on setting measurable objectives based on which annual performance is monitored.

The Bank's **Audit Committee** consists of five members, including the Chairman. The term of office of Committee members is three years, with a possibility of re-election. The Committee Chairman is Zanni Mauro and its members are Arthur Philippe, Nevenka Žarkić Joksimović, Nicoletta Fusetti and Paola Giansiracusa. The Audit Committee assists the Board of Directors in supervising the work of the Executive Board and Bank employees.

In line with the Law on Banks and other regulations, members of the Board of Directors are appointed and dismissed by the General Meeting of Shareholders, while members of the Executive Board are appointed and dismissed by the Bank's Board of Directors. Domestic regulations list requirements 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, appropriate experience in finance is also required for at least three members of the Board of Directors, while at least one member of the Board of Directors must have active knowledge of Serbian and reside in the territory of the Republic of Serbia. After obtaining the approval, the appointed person is registered with the Business Registers Agency as well.

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

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

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

The adopted **remuneration policy** for the entire human resources of the Group, including the variable components, is based on equality, merit and 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 potential, with the aim of creating an integrated system for the members of management, thus helping their professional development. The policy provides for remuneration in the form of benefits, which is also based on financial instruments and linked to the results of the company – which corresponds to the level of assumed risk and is regulated so as to avoid giving benefits that, in the long term, are not in line with the Group's interests. Based on the performance indicators closely linked with the long-term goals, the benefit determination systems are based, among other things, on the principle of symmetry, with the amounts of paid benefits being based on the results achieved at the Group, business sector and individual levels and therefore 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 employed.

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

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

Sustainability Management

The issues of sustainability are integrated in all processes at Banca Intesa, including the relations with stakeholders. This means that the issues connected with ethical business and with impacts on the community and environment are, inter alia, integral parts of product and service development and processes of loan granting and supplier selection.

According to the Sustainability Report Preparation Guidelines adopted in July 2014 at the Group level, the Marketing and Communication Department has a support role, advisory role and – where necessary – coordination role, with each Department being responsible for its respective obligations, actions and relations. According to the Code of Ethics, in order to implement efficiently the principle of self-responsibility, the managers of departments/organizational units appoint a corporate social responsibility representative (CSR ambassador), identifying CSR objectives within their own units. CSR ambassadors then manage, monitor and periodically report on the projects in progress, maintaining relations with relevant stakeholders.

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

Procedure for **Managing the Reports of Non-compliance with the Code of Ethics** was adopted in 2011. All Bank employees, as well as customers, suppliers and other stakeholders who notice any behaviour of any Banca Intesa employee that seems not to be in compliance with the principles prescribed by the Code of Ethics and other internal acts of the Bank may submit a non-compliance report to the following address: eticki.kodeks@bancaintesa.rs. The report may also be delivered in hard copy to the following address: Marketing and Communications Department, 2a Dr Zorana Djindjica Boulevard, 11070 Belgrade, Serbia. The procedure for managing the reports of noncompliance

with the Code of Ethics consists of the following 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 received two complaints in 2014 through the above-described mechanism – one from a customer and one from employees – for which it was determined that they did not constitute a breach of the Code of Ethics but an operating error in the case of customer complaint and a violation of work discipline in the case of employee complaint. The complaints were forwarded to the Customer Satisfaction Office and the Human Resources Department for further resolution. During 2014 Banca Intesa again recorded no cases of human rights violation, as defined by the Code of Ethics.

Assessment on the Code of Ethics Implementation

In October 2014, Intesa Sanpaolo Group started a project of assessing the implementation of the Code of Ethics within the ISBD member banks. Selected managers of departments and offices filled in the questionnaires about the application of the Code of Ethics in their business segment, and external audit of the filled questionnaires will be conducted by Bureau Veritas, an international group providing compliance assessment and certification services. Based on the analysis findings, initiatives will be launched during 2015 that will improve the areas in which room for improvement has been observed.

Risk Management

Risk management enables adequate assessments about whether the Bank can achieve its business targets in a manner consistent not only with the legislation, but also with the public interest, as well as the natural and social environment factors. Understood in this way, risk management also entails considering broader consequences that the Bank actions may have on the social environment.

Controlling Social and Environmental Risk

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

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

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

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

1. *Relationship manager – employee whose portfolio includes the customer:*

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

2. *Credit Management Department:*

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

3. *Environmental Protection Coordinator:*

- follows the information on environmental incidents;
- manages employee training and reporting.

The rights and obligations of Environmental Protection Coordinator in certain processes are specified as well:

- giving opinion and approval in the case of changing the contents of the Statement or Contractual Clause;
- following the information on environmental incidents;
- managing the activities in connection with employee training;
- preparing reports on the functioning of the social and environmental risk management system implemented at the Bank, on significantly elevated level of social and environmental risks in individual Bank customers, etc.

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

Equator Principles

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

Policy of Non-Financing of Armaments

In accordance with the relevant bylaw of the Group, the Policy of Non-Financing of Armaments, in 2011 Banca Intesa adopted the Procedure for the Performance of Transactions Related to Armament Production and Trade, regulating the identification and preparation of the summary of the customers engaged in armament and military equipment production and trade, monitoring of transactions and loan applications of the customers engaged in armament and military equipment production and trade, approval of transactions and loan applications related to armament and military equipment production and trade in accordance with the Policy of Non-Financing of Armaments, as well as the preparation of reports on the transactions related to armament and military equipment production and trade.

Reputational Risk Management

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

Compliance control is within the competence of the Compliance and AML Department. The process of compliance risk assessment is constant, and the above mentioned risks are identified through semi-annual reporting and priority measures are determined for their elimination and mitigation, and the level of efficiency of the existing compliance controls is assessed.

The Internal Audit provides direct support to the top management bodies of the Bank in monitoring the compliance with and adequacy of the rules contained in the Bank's bylaws. If it identifies critical issues during its activity, the Internal Audit informs the relevant organisational units and the top management bodies of the Bank with the aim of determining adequate measures for risk mitigation and the method of their implementation.

When it comes to combating corruption, the internal regulations 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, the Policy of Prevention and Detection of Fraud at the Bank and the following Bank procedures: Acting upon Reports of Service Fraud and Abuse at the Bank and the Employment Termination Procedure.

The Bank's Code of Conduct prescribes the rules in connection with giving and receiving gifts. According to the Code, the sole purpose of giving gifts as part of regular business must be the promotion of the Bank's public image and they must not, under any circumstances, give grounds for assuming that they exceed the boundaries of normal business conduct and civility, or that their purpose is to gain a privileged position for the Bank in connection with any of its activities. It is disallowed to give or promise gifts, donations or other privileges to officials or employees of government bodies apart from modest gifts given in accordance with the principles determined by the Code. All employees must refrain from receiving gifts or other free items the value of which exceeds the boundaries of modesty and standard courtesy, as well as from accepting, for themselves or for other persons, any other offers of giving privileges and benefits beyond the boundaries of normal business relations, especially when offered with the aim of influencing the independent judgement of the employee and the performance of his/her duties.

A procedure is prescribed in connection with the violation of regulations or other irregularity – the measures that are prescribed in the event of corruption are related to the violation of work duties, so the measures stipulated by external regulations, i.e. the Labour Law (e.g. compensation for damage, employee suspension or termination) 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 notices prior to complaint were delivered during 2014.

The Rulebook on Relations with Political Parties prescribes 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 such actions that would result in a privileged position of the Bank or unfair decisions in favour of the Bank.

During 2014, 22.86% of managers and 43.61% of other employees received training on anti-corruption policies and procedures of the Bank. The following trainings were held through e-learning: **Management of relations with countries under sanctions**, whose aim was to ensure that the Bank employees implement in their work the prohibitions and limitations set by the policies and guidelines of the parent bank; **Competition Protection**, which covered the competition protection topic, the rules containing the basic guidelines in connection with current antitrust rules and a practical list of conduct (practice) in order to avoid violating the rules of competition protection; **Know Your Customer**, a training provided for by current regulations and internal acts of the Bank, whose aim was an introduction to the improved processes regulated by new versions of procedures. In addition, the training was aimed at increasing the efficiency of business by applying new tools, with mandatory observance of all duties related to knowing and monitoring customers; **New Indicators of Suspicious Transactions**, whose aim was an introduction to the amended and supplemented list of indicators for recognising suspicious transactions at banks.

Physical Security

No robberies were recorded in 2014, which resulted, inter alia, from the fact that necessary proactive and stronger security measures were taken. The plan is to continue investing in technical protection systems in the future, while applying the combined security concept, which, as was demonstrated, yields the best results.

1.3. Relation with Stakeholders

Dialogue with Stakeholders

Stakeholder engagement and listening to their needs are necessary preconditions for defining a sustainability strategy, identifying material topics as well as preparing and setting up the structure of sustainability reports. At Banca Intesa the dialogue with stakeholders is part of its regular activities and takes place through different mechanisms presented in the Stakeholder map.

GROUP	ENGAGEMENT MECHANISM
CUSTOMERS	Focus groups
Individuals	Benchmarking surveys
Small business	Meetings, workshops, seminars
SMEs	Satisfaction survey
Large corporates	Handling and analysis of complaints, requests and suggestions
Local governments	
Consumer associations	
Business associations	
Public administration	
EMPLOYEES	Employee satisfaction survey
Management	Training and evaluation
Officers	Meetings with trade union
Employees	
COMMUNITY	Meetings with CSOs
Local and national public Institutions (regulatory bodies, local government, etc.)	Working groups, working bodies
Civil society organisations	
Media	
SUPPLIERS	Supplier information form
Domestic	CSR questionnaire
Foreign	Regular communication in tender process
ENVIRONMENT	Meetings with CSOs
Environmental organisations	Working groups, working bodies
Future generations	

Stakeholders were identified based on international methodology for stakeholder engagement, the AA1000 Standard (Institute of Social and Ethical Accountability).

Materiality Matrix

Sustainability Report 2014 covers the topics identified as the most important ones for the business of the parent group Intesa Sanpaolo and Banca Intesa Beograd, as well as for stakeholders, following the GRI Reporting Guidelines and the AA1000 Standard. Material topics comply with the Group Business Plan 2014–2017, which is even more strongly focused on supporting the business sector and on economic growth. As the result of the analyses conducted, the following issues stood out, which are of high strategic importance to the Bank and high importance to stakeholders and which are also present at the local level:

CUSTOMERS	EMPLOYEES	COMMUNITY	SUPPLIERS	ENVIRONMENT
Support to business sector	Employee empowerment	Business risk management	Supplier relations	Climate changes
Provision of top quality service to customers	Job protection	Protection of stability and profitability of the Group		
Business conduct integrity	Quality of life in the company	Financial inclusion and economic empowerment		
		Community relations		

2. Sustainability

2.1. Generated Economic Value

Market position

According to the official data of the National Bank of Serbia as of December 31, 2014, Banca Intesa is the leader in all business segments.

	2012.	2013.	2014.
Net assets	3.625	3.718	3.910
Customer loans	2.490	2.720	2.677
Customer deposits	2.788	2.813	2.838
Equity	792	863	870

* in million euros

Direct and Indirect Economic Value Generated

Employment	Stable partner of the government	Reliable support to the economy	Support to the community	Total income and expenditure
	As an active partner of the government, Banca Intesa supports economic development initiatives of the Government.	Banca Intesa cooperates with 277 suppliers.	Banca Intesa participated in numerous community support projects and implemented 71 donor activities.	Total economic value generated by Banca Intesa was RSD 19,305,609,192.72.
The Bank directly provides 3,025 jobs, and it paid RSD 2,050,301,105.79 into the budget of Serbia as taxes and contributions on wages and pensions.	The budget of Serbia received RSD 542,831,282.60 in the form of regular tax payments.	With EUR 29,290,000 (without VAT) allocated for procurement, it indirectly affects the stability of business and jobs of its suppliers.	Investments in the community amounted to RSD 39,026,624.21 through donations to the local community and RSD 3,262,933.52 through volunteering.	The economic value distributed through operating costs and personnel expenses and liabilities to the Government and the community amounted to RSD 11,763,237,070.53.

Despite difficult business conditions, further aggravated by the devastating floods that hit Serbia in May 2014, Banca Intesa continued to post good business results, keeping its leading position in the market.

The Bank's total loans to corporate and retail customers reached 2.447 million euros, while total corporate and retail deposits amounted to 2.6 million euros at the end of 2014. Loans to business entities totalled 1.771 million euros, while corporate deposits amounted to 999 million euros at the end of 2014.

At the end of 2014, the Bank did business with 1.6 million individuals and around 119,000 legal entities. The business network consisted of 177 branches, three mortgage loan centres and five mortgage loan office. Banca Intesa has the most developed network of POS terminals and ATMs, with 14,762 active POS terminals and 258 ATMs. Banca Intesa reaffirmed its leading position in e-banking and payment card business at the end of 2014 as well, with 1.4 million debit and credit cards issued at the end of 2014.

When it comes to retail operations, the total loan portfolio amounted to 675 million euros at the end of 2014. Mortgage and cash loans accounted for the most significant share in the loan structure. Retail deposits increased relative to the previous year to 1.505 million euros at the end of 2014. Foreign currency savings accounted for 90.9% or 1.368 million euros in the total retail savings.

Small business loans reached the level of 126 million euros, while loans granted to farmers totalled 37 million euros. Owing to the increase in all key items, a net income of 237 million euros was posted. In addition, despite adverse business environment, high business efficiency was maintained – the cost-to-income ratio was 38.2% at the end of December. Net profit after tax was 58 million euros at the end of 2014.

Total Income and Expenses

Economic Value Generated	2013	2014
Interest Income	30,811,840	27,838,612
Interest Expenses	-9,598,939	-6,775,049
Fee and Commission Income	8,175,478	8,430,918
Fee and Commission Expenses	-2,648,138	-2,781,856
Net Profit on Financial Assets Held for Trading	49,264	155,267
Net Profit/Loss on Financial Assets Initially Carried at Fair Value Through Profit and Loss	-2,503	36,493
Net Profit on Financial Assets Available for Sale	4,332	14,333
Net Profit on Exchange Rate Differences and Foreign Currency Clause	1,916,121	2,170,666
Other Operating Income ¹	242,884	356,927
Impairment Losses On Financial Assets and Credit Risk Off-Balance Sheet Items	-8,044,367	-9,168,698
Other Expenses ^{1,2}	-210,322	-972,003
Total Economic Value Generated	20,695,651	19,305,610
2. Economic Value Distributed ²		
2.1. Operating Costs ³		
Supplies	-475,379	-345,374
Building And Equipment Maintenance	-798,584	-741,919
Office And Equipment Lease Costs	-930,657	-1,092,241
Intellectual Services	-315,092	-382,969
Advertising	-280,923	-340,153
Business Travel And Training Of Employees	-92,586	-87,143
Other Operating Costs	-2,130,715	-2,623,462
Total Operating Costs	-5,023,936	-5,613,261
2.2. Employee Expenses ³		
Payroll ¹	-3,223,372	-3,400,976
Taxes And Contributions On Wages and Wage Benefits ¹	-1,937,113	-2,050,301
Employee Transportation	-84,139	-87,141
Remuneration For Temporary And Occasional Work ¹	-4,569	-4,741
Employee Education Not Related To Their Job	-6,094	-2,882
Other Personnel Expenses ¹	-55,922	-22,076
Total Employee Expenses	-5,311,209	-5,568,117
2.3. Expenses Related To Liabilities To The Government³		
Corporate Income Tax	-623,097	-433,284
Taxes	-183,199	-109,548
Expenses Related To Liabilities To The Government - Total	-806,296	-542,832
2.4. Community-Related Expenses		
Donations And Corporate Social Responsibility	-22,381	-39,027
Community-Related Expenses - Total³	-22,381	-39,027
Total Distributed Economic Value	-11,163,822	-11,763,237
3. Retained Economic Value	9,531,829	7,542,373

¹ The item differs from the income statement in the annual report in that the Provisions for Employee Benefits, Legal Disputes and Restructuring are excluded.

² The item differs from the income statement in the annual report in that the Operating Costs are presented in the section Economic Value Distributed in several segments stated.

³ 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, net (13,510), Gains and Losses on Deferred Tax Assets and Liabilities, net (145,682) and the Depreciation Costs (-892,860)..

Customers

With the aim of contributing to the development of the society in which it operates, Banca Intesa strives to provide its customers with highest quality services, reliable partnership and advisory support. When improving its products and services, the Bank listens to the needs of its customers and takes into account their specific needs, especially when it comes to the availability of banking products and financial education. The Bank strives to make its financial services equally available in the economically underdeveloped parts of our country as well, so one quarter of the total number of its branches (25.8%) are located in the towns and municipalities whose development level is below 80% of the national average.

Customer operations focus on the following key aspects:

- **Support to the Economy and Agriculture**
- **Financial Inclusion and Education**
- **Customer Satisfaction**

In the specially difficult situation caused by the floods that had hit Serbia, the Bank offered a set of financial facilities to all its customers, both retail and corporate, from the affected municipalities to enable them to focus on resolving the issue of basic necessities at that critical time. The customers were granted a grace period regarding loan liabilities and credit card liabilities at no charge, with an exemption from the costs of monthly maintenance of their current accounts.

Support to the Economy and Agriculture

In line with the strategy of its parent Group, Banca Intesa focuses on supporting the development of businesses, with a special focus on the segment of SMEs as drivers of economic activity.

In addition, special attention is paid to the public sector and infrastructure development. Banca Intesa has many years of experience in doing business with local governments and cooperates with more than 90 of the total of 160 municipalities in Serbia, while participating with around 50 per cent in the total loans to local governments at the banking sector level. Since 2012, loans from the **credit line of the European Investment Bank (EIB)** have been granted for investment in fixed assets and non-current working assets, which were intended for businesses and the public sector. A total of 27,500,000 euros was granted through this credit line in 2014. **Dinar loans at subsidised interest rate** and an 18-month maturity period were also available to the public sector in 2014.

Banca Intesa – Underwriter of the Issue of the City of Šabac Bonds

Banca Intesa and the City of Šabac signed the Agreement on Underwriting the First Issue of Municipal Bonds in July 2014 in the total amount of 400 million dinars, which will provide funds for financing infrastructure projects in the city. This was the first public issue of municipal bonds in the territory of the Republic of Serbia intended not only for institutional investors and domestic and foreign legal entities, but also for individuals. In addition, the City of Šabac bonds are planned to be the first municipal securities listed on the Belgrade Stock Exchange, which will enable investors to trade on the secondary market. The bonds whose nominal value is 10,000 dinars indexed to the euro at the middle rate of the National Bank of Serbia are issued at a fixed interest rate of 6% at the annual level with a seven-year maturity, including a two-year grace period.

Support to the Development of Entrepreneurship

In 2014 as well, Banca Intesa supported the **programme of measures of the Government of the Republic of Serbia for encouraging SMEs and entrepreneurs through subsidised loans for liquidity and working assets**, in which it has been participating since 2009.

In cooperation with the Government of the Republic of Serbia and the Government of the Kingdom of Denmark, Banca Intesa signed an Agreement on Using the Funds of the **Local Economic Development in the Balkans (LEDIB) Programme** with

the National Bank of Serbia. Loans for investment and working assets were intended for lending to SMEs, entrepreneurs, cooperatives and individuals – registered farms in the territory of the Nišava, Jablanica, Pčinja, Toplica and Pirot Districts. The LEDIB Programme funds are used to finance projects that will have a positive impact on the general development in terms of creating new jobs and retaining the existing ones, introducing new eco-friendly technologies, producing local products and services that can compete with the imported ones, etc. The Bank granted 43 such loans totalling 58 million dinars to small businesses during 2014, which accounted for a 4% share in the amount and a 3% share in the total number of investment loans granted within the Niš Regional Centre.

As the leading creditor of the domestic economy, Banca Intesa is actively involved in the process of economic empowerment of women through its offer of **loans for women entrepreneurs** in Vojvodina in the form of start-up loans for unemployed women and women who have had a business for up to three years. This credit line is granted in cooperation with the Guarantee Fund of the Autonomous Province of Vojvodina, and Banca Intesa granted 18 such loans totalling 25 million dinars during 2014, which accounted for a 1.5% share in the amount and a 1% share in the number of investment loans granted in the territory of the business units within the Novi Sad Regional Centre.

Support to the Agricultural Sector

Taking into account the economic, social and environmental importance of agriculture, Banca Intesa has been financing this customer segment since 2008. The portfolio of agricultural loans increased by more than 10% in 2014 relative to 2013.

As part of the **LEDIB Programme**, Banca Intesa granted five loans to registered farms totalling around 30,000 euros in 2014, which accounted for a 0.13% share in the amount and a 0.1% share in the loans granted for this segment. In addition, in cooperation with the **Guarantee Fund of the Autonomous Province of Vojvodina, long-term loans were provided** for purchasing land, new agricultural machinery and equipment. The Bank granted 108 such loans totalling 239 million dinars during 2014, which accounted for a 2% share in the number and a 9% share in the amount of loans granted for this segment.

Banca Intesa also offered a **loan for investment in spring agricultural works** to owners of registered farms to help them finance the purchase of raw materials and working assets for the upcoming sowing. The loan for spring agricultural works is available in dinars in the maximum amount of 2,500,000 dinars and with a 12-month repayment period. Guided by agricultural schedule, the Bank adjusted the repayment schedule to the needs of farmers, so the funds may be repaid as one-month, three-month, six-month or annual instalments or upon the loan maturity.

Intesa Farmer

For the second consecutive year, Banca Intesa held the Intesa Farmer competition – the selection of the best farmers in the vegetable growing, crop farming, fruit growing and livestock breeding categories. Applications to the competition were submitted by 237 farmers that were Bank customers and the Expert Committee selected the winners based on the annual results achieved in agricultural production, but also based on the criteria such as the engagement of family members in the production process, having a storage space and application of modern technologies. The winners were awarded a study trip to the Agricultural Fair in Paris, as well as gift vouchers worth 100,000 dinars for purchasing raw materials or fodder.

Financial Inclusion and Education

Constant improvement in the availability of financial products and services presents a possibility for Banca Intesa to develop in the long term together with the community in which it operates. The Bank strives to meet the specific needs that the customers have in different periods of their life, such as resolving the housing issue and the availability of health services. In addition, in the economic crisis, which particularly affects the most vulnerable segments of population – young persons, senior citizens and vulnerable groups, the Bank strives to facilitate access to financial services by developing special inclusive products.

Banca Prossima

In June 2014, in cooperation with the Smart Kolektiv non-profit organisation, Banca Intesa organised the participation of Marco Ratti, the representative of Banca Prossima, at the Forum for Sustainable Communities conference in Belgrade. Banca Prossima, which operates as part of Intesa Sanpaolo Group, is the first European bank fully dedicated to the non-profit sector, which applies a unique business model and offers a set of innovative products and services with the aim of creating social value. Banca Prossima was established in 2007 and strives to provide the non-profit sector with access to loans and assist it in creating jobs. Banca Prossima

provides all standard banking services, from deposits to loans. One of the main criteria for loan granting is social impact and assumed effects of the project on society, and, according to Mr. Ratti, more than 97 per cent of customers regularly repay their loans.

Banca Prossima has 65 branches throughout Italy but, as part of Intesa Sanpaolo Group, it also places its products and services through the network of 4,500 branches throughout the country.

Responding to the Needs of the Community

In 2014 the offer of Banca Intesa again included the **Intermezzo Cash Loan**, a general purpose loan for retail customers, which, in addition to insurance against job loss, offers a possibility of postponing the payment of instalment up to five times during the repayment period, when deemed necessary by the customer. In 2014, 31,208 such loans were granted totalling 53,100,021 EUR, which accounted for 45.7% of the total cash loans granted during the year.

Back in 2011, guided by the principles of social and financial inclusion, Banca Intesa was the first in the domestic market to develop specialised products intended for senior citizens, so that this important segment of population would not be deprived of some of the basic banking services. **Senior Cash Loans** from the Bank's offer are intended for pensioners aged up to 74 years. The loans were designed to specifically fit the needs of senior citizens, which include the need for predictability, as well as avoiding burdening the family members by any assumption of loan repayment obligation. Therefore, these loans come at a fixed interest rate and also include, as an additional benefit, life insurance, which is included in the loan cost during the entire repayment period. In 2014, 33,567 Senior Cash Loans were granted totalling 41,556,340 euros, which accounted for 35.8% of the total cash loans during the year.

New Age – Golden Age

In May 2014, Banca Intesa presented the results of the survey on the social and economic status of pensioners in Serbia and in the region entitled New Age – Golden Age, which it conducted in cooperation with the Ipsos Strategic Marketing research agency. The results of the conducted survey show that our senior citizens are a significant part of the population, not only in terms of numbers but also in economic terms – the share of the population aged over 60 years is 24.7% in the total population of Serbia and pensions are an extremely significant part of the total household income – 35.8%. For this reason, an increase in specialised banking products for this population segment is present in the whole region, which is an economically justified trend, in addition to being a socially responsible approach to business and financial inclusion.

Recognising the importance of the availability of quality medical services, since 2012 Banca Intesa has had in its offer the **Intesa Vita Programme** of consumer and cash loans, which includes loans for in vitro fertilisation, harvesting and storage of stem cells, payment for dental services in over 200 dental offices, wellness and spa treatments, eye vision treatment, treatment of varicose veins, purchasing all sorts of orthopaedic aids, as well as for purchasing baby supplies. In 2014, 16 loans were granted, totalling 30,455 euros, which accounted for 4% of the total consumer loans granted during the year.

In addition, 5,181 **refinancing loans with insurance** against job loss or disability in case of an accident were granted, totalling 13 million euros, which accounted for 11.2% of the total cash loans of the Bank during the year. These loans enable the customers to service their outstanding obligations with Banca Intesa and other banks.

Banca Intesa introduced the **Visa Classic Paralympic and Visa Electron Paralympic card**, the first charity payment cards in the country, in cooperation with the Paralympic Committee of Serbia. These cards are a real example of the combination of innovativeness, favourable terms of use and corporate social responsibility, and they are aimed at supporting the establishment of a stable and independent mechanism for long-term assistance to athletes with disabilities and development of Paralympic sports in the country. During 2014, 4,264 cards were issued, which accounted for 1.47% of all cards issued during the year.

Accessibility of Facilities

When refurbishing its branches, Banca Intesa pays special attention to the accessibility of its facilities and to adapting them so as to enable access to persons with disabilities. Around 25% of its branches are fully accessible, whether they are level-access facilities or facilities equipped with adequate ramps for pedestrians and wheelchairs, in accordance with the Rulebook on Technical Standards of Accessibility. In addition, Banca Intesa replaces the traditional banking concept of work, which implies performing all tasks at the counters, with a new concept, which implies work posts at the desks whose access height and depth are adjusted to the needs of persons with disabilities. Seventy per cent of branches are equipped with such desks.

The Bank also provides **Visa ETC and Maestro ISIC cards** – international debit cards intended for students and providing numerous benefits and discounts. In 2014, 3,832 cards were issued, which accounted for 0.35% of the debit cards issued during the year.

Intesa Academy

In cooperation with Intesa Sanpaolo Group, in late 2014 Banca Intesa held the fourth business conference **Intesa Academy**, dedicated to the topic “Macroeconomic Trends and Outlook in Serbia and in the Region” at the Belgrade hotel Crowne Plaza. The guest speakers of this year’s event were Gianluca Salsecci, Head of International economics in Intesa Sanpaolo Research Department and Prof. Miladin Kovačević, PhD, Chief Analyst of the Macroeconomic Analyses and Trends magazine. This important conference was opened by Slađana Jelić, member of the Bank Executive Board and Head of the Corporate Banking Division. The conference brought together 40 participants, including the representatives of the Corporate Banking Division and the Financial Management and Treasury Division of Banca Intesa, eminent experts in the fields of economy and finance, as well as important customers of the Bank. In his speech entitled “Economic Outlook of New European Countries within the Frameworks of Sensitive Scenarios in the Global Market”, Mr. Gianluca Salsecci discussed, inter alia, the economic results of the countries of Central and Eastern Europe, comparing them with the results achieved in the previous year, as well as with the results of the Eurozone.

Customer Satisfaction

We at Banca Intesa believe that strengthening the bonds with customers by constant and careful listening to their needs, regular survey of their satisfaction and efficient handling of complaints are of key importance for establishing strong and lasting relations based on trust.

As part of the **Listening 100%** initiative, Banca Intesa has been measuring customer satisfaction since 2008 in accordance with the ECSI (European Customer Satisfaction Index) model, which includes a wide range of key factors such as image, branch organisation, staff treatment, price and quality, after-sales support and complaint handling. This model enables comparability with the other banks in the market, as well as with the members of Intesa Sanpaolo Group.

Based on the results of semi-annual surveys, actions are proposed and carried out to improve customer satisfaction. The finding of the customer satisfaction survey at the end of 2014 was that a positive attitude of staff towards customers was the basis for good results. The ECSI Index (Satisfaction Index), as well as the Loyalty Index, are stable, with a high percentage of customers who stated that they would stay loyal to Banca Intesa in the next 12 months.

In addition to semi-annual customer satisfaction surveys, the needs and views of particular customer segments in connection with specific issues are surveyed by means of other methods, such as focus groups and in-depth interviews.

In 2014, the Bank continued to expand the application of the **Queue Management System (QMS)**, which now covers 48 branches or 27% of the whole network. In addition to having a positive impact on customer satisfaction, the QMS enables obtaining the data necessary for improving the efficiency and quality of work in the branch.

In order to meet the needs of its customers, Banca Intesa changed the working hours of all its branches in Belgrade as part of the network optimisation project. As a result, most of the active customers now have greater access to branches with longer working hours.

Recognising the importance of two-way communication, the Bank also developed efficient mechanisms for gathering and recording customer feedback. The Bank responds to all complaints sent to the Bank via formal complaints mechanisms, and does so within the statutory time limit and in accordance with the decision of the National Bank of Serbia. Each customer may also personally contact unit employees, and if the customer is not satisfied with the answer received, he/she can apply to the National Bank of Serbia as the second-instance body, with the possibility of mediation. The following are available to customers:

- Phone line: +381 11 310 88 88
- E-mail: kontakt@bancaintesa.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
- Bank corporate accounts on social networks (Facebook and Twitter)
- Postal address: Customer Satisfaction Office, 2a Dr Zorana Đinđića Boulevard, 11070 Belgrade

Transparent Advertising

Establishing a relationship of trust involves fully understanding the characteristics and value of products, so Banca Intesa strives to contribute further to simplifying the communication about its products, in addition to complying with the Law on the Protection of Financial Service Consumers.

In accordance with the Law on the Protection of Financial Service Consumers, in advertising all its products the Bank specifies all costs to be borne by the consumer and all of them are included when calculating the effective interest rate. The Bank is transparent in its pricing policy, which it always clearly and visibly shows, as well as representative examples containing all data in accordance with the Law on the Protection of Financial Service Consumers.

When it comes to agreements, the Bank strives to ensure that their wording is simple to understand, minimising the possibility of misunderstanding and ambiguous interpretation by providing clear and exhaustive information. The Bank informs its customers in a timely manner of any changes in the agreements and their terms.

Data Security

The protection of persons, their assets and valuables, as well as a multitude of data and internal organisational processes, is conducted in Banca Intesa in a manner that fully meets the criteria of reliability, continuity and confidentiality. In addition to its legal obligations, Banca Intesa complies with the criteria of absolute transparency in informing its customers of their rights to privacy and the way it treats their personal information. During 2014, in the sense of definition of banking, as well as business secret, 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.

Mobile Banking

In the present age of advanced technologies, e-banking services became an indispensable part of bank offer to customers, who increasingly replace going to the bank with the use of internet banking and with mobile banking applications. When it comes to mobile banking, in 2010 Banca Intesa was the first in Serbia to offer this service to customers, and its potential is also evidenced by the data that 92% more transactions by m-banking were recorded in the retail segment in 2014 relative to the previous year. In order to ensure full protection of its customers, the Bank uses the state-of-the-art transaction protection system. Each mobile phone is unique in terms of the parameters recognised by the system, so it is not possible for any other phone to identify itself as the phone registered for transaction performance. In addition, the application that the user received from the Bank cannot be transferred from one phone to another, which provides additional security.

Employees

Banca Intesa firmly believes that a motivating work environment in which open communication is fostered is a necessary precondition for the achievement of strategic objectives and sustainability of the results of any company. The business plan of the Bank and Group has a clear strategy that is based on employee empowerment, development of knowledge, motivation and the feeling of belonging. The Bank encourages the expression of ideas and individuality, while fostering the culture of open dialogue and teamwork, based on common values.

Approaching the development of a desirable work environment in a responsible manner, by listening to the needs of its employees, the Bank singled out as its priority the engagement in the following key areas:

- **Equal Opportunities**
- **Human Resource Development**
- **Employee Satisfaction**

Equal Opportunities

In accordance with the Code of Ethics, the employment and HR management procedures at Banca Intesa are based on the principles of objectivity and consistent conduct, preventing favouritism, abuse or discrimination based on gender, ethnicity, religion, political beliefs, language, age, disability or trade union membership. All Bank employees are covered by Collective Bargaining Agreement, regardless of whether they are trade union members.

The employee structure of Banca Intesa is dominated by women: of the total of 3,025 persons employed with the Bank at the end of 2014, they accounted for 70.48%. Women also present the majority (60%) in the top management body of the Bank – the Executive Board.

TOTAL NUMBER OF EMPLOYEES BY CATEGORY AND GENDER																			
		2012.						2013.						2014.					
		Managers		Officers		Employees		Managers		Officers		Employees		Managers		Officers		Employees	
		M	Ž	M	Ž	M	Ž	M	Ž	M	Ž	M	Ž	M	Ž	M	Ž	M	Ž
		26	20	167	264	722	1,935	23	16	166	261	698	1,875	20	15	160	252	713	1,865
Total		46		431		2,657		39		427		2,573		35		412		2,578	

TOTAL NUMBER OF EMPLOYEES BY BUSINESS LOCATIONS	2012,		2013,		2014,	
	Male	Female	Male	Female	Male	Female
Belgrade*	459	963	464	969	481	986
Other locations **	456	1,256	423	1,183	412	1,146
Total	915	2,219	887	2,152	893	2,132

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

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

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

TOTAL NUMBER OF EMPLOYEES BY TYPE OF EMPLOYMENT CONTRACT	2012.		2013.		2014.	
	Male	Female	Male	Female	Male	Female
Under fixed-term employment contract	29	56	31	40	49	79
Under permanent employment contracts	886	2,163	856	2,112	844	2,053
Total	915	2,219	887	2,152	893	2,132

EMPLOYMENT CONTRACT TYPE BY LOCATION	2012.		2013.		2014.	
	Under fixed-term employment contract	Under permanent employment contracts	Under fixed-term employment contract	Under permanent employment contracts	Under fixed-term employment contract	Under permanent employment contracts
Belgrade	12	1,410	39	1,394	94	1,373
Other locations	73	1,639	32	1,574	34	1,524
Total	85	3,049	71	2,968	128	2,897

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

In the period when unemployment is one of the most prevalent global problems, the Bank strives to keep the employee turnover rate at a stable level. Job preservation is also among the priorities of Intesa Sanpaolo Group.

EMPLOYEE TURNOVER						
	2012.		2013.		2014.	
	Male	Female	Male	Female	Male	Female
Newly employed	60	74	60	60	67	87
Total number of newly employed	134		120		154	
Left the Bank	63	137	88	127	61	107
<30	8	26	10	14	8	11
30-50	35	51	55	71	41	66
>50	20	60	23	42	12	30
Total number of employees who left the bank	200		215		168	
Turnover rate	6.38%		7.07%		5.55%	

For keeping personnel records, Banca Intesa uses an internal HR application in which the employees may, if they wish, enter and update their personal information themselves.

	2012.		2013.		2014.	
	Male	Female	Male	Female	Male	Female
Employee gender structure	29.20%	70.80%	29.19%	70.81%	29.52%	70.48%
Management gender structure	56.52%	43.48%	58.97%	41.03%	57.14%	42.86%

	2012.			2013.			2014.		
	Under 30 years of age	30 - 50 years of age	Over 50 years of age	Under 30 years of age	30 - 50 years of age	Over 50 years of age	Under 30 years of age	30 - 50 years of age	Over 50 years of age
Employee age structure	9.76%	75.47%	14.77%	7.77%	77.23%	15%	9.42%	74.88%	15.70%
Management age structure	/	84.78%	15.22%	/	66.67%	33.33%	/	80%	20%

All Bank employees are guaranteed equal opportunities for professional development, improvement and advancement. Employee assessment and remuneration are based on the principles of objectivity and transparency, with evaluation of their merits and recognition of their potential and differences. Special attention is paid to the preparation of individual development plans in cooperation with the employees. In 2014, 94.87% of Bank employees underwent the performance assessment, thereby keeping continuity in this aspect relative to the previous years – 2013 (93.45%) and 2012 (94.64%).

In accordance with the current legislation, all Banca Intesa employees have the right to maternity leave. As a responsible employer, the Bank guarantees return to the job to all its employees who exercise this right.

	2012.	2013.	2014.
The total number of employees who exercised their right to maternity leave	287	270	168
Rate of return to work after the end of maternity leave	99.65%	99.26%	96.4%
Rate of remaining in employment 12 months after returning to work	96.17%	95.47%	98%

Human Resource Development

Banca Intesa perceives the development of all people comprising the team as the basic precondition for keeping its leading market position. The knowledge of our employees is the most important capital we have, so therefore focus on the development and enhancement of their expertise, talents and skills. Good conditions for professional and personal development contribute to the creation of a supportive work environment in which the employees continuously work on themselves, enhance their opportunities to achieve the desired results, support each other and consider the wider business context.

Different forms of learning are present at the Bank: internal training, seminars, workshops, e-learning materials. There were over 70,000 hours of employee training in total during 2014. In addition, the Bank provides financial support to its employees for external training and education, as well as study trips with guaranteed return to their job.

	2012.		2013.		2014.	
	Male	Female	Male	Female	Male	Female
Total number of training hours by gender	16,065	31,762.5	26,422.5	64,825	22,070	49,147.5
Average number of training hours per year by gender	17.56	14.31	29.79	30.12	24.71	23.05

	2012.			2013.			2014.		
	Managers	Officers	Employees	Managers	Officers	Employees	Managers	Officers	Employees
Total number of training hours by employee category*	720	11,025	36,082.5	607.5	18,342.5	72,297.5	637.5	8,145	62,435
Average number of training hours per employee	15.65	25.58	13.58	15.85	42.96	28.1	18.21	19.77	24.22

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

In addition to the approach to employee development that is based on mapping the needs and the missing knowledge, in 2014 Banca Intesa launched a new form of training named **Knowledge Network**. This form of training is based on the principle of connecting the employees who are the best experts in their field of work and is a model of the so-called project-oriented learning. The Knowledge Network takes place in four cycles, which have common goals: idea mobilisation; the development of the best; and process improvement. The project began with the "Intesa Knows" workshops, generating as many quality ideas and solutions as possible for the improvement of business processes. The participants were the employees from the offices and departments of the Headquarters who were considered to have a better view of and insight into processes and therefore to be able to identify and give a proposal for improvements in a quality manner. In this way, the employees get the chance to propose innovations and solutions that sometimes are not within their narrow field of activity and to connect with the other parts of the Bank. The projects that will improve the Bank performance have already been implemented or launched based on the ideas received. The second round in knowledge networking will consist of the workshops named "The Best Experts for Everything". The participants will be the employees in non-managerial positions from the Bank network nominated by their managers. The third cycle of this initiative will be the education course named "Connecting the Best Experts". Based on the results and additional nominations by regional managers, employees will be selected from the positions of Heads of Retail and Small Business, as well as Branch Managers, who will attend external trainings found to be necessary. For these seminars to be as productive as possible, the plan is to also include some employees from managerial positions in certain training blocks, because the interaction between the network and the Bank Headquarters is of key importance for the implementation of learning. In order to complete the whole process of knowledge sharing and networking, with support of the HR Department as well as certain Departments from the Headquarters, "The Intesa Knowledge" regional micro-workshops will be organised on the topics of importance to the Bank and the employees from the previous three cycles will, in fact, play the key mentoring and motivating role in them.

Since 2006, Intesa Sanpaolo has been conducting **Business Innovation**, an exclusive training programme whose aim is to create a new generation of employees who will be promoters of innovation and innovative model of behaviour. In 2014, the programme was extended to all employees within Intesa Sanpaolo Group, and a representative of Banca Intesa Beograd had an opportunity to participate in it as well. Given that the acceptance and application of innovations are major challenges today to the leading economies and companies across the world, in 2014 the programme focused on understanding innovations in different business activities and cultures through cooperation and exchange of experience with excellence centres at the international level. In this way, the participants were enabled to enrich their experiences not only from professional point of view but also from cultural aspect. The programme

lasts for 10 months and includes intensive practical trainings held in Milan and Turin, a four-day programme of visits to excellence centres in London, as well as group work on the development of ideas for adopting innovative practice in the business of Intesa Sanpaolo Group. The programme is to end in March 2015, when five best ideas will be selected for further implementation.

CSR Drops

In 2014, Intesa Sanpaolo Group developed a new e-learning course named **CSR Drops**, with the aim of bringing the strategic commitment to corporate social responsibility, which is shared by all member banks, to as many employees as possible. Through examples from everyday business relating to good practice in the areas such as positive impact on the environment and responding to the needs of community, the employees had an opportunity to learn through the training more about the values and strategic directions of the Group, as well as to gain insight into the connection of their job with the whole CSR strategy of the Bank. A CSR quiz based on this training was organised in late 2014 for the employees of Banca Intesa Serbia, and the most successful participants from the Bank were awarded appropriate prizes – a bicycle and solar chargers for mobile phones.

In order to provide a higher-quality service to customers, trainings were held for tellers about effective business communication and the importance of sales in the Bank business strategy, as well as about the approach to the sales of services and products. Special attention was paid to the professional development of relationship managers for affluent customers in order to improve their advisory skills and knowledge necessary for providing high-quality service to this customer segment.

Employee Satisfaction

Employee satisfaction is one of the key topics in the business plan of Intesa Sanpaolo Group, as well as in Banca Intesa Beograd, to which attention is continuously paid through the initiatives that include access to benefits, open communication and support in establishing balance between business and private obligations.

In addition to the rights guaranteed to employees by law – right to health care, maternity leave, retirement pay and disability benefit, the Bank provides its employees with vacation allowance, meal allowance, as well as 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. In addition, the Bank plans carefully the retirement of its employees who are ending their working life and pays retirement pay taking into account their age and years of service.

The employee complaint procedure is defined by Bank bylaws, which are available to employees on the official portal. No case of mobbing or other violation of human rights was recorded by means of this mechanism in 2014. Each employee complaint is carefully considered and detailed feedback is sent to employees in a timely manner.

Employee satisfaction survey

The employee satisfaction survey was conducted in 2014 for the sixth consecutive year by means of anonymous questionnaires. The analysis of the survey results showed that the percentage of those satisfied with their job was 76%. In addition, 87% of the employees stated that they shared the Bank's corporate values and culture, while 84% of the employees were proud to be able to say to others that they worked with Banca Intesa. The employee satisfaction survey is conducted annually at all member banks of Intesa Sanpaolo Group.

The May Floods – Emergency Response

The disastrous flood that hit Serbia in mid-May 2014 forced many citizens, including a number of Bank employees, to abandon their homes. Responding to the emergency, the Bank immediately sent three million dinars as first aid to the employees whose homes in Obrenovac, Ub and Paraćin were destroyed. In subsequent months, another 4.25 million dinars of financial aid was provided to these employees based on the official damage assessment report, of which 1.52 million dinars was donated by the Bank employees by making payments to a special-purpose account.

Intesa Sanpaolo Group also proved once again to be a support when it matters most – funds totalling 22,500 euros were transferred in late 2014, which were intended for home reconstruction, purchase of furniture and home appliances or payment for temporary accommodation for the families of employees that suffered the greatest damage in the floods.

Intesa from the Heart

The Intesa from the Heart corporate volunteering programme has been active at the Bank since 2013, aiming to enable the Bank employees to donate their time, talent and knowledge to the community in which they work and whose part they are. In 2014, the Bank volunteers took part in a large volunteering campaign “Our Belgrade”, which is traditionally organised each year by the Business Leaders Forum and Smart Kolektiv. This year’s campaign was dedicated to providing aid to the citizens of Obrenovac, the municipality that suffered great damage in the May floods. Two teams from the Bank with more than 30 volunteers participated in the campaign, improving the playground and painting the fence of the Nevena kindergarten, as well as assisting the Gusić family from Obrenovac to prepare its damaged house for the upcoming construction works.

VIRTUS Award

In January 2014, Banca Intesa won the VIRTUS corporate philanthropy award in the corporate volunteering category. This award is given by the Trag Foundation, with support of the Balkan Trust for Democracy, the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia (SIPRU) and the European Union. The Bank was awarded for its systemic approach to the development and promotion of volunteering among its employees, as well as for a series of volunteering projects and initiatives it conducted in the period from September 2012 until the end of October 2013, which were aimed at assisting senior persons, children without parental care, children with disabilities and street children, but also endangered ecosystems and neglected public areas. In addition to their time and energy, in the volunteering campaigns the Bank employees also donated their knowledge for the purpose of financial education of citizens.

The VIRTUS Award, established in 2007, is the first and the most important award for corporate philanthropy in Serbia, promoting corporate social responsibility as an integral part of the sustainable development of companies.

Internal Communication

All member banks of Intesa Sanpaolo Group have **WEB TV**, a modern, simple and easily accessible channel through which we are able to see what is happening in the Group and our bank. This project was developed with the aim of strengthening the feeling of belonging to the Group and includes access to video contents in local languages of all member banks of the division. It is a new communication channel, created as a result of many years of researching and monitoring trends in the application of the state-of-the-art communication solutions. WEB TV is accessed by clicking the banner located on the home page of the internal portal.

The **IntesaTeam** campaign was launched in the second part of 2014 with the aim of strengthening corporate values, horizontal communication, team spirit and the feeling of belonging. The campaign includes a series of activities that help employees from different organisational units to get to know each other better, such as management visits to branches with the task of helping employees in the performance of their everyday duties and then being their support during the next twelve months. The IntesaTeam campaign will continue in 2015 as well.

Sports Activities

In order to get to know employees from other member banks of Intesa Sanpaolo Group, improve communication and strengthen the team spirit, the Group traditionally organises sports events for its employees. During 2014, the Bank employees achieved notable success in the competitions in which they regularly participate, such as the **ISBD Marathon**, which was held in April in the Slovenian towns of Koper, Izola and Piran, and in which the representatives of all Group member banks took part.

Three-day **ISBD Olympic Games** were held in September in Timisoara, in which as many as 300 employees took part from nine member banks of Intesa Sanpaolo Group. Basketball players, football players and women volleyball players employed with the Bank showed exceptional readiness and great team and competitive spirit.

In addition to sports activities for employees, special attention was paid to organising events for the children of Bank employees. For the eighth consecutive year, the Bank made it possible for the children of its employees to participate in the free **Milan Junior Camp** football school, which was organised in Belgrade. A total of 150 talented children aged 8 to 14 years, 42 of them being the children of Bank employees, had an opportunity to receive different types of training with the coaches of the trophy winning football club A. C. Milan.

Follonica Children's Resort

For 10 years already, the children of Bank employees have had an opportunity to spend their summer vacation in a small town of Follonica, Tuscany, together with their peers from other countries. In August 2014, a group of 56 children went to Follonica and enjoyed daily activities – various sports games, swimming in the sea or pool, basketball, volleyball, mini-golf, table tennis, handball and hockey. In addition to sports activities, the stay in Follonica was also a valuable opportunity for the children to meet with peers from other cultures and develop independence.

A small sports tournament for children of Bank employees named **Special Day Junior** was held from 13 June to 15 June in Duna Verde Caorle, Venice. The event included a series of individual and team sports games, as well as mini tournaments in football for boys and in volleyball for girls. This tournament was not a classic sports competition since it was held in honour of Piergiorgio Brai, an Italian Bank employee who had been tragically killed in a traffic accident in April 2014. Accompanied by six Bank employees, 40 boys and girls set off on the journey and participated in different sports activities during this two-day sports event, with the football team of Banca Intesa Beograd winning in their category.

Community

In accordance with its leading market position, Banca Intesa strives to contribute actively to solving the most critical social problems, constantly monitoring the needs of the community in which it operates. The support of the Bank primarily focuses on the following areas:

- **Heritage Preservation and Culture Promotion**
- **Social Inclusion**
- **Support to Young Talents**

In addition to these areas, on which the Bank has been focusing in the past few years, the initiatives implemented in 2014 were strongly impacted by the emergency situation caused by devastating floods that hit Serbia, so the priority was to provide support to the rehabilitation of the areas that suffered damage, as well as the aid to the citizens from the affected areas, so the Bank allocated 28.8 million dinars in total for these purposes.

Immediately after the emergency situation was declared, Banca Intesa made a cash donation totalling six million dinars to the special-purpose account of the Government of the Republic of Serbia, and donated 50,000 litres of bottled water and four tons of food worth five million dinars to the citizens who were forced to abandon their homes. In addition, the Bank exempted all payments to special-purpose humanitarian accounts opened for the purpose of raising funds for mitigating the consequences of the floods from fee payment and offered a set of financial facilities to all its retail and corporate customers from the municipalities affected by the floods in order to enable them to focus on resolving the issues of basic necessities at that critical time. Special aid programmes were implemented for the employees of Banca Intesa.

Great efforts were also invested to make branches or at least ATMs operational in the municipalities in which the state of emergency was in force, so that the citizens could have access to their funds at that sensitive time. With the aim of helping the victims, on 1 July 2014 Banca Intesa, together with the MasterCard company, launched a one-month humanitarian campaign under the slogan "Be a Part of the Good Part". As part of this campaign, for each payment using the Banca Intesa MasterCard or Maestro payment cards at POS terminals in the country and abroad, regardless of the amount, the Bank and MasterCard allocated 10 dinars per transaction for families affected by the floods. In this way, 10.55 million dinars were raised, which were donated to the special-purpose account of the Government of Serbia for the repair of family homes in Kladovo that were damaged in the floods.

Awards for Investing in the Community

In 2014, Banca Intesa won the **Planet Business** award for the third consecutive year as the bank that invested the largest amount of funds in the development of society and local community. The donated funds were mostly used for aiding the citizens affected by the floods and remedying the damage in municipalities throughout Serbia, but also for the work of social care and health care institutions, support to the implementation of numerous cultural projects and initiatives, development of arts, as well as promotion of sports, education and research & development. The Planet Business award is given by economic magazines *Ekonometar* and *Magazin Biznis*.

In addition, the Bank won, for the second time, the **My Choice** award for social responsibility in the Investment in Humanitarian Projects category, this time for investing in the areas affected by the floods. The My Choice award is given by the My Serbia association under the auspices of the City of Belgrade and with support of the Deputy Speaker's Office of the National Assembly of the Republic of Serbia and the Belgrade Chamber of Commerce.

Heritage Preservation and Culture Promotion

Basing its social action on the support to arts and culture as a strategic determinant of its corporate responsibility, in 2014 Banca Intesa, in cooperation with the National Museum in Belgrade and the British Council, made it possible to hold an exhibition of graphics and sculptures of Henry Moore, one of the most prominent British artists of the 20th century, whose works were presented again after 60 years to art lovers and the general public

in Serbia. The exhibition entitled **“Henry Moore – Graphic Artist”** was shown at the National Museum in Belgrade during September and October 2014 and at the Vojvodina Museum Novi Sad during November 2014. This travelling exhibition, which toured several neighbouring countries as well, is a snapshot of Henry Moore’s work in the period from 1934 to 1983 and includes 80 graphics, four sculpture models and one working model, as well as a set of photographs of the artist himself and his creative process. The Belgrade exhibition was opened by the Minister of Culture and Information, in the presence of numerous distinguished guests. By supporting the exhibition, which presented the work of this exceptional artist in an integral manner, the Bank confirmed once again its long-term commitment to the investment in the development of arts, promotion of universal art values and cultural exchange.

In line with its commitment to provide support to the preservation of cultural and historical heritage of Serbia and as a member of the **Society for the Construction of Saint Sava’s Cathedral** in Belgrade, Banca Intesa donated funds for the completion of construction works on the temple in order to contribute to the performance of works planned for 2014. With the same goal, the Bank also continued its support to the **Studenica Monastery** by donating funds for repairing the damage caused by precipitation. The Studenica Monastery is one of the largest and most important Serbian Orthodox monasteries, built in the 12th century and famous for its collection of the 13th and 14th-century Byzantine frescoes. The monastery was declared a cultural monument of exceptional importance of the Republic of Serbia and is included in UNESCO World Heritage List.

As a member of Intesa Sanpaolo Group, Banca Intesa also supports the promotion of Italian cultural heritage in Serbia. In 2014, the Bank supported the **Italian Cultural Institute** in organising an exhibition of the Italian artist Giovanni Battista Tiepolo at the National Theatre in Belgrade.

Social Inclusion

Provision of support to vulnerable social groups, increase in their visibility and their inclusion in social processes are important aspects of the support that Banca Intesa provides to the community at large. In addition to developing special products that respond to specific needs of these groups, the Bank directly supports numerous associations and initiatives. As part of the traditional volunteering project **Wrap a Gift and Make a Child Smile**, Banca Intesa employees prepared, for the sixth consecutive year, New Year’s gifts for children with disabilities and youngsters without parental care to make their New Year’s holidays more joyous. More than 1,000 gifts were distributed in seven schools and one kindergarten, and over 3,000 volunteer hours were invested by employees in this campaign. In 2014, for the same purpose, in addition to vouchers for New Year’s gifts for the children of its employees, the Bank provided additional vouchers for children without parental care who are beneficiaries of the Centre for Child and Youth Care.

Promoting the active aging concept, in 2013 Banca Intesa launched the **Senior Love** project, which ended in early 2014 by the selection of the best love stories of our senior fellow citizens. The competition for the best stories was open to all citizens aged over 55 years and implemented in cooperation with the Blic Žena magazine, which published one story, selected by the editorial staff, in each issue. The authors of the most beautiful stories in the opinion of the jury and the public were awarded with romantic trips to Verona, the Laško Thermal Spa and Zlatibor.

In 2014, the Bank supported the **Autism – the Right to Live** association in the implementation of a project aimed at raising the awareness of the public of the rights and needs of autistic children. The project was also aimed at social inclusion of autistic children, strengthening their potential and improving the quality of their life, and the implemented activities included making an educational website and organising workshops, sports and musical events for autistic children.

In 2014, the Bank continued its traditional cooperation with the **Liceulice magazine** and organised the sale of this magazine in its office buildings in Belgrade on two occasions. Liceulice is sold by homeless persons, street youth and members of marginalised groups, who thus get the chance to make income and integrate in society to a greater extent. One-half of the income made from the sale is the vendor’s earnings, while the remaining part of the funds is used to prepare the next magazine issues but also to organise different educational and social programmes.

In addition to donating money, during 2014 Banca Intesa donated 252 used computers and 29 printers to different education, health care and social care institutions and organisations with the aim of contributing to the improvement of their everyday work.

Online Donations

In line with its commitment to integrate corporate social responsibility in all segments of its business, Banca Intesa was the first bank in the local market to enable the acceptance and processing of donations via the internet. In this way, all citizens have an opportunity to quickly and easily donate money to non-profit organisations and foundations with which the Bank established cooperation and which include UNICEF, Our Serbia humanitarian organisation, Divac Foundation, Trag Foundation, New Belgrade Humanitarian Foundation, B92 Foundation, Forefathers' Heritage Foundation and the University Children's Hospital in Tiršova Street. Donations are accepted through the websites of the organisations and may be made from Serbia and abroad.

Support to Young Talents

When it comes to investing in youth development, Banca Intesa focuses on education support and talent promotion, striving to provide them with expertise, knowledge and time of its employees in addition to financial resources.

February 2014 saw the launching of the third cycle of the **Prove Yourself 100%** student competition, a contest in the preparation of customer satisfaction management projects. The competition implemented in cooperation with the parent group Intesa Sanpaolo enables students to express their creativity and use the acquired theoretical knowledge in real business circumstances and, at the same time, win valuable prizes. The students of the final years of undergraduate studies from all state and private faculties in Serbia, as well as the students of master and doctoral studies of social sciences and humanities, sciences, technology and engineering with minimum average grade 8.5, who were up to 26 years old at the moment of applying, had the right to participate in this year's contest. As in the previous years, a large number of applications arrived, and the HR Selection and Recruitment Unit in cooperation with the Customer Satisfaction Management Unit of the Bank selected 12 students, who were divided into six competition teams. A mentor was assigned to each respective team to help them with his/her experience and advice in preparing the solution for the task in customer satisfaction improvement. The Expert Committee, comprising the representatives of Banca Intesa, Intesa Sanpaolo Group and academic institutions, declared as the winner the project of students of the Subotica Faculty of Economics, Novi Sad University, whose subject was the creation of a credit card that provides users with special benefits when paying for products and services related to healthy life. The winners of the competition were awarded with a EUR 1,000 scholarship per team member and a paid three-month advanced training at Banca Intesa, and they also represented Serbia at the international competition of teams of the International Subsidiary Bank Division member banks held in Italy.

In addition, Bank employees took part in several educational projects as individual volunteers. A seminar on economics and finance intended for talented secondary school students from all over Serbia was organised for the first time at the **Petnica Science Centre** near Valjevo in May 2014, with Banca Intesa employees also participating as lecturers. The lectures of the Bank employees were dedicated to the instruments of monetary policy used by central institutions when managing monetary aggregates and their impact on the macroeconomic system, as well as to lifelong learning. In addition, as a member of the United Nations Global Compact and its Working Group on Corporate Social Responsibility in Banking and Finance, Banca Intesa participated in the financial education programme in 2014 as well, in cooperation with seven secondary schools of economics in six towns of Serbia that have the Banking Officer educational profile, and as part of it, a Bank employee gave a lecture on factoring at the School of Economics in Niš.

The Bank representatives also participated in the two-day **OpenIT Conference**, which was held in Belgrade in October 2014, with the support of the AIESEC student organisation from the Faculty of Organisational Sciences. At the conference, around 100 students of the final years of the Belgrade University had an opportunity to familiarise themselves with the topics in the area of technology, with the focus on the importance of entrepreneurship for social development. The Bank, which was a Golden Sponsor of this event, was represented by employees of the ICT Department, Retail & Small Business Division and the Human Resources and Organisation Department, who shared their experiences during the lectures and panel discussion with the students.

Suppliers

Indirect impacts of companies on society and environment through their supply chain have increasingly been in the focus of the CSR practice. Committed to the promotion of respect for labour rights and human rights, as well as the protection of natural resources in all areas where it operates, Banca Intesa recognises the importance that quality relations with suppliers and responsible supply chain management have in this context. The Bank's approach is based on the adopted internal documents: the Procurement Policy, the Procedure for the Procurement of Goods and Services and the Code of Ethics, which regulate cooperation with suppliers in all key aspects, including those related to CSR:

- **Transparency and Equality in Supplier Selection**
- **Promoting CSR in the Supply Chain**

Transparency and Equality in Supplier Selection

As a large contracting party, the Bank has a significant impact on the sustainability of the local economy, as well as on the stability of enterprises comprising its supply chain. During 2014, the Bank cooperated with 277 suppliers and 29,290,000 euros without VAT was allocated to procurement costs.

Banca Intesa Beograd guarantees equality to all its suppliers, taking into account the compatibility of their capacity with the size and needs of the Bank. Proceeding from the principle of transparency and equality, the criteria for supplier selection process are as follows: 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 and other special conditions depending on the type of procurement. The Procurement Unit and the organisational part responsible for the specific procurement are obliged to agree on the bid evaluation criteria prior to inviting offers and to evaluate received bids applying the methods of qualitative and quantitative analysis.

A process of centralising procurement at the level of Intesa Sanpaolo Group was developed during 2012 with the aim of gradual introduction of single standards, processes and IT tools for procurement at all Group member banks. The centralisation project implies that all types of procurement are conducted from one place – through the local Procurement Unit, which means that the organisational units in charge of procurement and other units of the Bank will conduct this activity together, unless a procurement is defined as an independent category. The centralisation will enable procurement homogenisation, administrative expense reduction and productivity increase. The creation and maintenance of central procurement database will ensure easier monitoring, faster and comprehensive reporting, as well as minimisation of risks related to these business processes. In addition, the transparency of tender procedure will be further improved by introducing new applications.

The implementation of this extremely important project, whose completion is planned for the first part of 2015, presents a product of joint efforts of all member banks, with Banca Intesa Beograd being just one among many banks of the Group that will implement this model in their business.

With the aim of avoiding any potential conflict of interest, the Bank continuously improves relevant policies and procedures and carefully monitors their application. In accordance with the Procurement Policy and the Procedure for the Procurement of Goods and Services, the employees 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 goods and service procurement 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 authorised to do so by their superiors.

In addition, the issue of conflict of interest is regulated specifically by the Code of Ethics, about which the employees who are in direct contact with suppliers are informed in detail. No case of violating the Code of Ethics was recorded or reported by suppliers during 2014.

Promoting Corporate Social Responsibility in the Supply Chain

One of the criteria that the Bank takes into account when evaluating the received offers is the compliance of suppliers' business with the CSR principles, by which it publicly shows its commitment to valuing and promoting the care for social community and environment when selecting its business partners.

CSR, as one of the criteria in supplier selection, was introduced in 2012 by adopting the Procedure for the Procurement of Goods and Services. This document also provides for the introduction of a questionnaire on basic company data, also containing questions related to corporate social responsibility. The Questionnaire on Corporate Social Responsibility, which is an integral part of the invitation to bid, contains questions concerning five primary fields of corporate social responsibility: corporate governance, market, work environment, environmental protection and local community. In this way, the Bank gains insight in the current practice of prospective suppliers but also causes the raising of awareness of responsible business practice in its value chain.

In order for the Bank to ensure responsible supply chain management and cause the spreading of good business practice in the field of human and labour rights, as well as environmental protection, contracts with suppliers, beside other general terms and conditions of cooperation, contain articles concerning the application of technical measures, fire protection measures, as well as occupational health and safety measures, in accordance with the current legal regulations.

Environment

Environmental protection is one of the strategic areas of Banca Intesa action in the area of sustainability, taking into account direct and indirect impacts that the Bank makes on its environment, but also potential risks for business sustainability resulting from by global environmental damage.

The Bank conducts its activities in this area in two basic aspects:

- **Responsible Resource Management**
- **Responsible Financing**

The Bank invests continuous efforts in reducing the consumption of key resources in all aspects of its everyday business. In addition, the Bank is committed to integrating social and environmental criteria in its business decisions in order to contribute to the reduction of negative impacts on the environment and provide support to projects and activities that contribute to sustainable development. In addition, attention is paid to raising the awareness of its employees, customers, suppliers and the community at large of the importance of environmental protection. The Bank's strategic approach to this area is also confirmed by adopting and implementing the **Environmental Protection and Energy Efficiency Policy**, whose basic principles include responsible use of resources, waste reduction and improvement of energy efficiency for the purpose of preventing, managing and, where possible, reducing the environmental impacts caused by the Bank's direct or indirect activities. The Policy is available to all employees on the Bank's internal portal.

The Bank's strong commitment to contributing to environmental sustainability is also evidenced by its commitment to international initiatives in this area – the United Nations Global Compact principles and the Equator Principles. In addition, Banca Intesa's parent group Intesa Sanpaolo is a member of the Carbon Disclosure Project international initiative, which is the basis of the Group's and Bank's strategic approach to the issue of climate change, as well as transparent reporting on greenhouse gas emission.

Responsible Resource Management

In 2014, the Bank continued to measure and streamline its consumption of energy and water.

	2012.	2013.	2014.
Total energy consumption, kWh	13,136,308.00	13,129,296.00	12,419,176.00
Total water consumption, m ³	87,074.00	86,380.00	85,977.00

* 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.

The Bank also continued with the application of the automatic mechanism for remote shutdown of all computers at the end of the working day, owing to which 226,106.48 Kwh of energy was saved in 2014.

An Hour for Our Planet

In 2014, Banca Intesa traditionally joined the An Hour for Our Planet campaign, which is held each year and is the largest global volunteering campaign for the preservation of nature and environment. The World Wide Fund for Nature, which is the organiser of this campaign, invites all individuals and companies to turn off the lights at the same time on the same day for an hour and thus send a strong message that together we can help mitigate the climate change and consequences of excessive consumption of natural resources. As in the previous two years, the Bank joined the campaign by turning off the illuminated signs on all its branches, as well as decorative lighting on its office buildings. In addition, the employees were invited by an e-mail to join the campaign by turning off the light in their home for an hour. This year, An Hour for Our Planet broke all records in terms of the number of participants – the campaign was held in over 7,000 towns in 160 countries, while as many as 87 towns and municipalities took part in Serbia.

When it comes to waste management, the Bank strives to reduce waste generation by a responsible approach and, in cooperation with authorised subcontractors, applies optimal methods of its disposal. Municipal, metal, plastic and paper waste is separated at the Bank branches, with 13.007 tons of waste in total handed over for recycling during 2014.

Total waste generated (t)	2014.
Hazardous waste	17.04
Non-hazardous waste	268.007*
Total	285.047

* The following estimate was used for municipal waste: 0.7 kg/employee/day x 8/24h x 365 days x 3,000 employees.

In addition to switching to electronic version of the internal magazine Espresso and daily press-clipping reports in 2013, since 2012, for the purpose of reducing paper waste, all internal documents adopted by the Executive Board and the Board of Directors have been approved electronically as well, without the need for all involved organisational units of the Bank to print and physically sign the documents. In 2014, the Bank also continued to implement the Printing Consolidation Project, which includes active promotion of both-side and black-and-white printing.

Total recycled paper waste (t)	2011.	2012.	2013.	2014.
	37	60	74	96,48

Total recycled electronic and electrical waste (kg)	2011.	2012.	2013.	2014.
	18,950	33,000	22,560	22,000

With the aim of reducing its environmental impact through transport, the Bank's fleet comprises solely new-generation vehicles that use the Euro Premium BMB 95 and Euro Diesel fuels, which are in compliance with the Euro 5 European quality standards.

Responsible Financing

Each contract that Banca Intesa concludes with its customers within its Corporate Banking Division includes, inter alia, an article concerning environmental protection, which obliges the user to act in accordance with the Law on Environmental Protection, as well as with agreements, licences, technical and other standards and norms in the area of environmental protection for the duration of the contract.

In addition, **The Social and Environmental Risk Management Procedure** regulates the credit relation when approving loans to corporates and entrepreneurs to which the Bank's credit exposure is at the level of 1 million euros or higher, including the requested new product, in case of credit products from a credit line or other funds approved to the Bank by international development banks and when approving long-term credit products funded from other sources.

Banca Intesa also applies the **Implementation of the Equator Principles in Project Financing procedure** when preparing and implementing project financing and related advisory services, where the investment value of the project is at the level of 10 million dollars or higher, both for new projects and for all project financing intended for the expansion or improvement of existing facilities, where changes can create significant environmental and/or social impacts or significantly change the natural environment. The Equator principles are a set of international standards applying to project financing in the amount of 10 million dollars or higher and providing the criteria for their classification based on different risk levels, together with appropriate tools for managing such risks

In the retail segment, the Bank continued to grant loans from the **Green for Growth Southeast Europe B.V. Amsterdam (GGF) credit line** for support to energy efficiency improvement. An energy-efficient device is deemed to be any device that has a high efficiency level, i.e. small losses when transforming one form of energy into another. These loans are intended for all retail customers and serve for financing the works and purchase of equipment that will improve energy efficiency of buildings, provided that minimum 20% savings must be achieved. The funds may be used for the replacement of heating system, installation of solar water heating systems, replacement of conventional heating system with heat pump as well as installation of networked photovoltaic system. In addition, loans are approved for thermal insulation of outer walls and roofs, replacement

of outer doors and windows, installation of new radiators in combination with the installation of thermostatic radiator valves and replacement of non-regulated central heating pumps with new electronically-regulated pumps. A total of 65 loans for energy efficiency were granted in 2014 in the amount of 169,640.34 euros.

The funds from the **GGF credit line** are also available to customers in the segment of small businesses and registered farms. These loans are intended for purchasing goods and services that provide energy savings and enable the customers to replace doors and windows, insulate walls and roofs, replace heating systems and improve heat distribution, as well as procurement of agricultural equipment. The loans are approved for a period of up to 60 months at very favourable interest rates. During 2014, the Bank granted three loans from the GGF credit line totalling 35,000 euros. In the total loans for registered farms, these loans account for 0.15% in the total amount and around 0.1% in the total number of loans. Owing to the loans granted during 2014, a positive environmental impact was made, which was reflected in savings 13 MWh in primary energy as well as in savings 3 tons of CO₂ emission at the annual level.

Since 2013, the credit line of the **European Bank for Reconstruction and Development (EBRD) for financing energy efficiency and renewable energy source-related projects** of small and medium-sized enterprises and the public sector has been active. The new line includes the projects of purchasing, reconstructing or developing fixed assets (buildings, equipment), financing the construction of small renewable energy facilities, the projects of energy efficiency in buildings, with the credit line also providing an EU grant (5% to 15% of the investment) in the event of successful project implementation.

In addition, the Bank approves loans from the **KfW credit line for financing projects concerning energy efficiency and environmental protection in the public sector**. This credit line, in the amount of 10 million euros, provides funds for project financing, including modernisation of street lighting, energy efficiency for pumping facilities for water supply / sewerage systems, energy from waste water / waste heat flows, replacement of vehicles used for municipal services. Besides, the credit line funds may be used for sewerage network expansion, waste water treatment – new facilities and addition / expansion / rehabilitation of existing facilities, water supply network - protection of groundwater resources or water intake points, solid waste management projects. In addition to an exceptionally competitive fixed interest rate and a long loan repayment period of up to nine years, this credit line provides end beneficiaries with an opportunity of getting an EU grant. In addition to a grant, the credit line includes technical assistance, both for the end beneficiaries and for the Bank, through employee training for the purpose of better understanding and analysis of energy efficiency and environmental protection projects.

3. GRI Contents and Indicators

GRI INDEX

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Management Approach And GRI Indicators

		2012.	2013.	2014.	Page
Economic Performance – Management Approach					7
EC 1 C	Total income and expenses	✓	✓	✓	18
EC 8 C	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	✓	✓	✓	17,30
Environment – Management Approach					35
EN 4 C	Indirect energy consumption by primary source * * no estimate for primary energy sources.	→	→	→	35
EN 5 Ad	Energy saved due to conservation and efficiency improvements.	✓	✓	✓	35
EN 8 C	Total water withdrawal by source.	✓	✓	✓	35
EN 22 C	Total weight of waste by type and disposal method.	x	x	✓	36
EN 26 C	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	✓	✓	✓	36-37
Labour Practices and Decent Work– Management Approach					24
LA 1 C	Total workforce.	✓	✓	✓	24
LA 2 C	Total number and rate of employee turnover.	✓	✓	✓	25
LA 3 Ad	Benefits provided to full-time employees.	✓	✓	✓	27
LA 4 C	Percentage of employees covered by collective bargaining agreements.	✓	✓	✓	24
LA 10 C	Total hours of training by employee category.	✓	✓	✓	26
LA 11 Ad	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	✓	✓	✓	26
LA 12 Ad	Percentage of employees receiving regular performance and career development reviews.	✓	✓	✓	25
LA 13 C	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	✓	✓	✓	24
LA 15 C	Return to work and retention rates after parental leave, by gender.	✓	✓	✓	25
Human Rights – Management Approach					10,31,33
HR 11 C	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	✓	✓	✓	11,27
Social Community – Management Approach					30
SO 3 C	Percentage of employees trained in organization's anti-corruption policies and procedures.	✓	✓	✓	13
SO 4 C	Actions taken in response to incidents of corruption.	✓	✓	✓	13
SO 6 Ad	Total value of financial and in-kind contributions to political parties, politicians, and related institutions.	✓	✓	✓	13
Product Responsibility – Management Approach					19
PR 3 C	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	✓	✓	✓	23
PR 5 Ad	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	✓	✓	✓	22
PR 8 Ad	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	✓	✓	✓	23

		2012.	2013.	2014.	Page
Financial Services Sector Supplement (FSSS)					
FS 1 C	Policies with specific environmental and social components applied to business lines.	x	x	✓	11-12
FS 2 C	Procedures for assessing and screening environmental and social risks in business lines.	x	x	✓	11-12
FS 7 C	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	x	✓	✓	20-22
FS 8 C	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	x	✓	✓	36-37
FS 13 C	Access points in low-populated or economically disadvantaged area, by type.	x	x	✓	19
FS 14 C	Initiatives to provide access to financial services to disadvantaged people.	x	x	✓	21

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

- ✓ Fully met
- Partly met
- x Not met

Indicator relevance level in accordance with the GRI methodology

- C - core indicator
- Ad - additional indicator

CROSS REFERENCE TABLE UNITED NATIONS GLOBAL COMPACT PRINCIPLES (UNGC)	GRI INDICATOR
Human Rights	
Principle 1 businesses should support and respect the protection of internationally proclaimed human rights and	LA 4
	LA 13
	LA 15*
	HR 11*
Principle 2 make sure that they are not complicit in human rights abuses.	PR 8
	HR 11
Labour	
Principle 3 businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	LA 4
Principle 4 the elimination of all forms of forced and compulsory labour,	**
Principle 5 the effective abolition of child labour and	**
Principle 6 the elimination of discrimination in respect of employment and occupation.	LA 2
	LA 13
	LA 15
	HR 11
Environment	
Principle 7 businesses should support a precautionary approach to environmental challenges,	EN 26
Principle 8 undertake initiatives to promote greater environmental responsibility, and	EN 4
	EN 5
	EN 8
	EN 22
	EN 26
Principle 9 encourage the development and diffusion of environmentally friendly technologies.	PR 3
	EN 5
	EN 26
Anti-Corruption	
Principle 10 Businesses Should Work Against Corruption In All Its Forms, Including Extortion And Bribery.	SO 3
	SO 4
	SO 6

* 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.

