

MATERIAL FOR GROUP EXERCISE UNIT 9.3: CONSISTENCY ASSESSMENT

1. Form 4 or 5 groups and read the questions.
2. Discuss and answer the questions provided (take notes) → point out strengths and weaknesses
3. Choose one group member to present your results.

The provided materials are extracts from:

- Teck 2017 Sustainability Report
- Intesa Sanpaolo 2017 Consolidated Non-financial Statement



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UNIT 9.3: CONSISTENCY ASSESSMENT

1. Objective

The objective is to acquire knowledge and training about the concepts of consistency applied to the analysis of a NFIR. To meet this target, each group will carry out an analysis of consistency of its NFIR, following the proposed questions.

You have 45 min for this exercise.

The results from each group will then be shared with the other participants in plenary.

2. Proposal of questions to address by groups

- Does the company report about what they consider material without contradictions?
- Does the company identify significant environmental, social and economic impacts of its activities?
- Is the identification of impacts based on impact evaluation or life cycle analysis methodologies?
- Who are material stakeholders? / Is the list of stakeholders complete?
- Are needs and expectations of stakeholders well reflected? / Are they taken into account to define social and environmental risks?
- Does the company evaluate risks related to their material topics?
- Does the company define policies to manage these risks?
- Are key indicators in accordance with what the company considers material?

3. Results

Each group will have 2 min to briefly present its conclusions from the consistency analysis. For this, please point out the main “inconsistency issues”.

Managing Sustainability in Our Value Chain

Teck procures goods and services that support large-scale mining and refining operations, such as mobile equipment, machinery, fuel and lubricants, explosives, and a range of other products and services.

The following stakeholders are included in our value chain:

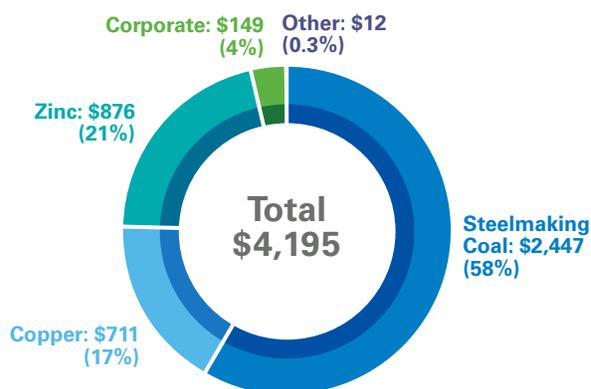
- Suppliers:** We rely on an international network of suppliers to provide the products, materials and goods needed to support our operations. These include mining equipment and spare parts, tires, fuel and lubricants, explosives, electricity, operating materials and consumables, and chemicals for processing.
- Service Providers:** We outsource selected operational activities to third parties, typically due to their cost-effectiveness or technical capabilities. Typical activities carried out by service providers and contractors include heavy mining equipment maintenance; transport and logistics; mechanical, electrical and construction work; general exploration drilling; and technical/engineering consultancy.
- Joint Venture Partners:** Ownership of some of our assets is shared with joint venture partners. This includes, for example, our Antamina mine in Peru (BHP Billiton, Glencore and Mitsubishi Corporation), the Fort Hills oil sands mining and processing operation in Alberta (Suncor Energy Inc. and Total E&P Canada Ltd.) and the NuevaUnión project in Chile (Goldcorp).
- Customers:** Our customers include refineries, smelters and steel mills. Our products are purchased for immediate use or for further processing. In addition, we provide other customers with various metals and chemical by-products.
- End Users:** Our products are used by a variety of industries, including construction; transportation, automobile and logistics; electronics and telecommunications; power generation and transmission; domestic appliances; consumer goods and nutritional supplements; agriculture; and energy users.

2017 Suppliers and Critical Suppliers

In 2017, we had an overall global spend of approximately \$4.2 billion. See Figure 4 for a breakdown.

Critical suppliers are suppliers of goods or services that, in the event of an interruption in the supply chain, can have a significant impact on Teck’s production, costs and/or revenues.

Figure 4: 2017 Supply Chain Spend by Business Unit (millions)



Suppliers may also be considered critical due to the nature of their products and the potential risk and impact on health, safety, the environment and the communities in which we operate. Critical suppliers include inbound suppliers of mobile equipment, fuels, tires, ammonium nitrate, process equipment, consumables such as grinding media, and suppliers of related parts and services; and outbound suppliers of rail, marine, trucking, bulk terminal and related distribution services. In 2017, critical suppliers represented approximately 52% of our total procurement spend.

Table 4: 2017 Spend on Critical Suppliers

Business Area	Total (millions)	Critical (millions)	% of Total That Are Critical
Steelmaking Coal	\$ 2,447	\$ 1,686	40.2%
Copper	711	272	6.5%
Zinc	876	203	4.8%
Corporate	149	–	–
Other	12	–	–
Total	\$ 4,195	\$ 2,161	51.5%

Within critical suppliers, there are two types: those managed on-site and those managed at a corporate level. Our supplier qualification, management and assessment depends on supplier type, as outlined in further detail below.

Engaging with Stakeholders and Indigenous Peoples

Engagement with our stakeholders — from local communities and Indigenous Peoples to investors and customers — helps to enhance our mutual understanding of interests, concerns and aspirations, and helps to strengthen relationships throughout the mining life cycle. Stakeholders are identified based on the degree to which they are affected by our activities and relationships, as well as by their ability to influence our achievement of our business objectives.

In particular, stakeholder identification helps us to ensure we:

- Understand the positive and negative impacts of our business
- Understand the risks and opportunities — for stakeholders and our business — associated with these impacts
- Manage these impacts in a responsible and effective manner
- Understand the effectiveness of our management actions

Direct and Indirect Stakeholder Engagement and Management

Our direct engagement of stakeholders is organized into three broad levels: information disclosure, dialogue and participation. All such engagement is informed by the AA 1000 principles of inclusivity, materiality and responsiveness.

Our corporate teams also carry out direct engagement on an ongoing basis, which often includes engagement with government, industry associations, peers, shareholders and potential investors.

We carry out indirect engagement through the application of externally developed standards and frameworks that reflect stakeholder expectations. Our engagement with stakeholders is guided by our HSEC Management Standards and our Social Management and Responsibility at Teck (SMART) tools and

engagement outcomes are reported to the Safety and Sustainability Committee of our Board of Directors and to our HSEC Risk Management Committee.

Engagement with Local and Indigenous Communities

All of our operations, exploration sites, projects and closed properties identify, prioritize and directly engage local and regional stakeholders. Working with local and Indigenous communities is particularly important in terms of:

- Disclosing and appropriately communicating accurate and timely information
- Maintaining an open dialogue, so all parties can fully understand each other's views and concerns
- Engaging in decision-making around our activities
- Collaborating on issues of mutual interest
- Securing and maintaining our social licence to operate

Those responsible for engagement with local and Indigenous communities are trained to take a people-centred approach to dialogue that is focused on relationships, rather than on issues. This helps ensure engagement is productive and constructive, and that it directly contributes to the building and maintenance of long-term, trust-based relationships.



Table 5: Stakeholder and Indigenous Peoples Issues Identified and Managed in 2017

Stakeholder	Description	Priority Engagement Topics in 2017	Learn More
Our Workforce	Union, non-union, full-time employees, part-time employees and contractors	<ul style="list-style-type: none"> · Cost containment and productivity · Tailings management · Environment and sustainability · Permitting · Agreement implementation · Health, safety strategies and well-being · Inclusion and diversity 	Page 70
Community	Indigenous communities, non-Indigenous communities, community-based institutions, and those outside of project/site-affected communities	<ul style="list-style-type: none"> · Tailings management · Air quality · Community investment · Water quality · Health and safety · Indigenous rights and title and traditional land use · Land and resource use 	Page 37
Civil Society, Non-Governmental and Multinational Organizations	Regional, national and international organizations focused primarily on advocacy	<ul style="list-style-type: none"> · Community investment opportunities · Global development topics · Payment transparency · Climate change and carbon pricing 	Page 80
Academic and Research	Academic institutions and research organizations	<ul style="list-style-type: none"> · Research partnerships · Training programs 	Page 84
Government	Local government body or institution, provincial/sub-national governments and national/federal governments	<ul style="list-style-type: none"> · Environmental management · Hiring and procurement · Economic impact and market volatility · Climate change and carbon pricing · Indigenous agreements · Implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). · Infrastructure · Innovation · Legislation and regulation · Gender equality 	Page 80
Indigenous Governments and Communities	Agencies representing an Indigenous group, organizations run by/for an Indigenous group, Indigenous-controlled goods and service providers, and traditional land users	<ul style="list-style-type: none"> · Agreements negotiation and implementation · Our Indigenous Peoples Policy · Water quality · Community investment opportunities · Indigenous rights and title · Protection of heritage sites · Regulatory approvals · Traditional knowledge and land use 	Page 51
Commercial Interests	Joint ventures, large contractors and customers	<ul style="list-style-type: none"> · Commercial, operational and financial matters · Logistics and transportation · Materials stewardship · Supply chain sustainability 	Page 17
Industry Associations	Associations representing businesses (e.g., mining associations, sustainable business organizations)	<ul style="list-style-type: none"> · Regulatory issues · Social issues · Environmental management · Tax competitiveness 	Page 11
Investors	Institutional investors, other equity holders, debt holders and banks	<ul style="list-style-type: none"> · Environmental management · Financial performance and state of the company 	Page 65

Material Topics

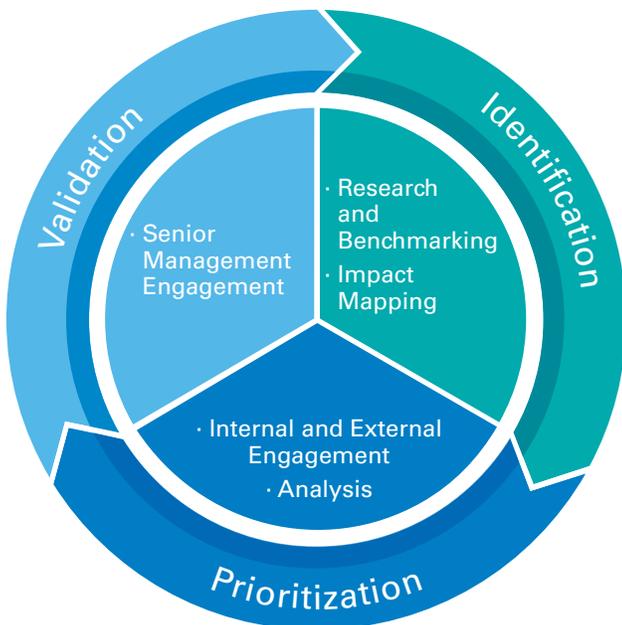
In our report, a material topic is one that reflects our company’s significant economic, environmental and social impacts, or that could substantively influence the assessments and decisions of our stakeholders, per guidance from the Global Reporting Initiative. For each of our 11 material topics, we provide information as to why the topic was material in 2017, Teck’s approach to managing risks and opportunities associated with that topic, our performance, and our outlook for 2018.

2017 Materiality Assessment

The content of our annual sustainability reporting is determined through a detailed materiality assessment, which is a process for identifying and evaluating the topics that mattered most to our business and our communities of interest during the previous year and for the near-term future.

Our annual process for determining material topics follows a three-year cycle and involves three steps: identification, prioritization and validation. The first year involves intensive consultation and research to identify a full list of topics, which are analyzed by internal experts and external stakeholders and validated by our senior management team. Topics in the mining industry are typically consistent year over year, given the long-term nature of operations. As such, the second and third years build on the results from the first year, and the assessment is updated to reflect emerging issues.

Figure 6: Materiality Assessment Process



In 2017, we conducted a comprehensive materiality assessment and began a new three-year cycle. During the identification phase, we conducted research on trends in our industry and evaluated internal strategy documents, including the five-year plans for each of our business units. We also mapped our impacts and the boundary of our material topics across the value chain with a cross-functional group of 16 internal experts. In this phase, we identified 26 potentially material topics.

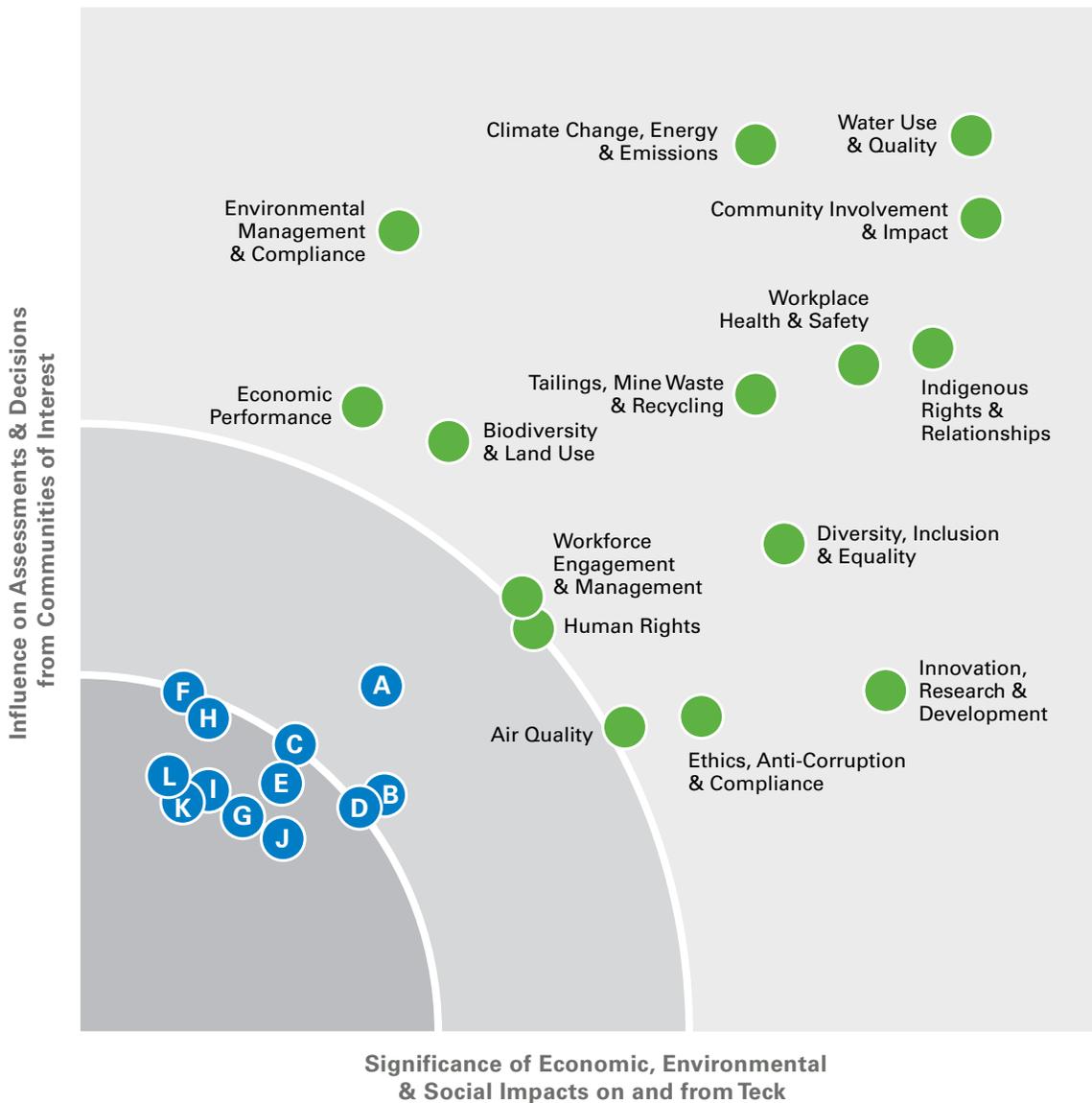
During the prioritization phase, we conducted one-on-one interviews with 20 internal and external stakeholders and used more than 20 inputs such as industry reports, survey results and internal workshops to determine the most significant risks and opportunities facing our business and our communities of interest in the past year. During interviews with internal and external stakeholders, a range of topics were identified as most significant in terms of risks and opportunities in 2017. For internal stakeholders, the most significant topics were water management, relationships with communities, and business ethics. For external stakeholders, the topics that were considered most significant were energy and greenhouse gas emissions, biodiversity, and dialogue with communities. In this phase, 15 topics were identified as potentially meeting our threshold for reporting.

We recognize that many of our material topics are interrelated; for example, a topic such as Relationships with Indigenous Peoples is connected to several topics, such as Biodiversity and Reclamation, Water Stewardship and Human Rights.

During the validation phase, we engaged several members of the senior management team, including the Senior Vice President, Sustainability and External Affairs, who reviewed and confirmed the matrix (Figure 7) as well as the consolidation of 15 topics into 11 topics to increase the readability of this report. We recognize that many of our material topics are interrelated; for example, a topic such as Relationships with Indigenous Peoples is connected to several other topics, such

as Biodiversity and Reclamation, Water Stewardship and Human Rights. For the sake of clarity and ease of reference, we report on these topics individually, and where appropriate, we include a description of the interconnection that was significant in the reporting period. For a detailed description of each topic and to see how the topics interconnect, view our interactive [materiality matrix on our website](#).

Figure 7: 2017 Materiality Matrix



Lower Materiality Topics

- A. Mine Closure
- B. Partnerships & Collaboration
- C. Information & Asset Security
- D. Supply Chain Environment
- E. Emergency Preparedness
- F. Public Policy
- G. Supply Chain Social
- H. Social & Geopolitical Stability
- I. Prosperity of Employees
- J. Business Resilience
- K. Customer & Community Satisfaction
- L. Product Footprint/Life Cycle

2017 Material Topics Summary and Performance Highlights

Water Stewardship



What is in this topic?

Performance information on total and new water use, water recycled and reused, water intensity, a company-wide water balance, as well as progress against our 2020 goals.

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Water was reused and recycled approximately **4** times at our mining operations.

Introduced a new **Water Policy and Water Governance** framework.

Relationships with Communities



What is in this topic?

Progress against our 2020 goals, as well as our engagement on impacts, progress in implementing the Social Management and Responsibility at Teck (SMART) framework, feedback, grievances and disputes, and economic benefits for communities, including local hiring, local procurement and community investment.

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\$13.2 million disbursed through community investment.

No significant community incidents at our operations and projects.

Energy and Climate Change



What is in this topic?

Performance in energy use and efficiency initiatives, climate change-related risks, carbon pricing and greenhouse gas emissions, climate policies and regulations as well as progress against our 2020 goals.

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582 terajoules of reduced energy consumption from efficiency projects implemented.

281 kilotonnes reduction in greenhouse gas emissions.

Relationships with Indigenous Peoples



What is in this topic?

Performance related to recognizing and respecting the rights of Indigenous Peoples, such as cultural awareness training and responding to grievances, negotiating agreements, procurement, community investment and progress against our 2020 goals.

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23 new agreements reached with Indigenous Peoples and **\$138** million spent with Indigenous-owned businesses.



Health and Safety

What is in this topic?

Progress against our 2020 goals as well as building a positive culture of safety, high-potential risk control, and occupational health and hygiene, and our safety performance against leading and lagging indicators.

Zero fatalities and reduced Total Recordable Incident Frequency by **12%** and High-Potential Incident Frequency by **14%**.

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Tailings, Mine Waste and Environmental Management

What is in this topic?

Our tailings and waste management performance; environmental compliance; learnings from significant environmental incidents; our involvement in environmental litigation, fines and penalties; and our progress on permits and approvals.

Cardinal River, Greenhills and Trail operations each received the **2017 Towards Sustainable Mining Leadership Award** from the Mining Association of Canada.

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Diversity and Employee Relations

What is in this topic?

Progress against our 2020 goals as well as our global workforce demographic profile, work in labour relations, talent attraction, retention, training and development, diversity and equal opportunity, and non-discrimination.

Women make up **17%** of our total workforce, and **29%** of total hires in 2017 were women.

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Business Ethics

What is in this topic?

Reporting on alleged violations against our Code of Ethics through our *Doing What's Right* program, auditing of our anti-corruption policies, reporting on payments to governments, public policy initiatives and contributions.

2 new corporate governance policies released: Political Donations Policy and Tax Policy.

Published first annual **Economic Contributions Report.**

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2017 Material Topics Summary and Performance Highlights (continued)

Biodiversity and Reclamation



What is in this topic?

Performance related to our biodiversity management plans, reclamation, closure planning, maintenance of legacy sites, and progress against our 2020 goals.

30 hectares of land reclaimed in 2017 and supported the creation of a **Centre for Ecosystem Reclamation** at Thompson Rivers University.

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Air Quality



What is in this topic?

Progress against our 2020 goals as well as performance related to improved emissions management and control. Emissions and air quality control at our operations, including ambient air quality and emissions of sulphur dioxide (SO₂).

100% of selected community-based stations with annual average ambient concentrations of particulate matter of size less than 2.5 microns within World Health Organization guidelines.

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Human Rights



What is in this topic?

Our work in respecting and observing human rights, actively supporting the protection of human rights, avoiding complicity in human rights abuses, and engaging with stakeholders, as well as our performance on these topics.

Carried out training with key staff on **identifying actual and potential human rights impacts** that could occur during community engagement.

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Relations With Stakeholders: Engagement And Listening

Intesa Sanpaolo carried out important direct stakeholder engagement actions in 2017. These activities were implemented in compliance with the AA1000 AccountAbility standard and the methods of engagement were chosen according to the specific type of stakeholder and in such a way as to guarantee the best possible representation. The CSR Sub-Department carried out this process in close collaboration with the company functions responsible for communications and dialogue (e.g. customer experience, internal communications etc.), in line with its perception of sustainability as a value that is shared throughout the entire company. All activities were managed by an independent third party, without any representatives of the Bank, to guarantee that all ideas were expressed freely and without any influence. As well as specific topics of interest to each group of stakeholders, other more indirectly-linked aspects were covered, encouraging dialogue and the consideration of different points of view.

STAKEHOLDER MAP

The stakeholder map represents the Bank's network of relations and the results of the engagement activities in 2017 are presented as summaries in order to highlight the priority topics that emerged in terms of materiality analysis.



ENGAGEMENT INITIATIVES AND ISSUES COVERED

The stakeholders involved in listening activities are: retail and public customers, involved both directly and through consumer associations; environmental associations and the area of the press interested in social and environmental sustainability issues; local communities, by listening to non-governmental associations, social media and institution representatives; investors; employees, listened to directly and via the trade union associations; suppliers.

The following table outlines the features of the stakeholder engagement activities targeted at individual categories of stakeholders and the issues covered.

Stakeholder category	Stakeholders	Listening method	Issues covered
Customers	Consumer associations	Questionnaire emailed to 5 representatives of important associations	<ul style="list-style-type: none"> ■ Protection of savings ■ Financial education ■ Surveillance ■ Transparent business practices ■ Actions to support customers in temporary difficulty: unemployed, victims of natural disasters etc. ■ Actions for the training and financial support of young people ■ "Green" loans for energy savings and the use of renewable energies ■ Effective communication of social and environmental responsibility themes
	Retail customers	Telephone interviews carried out on a sample of 2,000 retail customers	<ul style="list-style-type: none"> ■ Environmental protection and combating climate change ■ Social inclusion of specific categories (e.g. young and old people, immigrants...) ■ Ethical and responsible asset management
	Corporate customers	Telephone interviews carried out on a sample of 2,000 corporate customers as part of the NPS calculation project ¹	<ul style="list-style-type: none"> ■ Environmental protection and combating climate change ■ Offer of products that facilitate access to credit and the development of employment
Environment	NGOs and representative figures	Telephone interviews with 5 representatives of environmental associations, the world of journalism and the institutions	<ul style="list-style-type: none"> ■ Use of renewable sources at Intesa Sanpaolo ■ Management of environmental emergencies ■ Loans for the green economy ■ Expectations and suggestions for the application of the Sustainable Development Goals of a primarily environmental nature by a bank
Communities	NGOs and representative figures	Telephone interviews with 5 representatives of environmental associations, the world of journalism and the institutions	<ul style="list-style-type: none"> ■ Access to credit for disadvantaged social groups ■ Corruption and money laundering prevention ■ Expectations and suggestions for the application of the Sustainable Development Goals of a primarily social nature by a bank
Investors	Small shareholders	1 focus group	<ul style="list-style-type: none"> ■ Environmental issues (pollution, energy, waste, direct and indirect greenhouse gas emissions, development of green products and services etc.) ■ Employee management issues (ILO conventions, diversity, employment, labor-management relations etc.) ■ Social issues (health and safety, vulnerable consumers, responsible marketing and R&D, relations with consumers and the community) ■ Respect for human rights ■ Combating active and passive corruption ■ Supply chain
	Investors	Analysis of the content of the most recent meetings	<ul style="list-style-type: none"> ■ Company value and solidity ■ Direct and indirect environmental impacts (Green Bonds) ■ Development, well-being and protection of employees ■ Quality and innovation in customer relations ■ Access to credit and financial inclusion ■ Responsible asset management ■ Relations with the community ■ Integrity in corporate conduct

Stakeholder category	Stakeholders	Listening method	Issues covered
Employees	Trade unions	1 focus group with 7 representatives of 5 trade unions	<ul style="list-style-type: none"> ■ Environmental issues (energy, emissions) ■ Social issues (respect for human rights, combating corruption) ■ Issues relating to HR management (implementation of ILO conventions, diversity, employment, union rights, management of human capital, health and safety, relations with consumers and repercussions on vulnerable consumers, responsible marketing and research, relations with the community)
	Employees	Questionnaire emailed to a sample of 1,500 employees	<p>Implementation of the principles of the Code of Ethics in relations with:</p> <ul style="list-style-type: none"> ■ Customers (dialogue tools, clear communications, financial inclusion, responsible investments, creditworthiness assessment on the basis of ESG parameters²) ■ Employees (equal opportunities, professional growth, work-life balance, training, development, solidarity projects) ■ Community (support for the non-profit world and solidarity initiatives, promotion of cultural heritage, transparent behaviour) ■ Environment (search for effective solutions in the environmental field aimed at customers, reduction of environmental impact and raising awareness of employees) <p>Understanding of sustainability reporting</p>
Suppliers	Suppliers	Questionnaires on the environment, CSR and human rights on the new suppliers' portal filled out by 1,087 companies	<ul style="list-style-type: none"> ■ Company value and solidity ■ Direct environmental impacts ■ Issues connected with development, well-being and protection of employees ■ Relations with the community ■ Integrity in corporate conduct

¹ Net Promoter Score (NPS) makes it possible to evaluate to what degree the customer would recommend the bank to other companies.

² Environmental Social Governance (ESG): environmental, social and governance risks.

A total of two focus groups were held together with over 4,000 telephone interviews, which regarded four different categories of stakeholders. There were also 2 questionnaires, which involved over 2,500 people all in all. Direct listening actions were supplemented with indirect actions in the form of document analysis.

SUMMARY OF ISSUES EMERGING FROM THE STAKEHOLDER ENGAGEMENT PROCESS

The results deriving from the engagement of the individual stakeholder groups were classified on the basis of Intesa Sanpaolo's priority issues. The main results are reported for each topic.

Company value and solidity: this issue emerged when listening to almost all stakeholder categories and was always given maximum priority, constituting an element on which the credibility of CSR actions and policies depends. The most cross-cutting topic in this area is risk management, not just financial in nature but also socio-environmental, connected in particular with loans and investments.

Integrity in corporate conduct: the theme of correct corporate conduct is a priority not only for customers but also for employees, particularly with regard to the Code of Ethics, highlighting the increasing level of responsibility assumed around CSR issues. Surveillance, especially in relation to risks connected with corruption, is a topic that was highlighted by almost all stakeholder categories consulted (during the activities), even if it cannot be deemed to be critical. These high visibility issues are of great interest to the world of communications and have a clear impact on the Bank's reputation not only with regard to the financial community but also the social sphere.

Employee growth and development: as expected, the biggest contribution to the theme of the development of employees comes from the same category of stakeholders. The most relevant issues for employees are: transparency in career advancement and production bonus criteria, the spread of initiatives throughout the network and the greater involvement of workers in company governance. However, other types of stakeholders, such as Investors and Suppliers, also showed a lot of interest in issues connected with staff development, particularly in terms of the application of ESG criteria for performance assessments and promoting diversity.

Employee well-being: it is once again employee stakeholders that attribute the greatest significance to the well-being of workers inside and outside the workplace with the business and welfare policies implemented by the Bank being the two most important areas. This issue has also been raised by Suppliers, particularly as regards the monitoring of employee health and safety. The importance attached to this topic shows how the majority of stakeholders expect the Bank to play a wide-reaching and influential role (also in the areas of welfare and working environment).

Employment protection: Employees rated this issue as very important, suggesting the development of an organic employment plan, for example. Investors also placed major emphasis on this topic. Highlighting the importance of the spread of CSR criteria right along the supply chain, the engagement of Suppliers had the highest score in this area.

Quality and innovation in customer relations: the topic that places the emphasis on the need for quality relations with the customer is addressed across the board by the various stakeholder categories and reflects the importance of reviewing the Bank's business practices from a CSR perspective. Customers are the stakeholders that place the greatest importance on this theme, followed immediately by the Community. The main feedback relates to the need for transparency and closer ties with the territory, also through the development of financial instruments suitable for individual contexts. Issues regarding digitalisation and cyber security are still considered important.

Access to credit and financial inclusion: the theme of access to credit was strongly emphasised by Investors, proof of the rise in popularity of more economically sustainable forms of investment. Enabling disadvantaged people to access credit more easily and financial education were also important themes for Customers, as they were for the Community, which mainly highlighted aspects connected with microcredit activities. Employees gave this issue a lower score.

Responsible asset management: one of the issues to receive most emphasis during the 2017 Intesa Sanpaolo stakeholder engagement activities was the responsible asset management. As well as the great significance attached to it by Customers, stakeholders representing the interests of the Environment and the Community also demonstrated great awareness of this issue, particularly with regard to the introduction of environmental and social criteria in the evaluation of investments. The importance attributed to this topic highlights how the Bank is requested to create sustainable and widespread economic value in society through responsible investment management based on ESG criteria.

Direct environmental impact: this topic is typically of great interest to Environment stakeholders. In fact, it is widely mentioned in the category even if it is never given priority status. It is interesting to note how other categories (Investors, Employees and Suppliers) also show an interest, proof of how the culture of sustainability is widespread throughout the company. The area in which the Bank could seemingly do more in terms of direct environmental impacts is that of energy savings, even if stakeholders are undoubtedly more interested in the indirect impact of its activities.

Green economy: indirect environmental impact was a key issue when interviewing almost all categories of stakeholders, always receiving above-average scores. This result shows that the biggest contributions that banks can make to environmental sustainability lie in their financial activities: loans that allow customers to adopt energy saving and environmental protection systems, the promotion of the circular economy, the introduction of ESG criteria when evaluating the granting of loans, the issuing of Green Bonds. This perception on the part of stakeholders confirms their level of maturity and understanding as, despite the reduced impact of sites and activities, the consequences of credit and investment actions can significantly influence the path towards sustainability.

Relations with the community: relations with the community are also scored very highly by customers, highlighting the growing interest in broadening the horizons of the repercussions of the Bank's activities. In fact, customers want increasing levels of transparency and communication not only in terms of the products and services offered but also as regards ethical conduct. The other stakeholders also show strong interest in this theme, which is therefore across the board. It only falls slightly in significance for Suppliers and Employees.

Thanks to its sustainability performance, in January 2018 Intesa Sanpaolo was the only Italian Group included among the Corporate Knights' 100 Most Sustainable Corporations in the World index. In 2017 Intesa Sanpaolo also maintained its place in the "Engaged Tracking (ET) Carbon Rankings", which includes listed companies that have stood out for their reporting and their actions to reduce greenhouse gas emissions. As for its commitment to people, the company's focus on the theme of inclusion was once again rewarded with the "Diversity & Inclusion Award 2017" and with its listing on the "EQUILEAP - Gender Equality 2017" index, which includes the 200 companies across the world, headquartered in developed countries, that have most distinguished themselves for their commitment to gender equality.

Materiality analysis

The sustainability report focused on significant aspects relating to the positive or negative impacts generated by the Group's activities. These aspects result in risk scenarios that need to be aware of and manage. An understanding of these scenarios is obtained by cross-referencing strategically-important themes for the company with those that its stakeholders regard as key when interacting with the Group. To this end, for several years Intesa Sanpaolo has filled out and updated its "Materiality analysis" according to the process indications of the GRI standard.

The analysis focuses on two areas – the company and its stakeholders – and involves three phases:

- identification of relevant themes for the company and for stakeholders;
- prioritisation of the themes and definition of the materiality matrix;
- validation of the materiality matrix.



IDENTIFICATION OF MATERIAL ISSUES AND STAKEHOLDERS

Intesa Sanpaolo has identified the priority issues for the company and for its stakeholders through a documentary analysis that is periodically updated. The main documents considered are:

- internal documents, including: the 2014-2017 Business Plan, the Code of Ethics, the Sustainability Reports for the last three years, top management communications, Shareholders' Meeting minutes, company policies;
- external documents, including: reference standards for sustainability reports (AA1000, GRI Standards, <IR>, SASB), national and international documents connected with sustainability issues (Agenda 2030, COP22, SDGs), the main regulations in the sector;
- sustainability reports of other Italian and international financial groups;
- documents drafted by national and international institutions for the identification of general and specific megatrends in the banking sector.

In 2017 Intesa Sanpaolo reformulated its priority issues beginning with the requirements dictated by the entry into force of Legislative Decree no. 254/2016, which made it obligatory for some categories of businesses to draft and publish a document containing information on specific sustainability issues. This reformulation generated an effective framework of priority issues. In order to provide clear definitions to all stakeholders, these issues were defined (see outline on page 181) with their meaning to Intesa Sanpaolo clearly explained. Finally, they were evaluated in terms of priority, related risks, areas of priority action and specific actions.

PRIORITISATION OF THE THEMES AND DEFINITION OF THE MATERIALITY MATRIX

To assess the priority of each theme consideration was given both to the interests of the company in terms of its goals and strategies, as reported on the “Impact on strategies” axis of the materiality matrix, and to those of its stakeholders as regards their expectations and needs, reported on the “Importance for stakeholders” axis of the same matrix.

In both cases the issues were assessed using a scale of 1-5 where 1 indicates that the company strategies or stakeholders have minimal interest in the issue and 5 indicates that they have maximum interest.

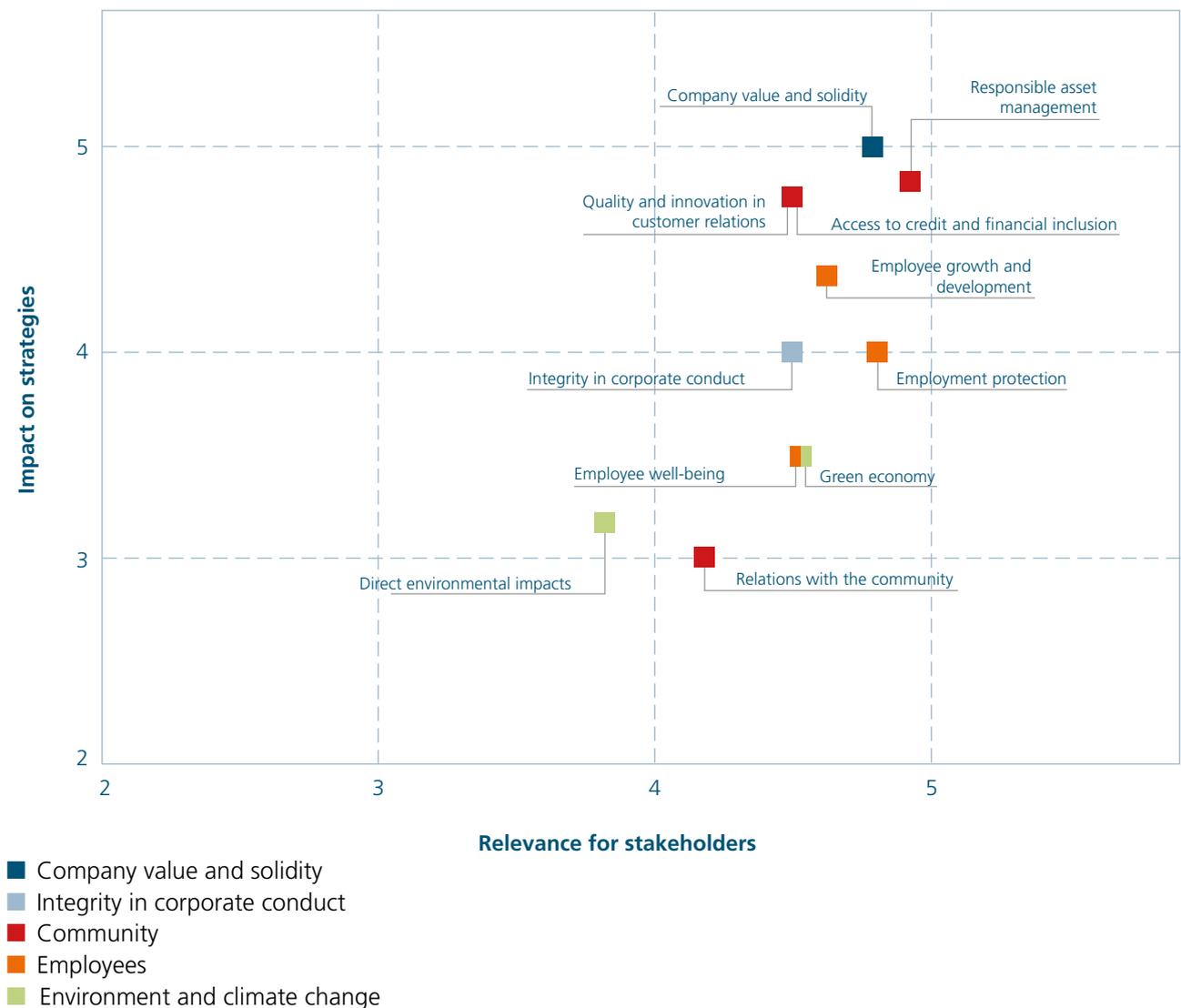
The results of the “stakeholder engagement” process (see page 121). were used when defining the stakeholders 2017 axis. The results were classified on the basis of Intesa Sanpaolo’s issues and weighted according to their relevance for the Bank of the stakeholder in question.

The 2017 strategies axis was constructed as follows:

- documentary analysis: in order to highlight issues that emerged in 2017 and their evaluation in the strategies of Intesa Sanpaolo, the main strategic guidelines were analysed, like the 2014-2017 Business Plan and the press releases during the year as the voice of the company management;
- construction of the 2017 strategies axis: the values assigned to the axis in 2016 were reclassified according to Intesa Sanpaolo’s new priority issues and updated on the basis of the results of the documentary analysis.

The results of the materiality analysis are graphically represented using a Cartesian coordinate system known as the Materiality Matrix which reports the company’s interest on the vertical axis and the stakeholder’s interest on the horizontal axis. This representation makes it possible to assess the significance (“materiality”) of each issue on the basis of its overall position with respect to the two axes. The 2017 Intesa Sanpaolo Materiality Matrix is composed as follows.

2017 MATERIALITY MATRIX



MAIN CHANGES OF THE 2017 MATERIALITY MATRIX COMPARED TO 2016

The 2017 Intesa Sanpaolo Materiality Matrix presents some changes compared with that of the previous year. The main variations are reported below:

- “Company value and solidity”: in line with last year, it rose slightly on the stakeholder axis. For Customers and Investors aspects such as risk management – also as regards reputation – and the management of the Bank’s assets are particularly important.
- “Direct environmental impacts” and “Green economy”: the coordinated reading of the scores attributed to direct impact (slightly down) and the green economy (significantly up) does not demonstrate any discontinuity compared with the previous year.
- “Access to credit and financial inclusion”: this became more a priority issue for both the company and stakeholders. For Customers, the Community and Investors, the actions to support customers in temporary difficulty (e.g. unemployed, victims of natural disasters) were relevant; for the Community and Employees, the promotion of microcredit initiatives was important. The score is influenced by the grouping together of the issues of support for the business system and financial inclusion.
- “Relations with the community”: in 2017 this was considered a material issue thanks to its increase in importance in terms of both the impact of company strategies, due to the extraordinary operation involving the former Venetian Banks, and its relevance for stakeholders, with important aspects including transparent and effective communications also on the issues of corporate social responsibility.
- “Integrity in corporate conduct”: this important issue fell slightly in relevance for stakeholders, probably because of the perception of a decrease in sensitivity due to the increase in dedicated regulatory and operational instruments. For the Community and for Investors aspects such as combating corruption are important; for Employees, the promotion of professional ethics, honesty, fairness and responsibility is relevant.

The issues that were not subject to significant variations were:

- “Responsible asset management”: this issue had the same level of relevance for both the company and its stakeholders. Customers, in particular, highlighted the importance of the range of investment products suitable for their profile while for the Environment and Investors the application of ethics principles to the Bank’s investments is important.
- “Employee growth and development”, “Employee well-being” and “Employment protection”: people issues remain highly relevant for the company and its stakeholders. In particular, Investors are interested in aspects such as the training and well-being of employees. For Employees the equal treatment of diversity and welfare policies are important.
- “Quality and innovation in customer relations”: this issue remains relevant both for its impact on the strategies axis and for stakeholders. Aspects such as listening and dialogue for better customer relations are important for Employees, while Customers are focused above all on the simplification of banking and financial product regulations with a reduction in documentation.

Although relations with suppliers are not a material issue, Intesa Sanpaolo recognises their high social and environmental value and therefore provides summary disclosures in this document and detailed information on the website [i].

MATRIX VALIDATION

All significant issues (i.e. those with a score of 3/5 or higher) for the company and/or for at least one of its stakeholders are material and are accounted for in this document.

Each one is assessed in terms of its positive and negative impact on internal and external stakeholders and the company structures, and on the basis of potential associated business risks/opportunities. The reporting boundaries are also declared for each issue (see page 181).

The Materiality Matrix was shared with the internal company functions and with the Risks Committee, which forms part of the Board of Directors, in order to present an organic summary of these activities to the governing bodies.

ANALYSIS OF MATERIAL ISSUES IN THE WIDER CONTEXT OF SUSTAINABILITY

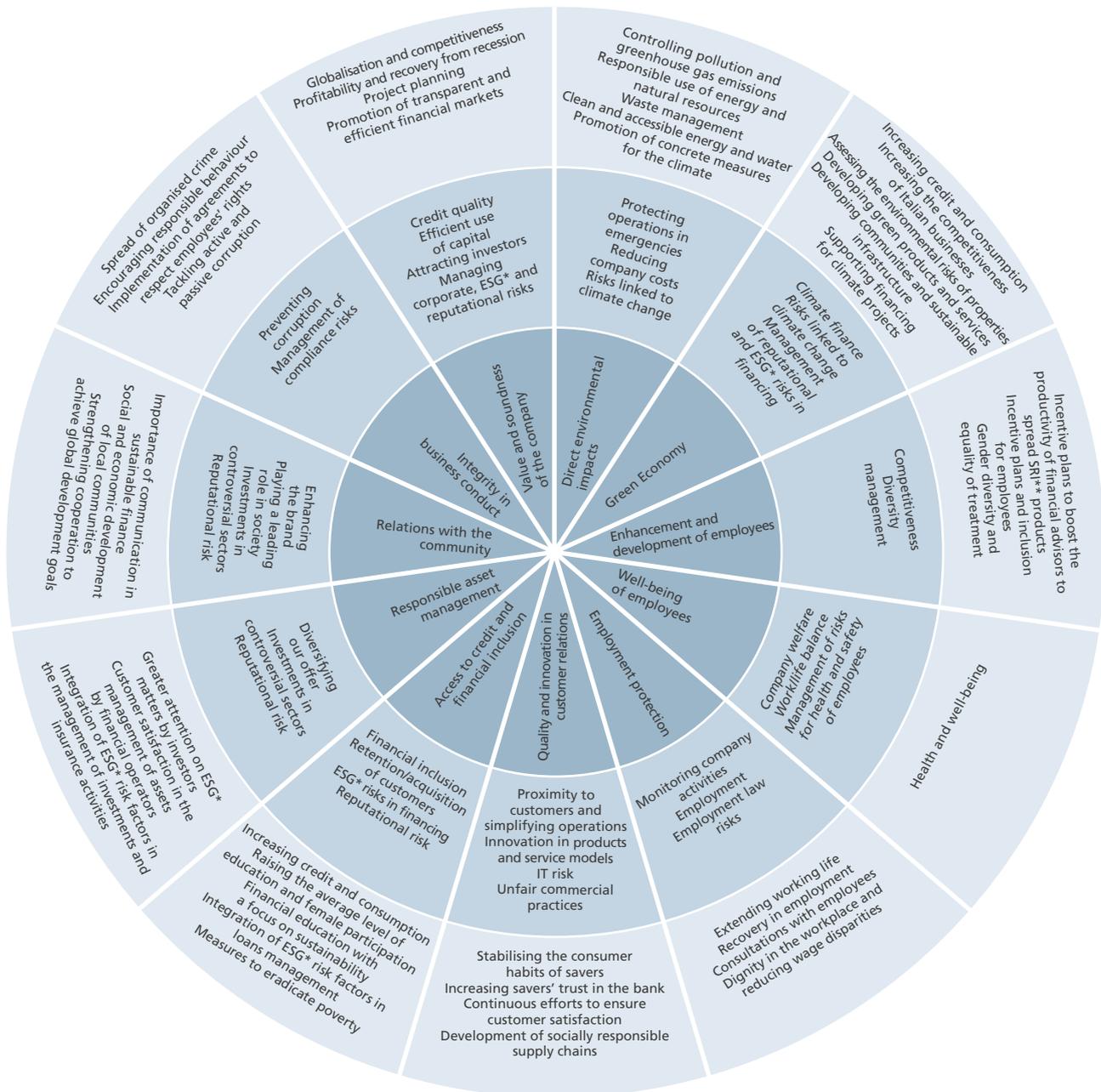
The results obtained from the Materiality Analysis were examined in terms of their congruence with a context analysis on general CSR issues and a sector analysis at national and international level. This analysis comprised:

- a context analysis on general CSR issues and a sector analysis at national and international level;
- a reference sector benchmark analysis.

According to the analysis, Intesa Sanpaolo is highly attentive to key areas as regards future trends.

IMPACTS, RISKS AND OPPORTUNITIES

- TRENDS AND NATIONAL AND INTERNATIONAL OBJECTIVES
- RISKS AND OPPORTUNITIES
- THEMES



* ESG Risks: environmental, social and governance risks.
 ** SRI (Socially Responsible Investment) investors: investors who assess ESG factors.