

GRUPPO SANPAOLO IMI

CSR at Sanpaolo IMI

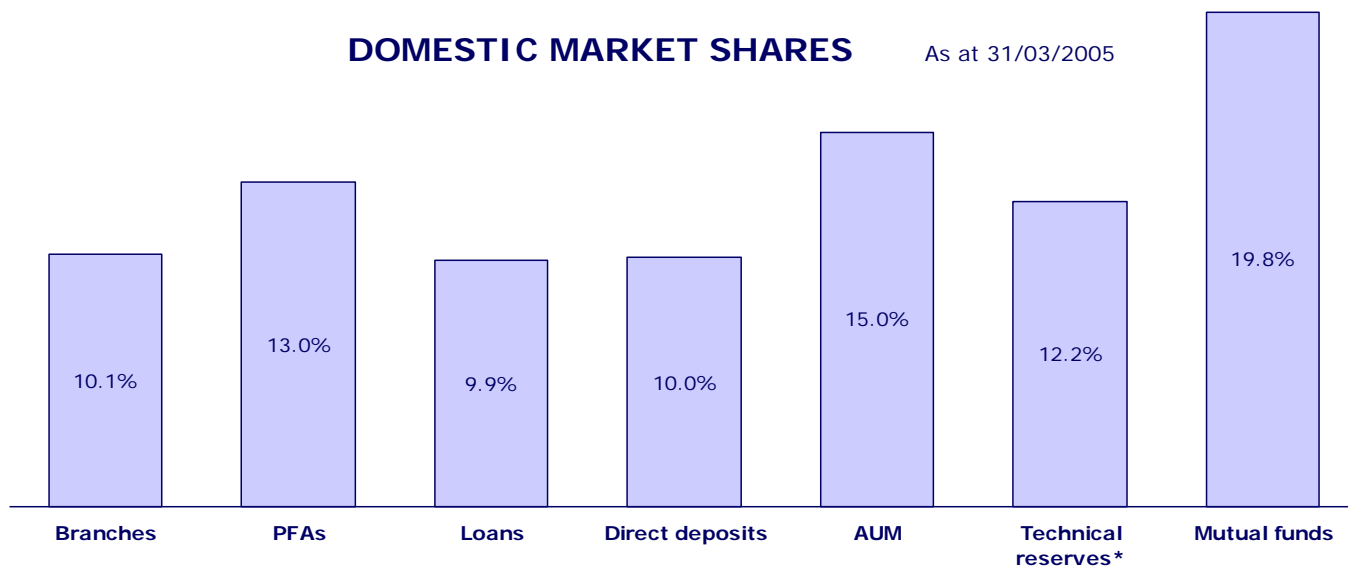
Turin, 8th September 2005

- Strategic commitment to CSR
- Corporate Governance Model
- Stakeholder Commitment
- Conclusions

- Shareholders' equity: € 12.1 billion
- Total financial assets: € 384.5 billion; assets under management: € 147.4 billion
- Net NPL ratio: 0.9% (among the lowest in Italy)
- Nationwide franchise: more than 3,200 domestic branches, 132 foreign branches and representative offices, about 43,000 employees and 4,200 financial planners.
- 7 million customers, of which 400,000 companies

DOMESTIC MARKET SHARES

As at 31/03/2005



* Including third parties

** Referred to banking groups

| Ranking | 2 | 1 | 3 | 3 | 1 | 1** | 1 |
|----------|-------|-------|-------|-------|-------|------|------|
| N° /Bn € | 3,212 | 4,242 | 123.3 | 136.2 | 147.4 | 42.1 | 99.4 |



CSR is viewed as the ability to strengthen a relationship of trust with all stakeholders, beyond legal requirements. This dynamic balance is expressed in the strategic choices and in the management of daily business.

This allows:

1. identification of potential liabilities within the business
2. management of problems and conflicts in order to minimise the financial impact
3. maximisation of shareholders value

How is this approach sustainable within Sanpaolo IMI?



CSR MANAGING STRUCTURE

SUPERVISION

- Board of Directors
- Ethical Committee
- CSR Unit

TOOLS

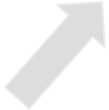
- Market communication (Social report, IR activity)
- Employee training
- Stakeholders' opinions
- Independent assessment (S&P, Avanzi SRI Research, PWC)

Decision levers



STRATEGIES

- Internal policies (Ethical Code, Investment and Commercial policies, binding policy for weapon and armament sector)
- Identification of issues and targets



The Group's commitment is married to deeply rooted ethical values which derive from its business philosophy based on relationships and close local ties to the communities where it operates.

1997

- Creation of Ethical Funds

2001

- Creation of the Group Ethical Committee

2002

- Forum EIB on EIA
- Adhesion to UNEP Principles
- Adhesion to Forum Finanza Sostenibile

2003

- Group Ethical Code
- Adhesion to Global Compact
- First Social Report
- Creation of a Group CSR Unit

2004

- Launch of the first ethical policy
- Internal training on CSR issues

2005

- Internal training on the Ethical Code
- Towards the ISO14001 certification

- Strategic commitment to CSR
- Corporate Governance Model
- Stakeholder Commitment
- Conclusions

- Among the first signatories of the “Code of Self Discipline for Quoted Companies”
- First Italian company to require a Corporate Governance Score by S&P, with a final result of 7/10

1. Ownership Structure

- Transparent ownership structure
- 39% foreign (31% European)
- 3 Foundations together have 15% of ordinary capital (32% of total capital)
- Consultancy agreements (expire on 2007) regarding 27% of ordinary capital

2. Board Structure

- Clear definition of CEO roles
- Majority of non-Executive Directors
- Technical Committees: Remuneration, Audit and Ethical
- Independent Directors: 8 out of 17
- Remuneration of Directors linked to results

3. Transparency & Audit

- Good public disclosure
- Clear publication timetable
- American regulations
- Disclosure Committee
- 3 level Audit process

4. Shareholders' rights

- One share one vote
- No share blocking requirements
- Absence of takeover measures
- Defined election procedures
- Ethical Code

Issues

- Disclosure and dissemination of all proxy documents not less than 20 days ahead of a general meeting
- Information on the nature and composition of board committees
- Greater information on all incentive schemes and Directors remuneration
- Disclosure of information about auditors, including fees, fees for non-audit work and provision for audit partner change
- Independence of board members
- Full information on proposed Board director 20 days before the AGM
- Opportunity to propose resolutions, subject to suitable safeguards

Update

- All proxy documents (e.g. *Report of the Board of Directors*) are available on the Group website
- Full description now given on the new Group website
- Commitment to evaluate the possibility of providing more details regarding criteria and indicators prior to voting
- Main figures available in Annual Report, access to details through company website
- Voluntary compliance by the Group to the Code of Conduct for publicly quoted companies (Codice Preda)
- The Bank believes that the shareholders' right to propose candidates up to the same day of the meeting should be maintained
- Under revision; within certain limits it is already available

- Strategic commitment to CSR
- Corporate Governance Model
- Stakeholder Commitment
 - Customers
 - Shareholders
 - Employees
 - Environment
 - Community
- Conclusions

A commitment to offer accessible high quality services in the belief that transparency and integrity will bring benefits for the whole organisation



FOCUS ON CUSTOMER NEEDS

- Understanding customer needs: “Client Financial Planning”
- Managing complaints by customers (Cirio, Parmalat, Argentina)
- Transparent guidelines: the ‘Investment Policy’ for retail and the ‘Commercial policy’ for corporate customers
- Development of sustainable financial products:
 - Ethical Funds, AuM of 760 mln, supervised by ‘Ethica - Organisation for Socially Responsible Finance’
 - Index-linked insurance policy, 946 mln, linked to a basket of externally screened securities
- Customer Satisfaction Surveys
- Easy to understand banking services: the “Patti Chiari” (Clear Deals) interbanking initiative

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|--|--|
| New programme assisting customers in their investments | 13,100 training days provided to consultants and managers on the Investment Policy and the Client Financial Planning |
| Development of an ethical insurance product | Launch of the index-linked 'Blue Profits Solidarietà' |
| Further development of internet, phone and mobile banking. | Launch of the new "Personal Finance" website |



TARGETS 2005

- Qualitative and quantitative survey on the perception of bank services by retail customers
- Drawing up of two policies containing the lines of conduct to be followed in dealing with corporate and retail customers
- Developing products that provide a personalised service.

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|--|---|
| Verify the degree of customer satisfaction. | Identification of customer's expectation and measure of the perceived quality level |
| Cooperate with both the Loans Consortia and the industrial districts to sustain SME growth | 500 million euro to finance SMEs located in the Centre-North of Italy. |
| Support the SMEs investing in R&D | Line of credit of 250 million euro |



TARGETS 2005

- Complete the survey on corporate customers
- Drawing up of two policies containing the lines of conduct to be followed in dealing with corporate customers
- Creation of a new line of credit for SMEs, aimed at financing investments in corporate research & development

A commitment to offer adequate remuneration through the distribution of dividends and with the valuation of shares on the stock exchange



VALUE CREATION IN THE MID/LONG TERM

| | |
|---|--|
| <ul style="list-style-type: none"> ▪ Performance <ul style="list-style-type: none"> - Dps - Dividend yield | <p>0.47 euro (0.39 in 2003) 4.78% (same as 2003)</p> |
| <ul style="list-style-type: none"> ▪ Credit rating <ul style="list-style-type: none"> - Moody's - S&P - Fitch | <p>Aa3 A+ (<i>outlook +</i>) AA-</p> |
| <ul style="list-style-type: none"> ▪ Inclusion in ethical indexes <ul style="list-style-type: none"> - FTSE4Good - Ethical Index Global/Euro - ASPI Eurozone | <p>since 2002 since 2002 since 2004</p> |

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|--|---|
| 1) ROE expected to increase to 15% in 2005 2) reduction in Cost/Income to 55% in 2005 | The objectives will be revised, on the grounds of new underlying assumptions. |
| On-going development of communication with investors | Improvement of the interactive aspects of the website. |



TARGETS 2005
 To be part of the top European financial league.

A commitment to professional development of our employees
and to their welfare



FOCUS ON EMPLOYEE WELFARE

- Flexibility (working hours, maternity leave)
- Contribution and facilities
- Company social club
- Safety and security
- Gentle management of early retirement schemes on a voluntary basis
- Internal communication tools (Magazine, Intranet site)

FOCUS ON DEVELOPMENT

- Training
- HR management by "Community" (Newly employed staff, Promising Young Employees, Promising Employees, Directors)
- Equal opportunities
- Incentive Schemes (Variable remuneration = 10% on total)

Company concessions which go beyond the General Banking Sector Contract

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|--|--|
| Development of selected innovative tools to manage and govern human resources | IT development for the evaluation of the "Contribution of Human Assets to creating value" |
| Starting up of a "measuring competences" system and a "management review" system for Group executives. | Set up of the competencies system for executives |
| Consolidation of training activities | Increase in training days during working hours (+26% on 2003 and +40% on 2002) and the per-capita average of training hours (+29% on 2003 and +50% on 2002). |



TARGETS 2005
 Launching new initiatives aimed at developing skills and optimising competences.

A commitment to limiting the impact of our activity on the environment and assessing the impact of those operations we finance



SUPERVISION OF DIRECT AND INDIRECT ENVIRONMENTAL IMPACTS

DIRECT IMPACTS

- Energy Management Unit
- Increase use of renewable sources: 57% (38% on 2003)
- Specific projects aimed at reducing emissions (liquid crystal screens, new cooling systems)

INDIRECT IMPACTS

- Environmental criteria in lending:
 - case by case analysis within the Credit Committee (40% of total loan book)
 - possible rating downgrade if counterparts do not provide sufficient environmental guarantees
 - specific guidelines for Project Finance operations and public works
- Environmental projects run by Banca OPI (waste to energy plants, dedicated closed funds,...)
- Periodical review of total loan exposures towards environmentally sensitive sectors (*see next*)

MEASURING POTENTIAL ENVIRONMENTAL RISK: SUMMARY LIST OF ENVIRONMENTALLY SENSITIVE SECTORS

- Crude oil refineries and installations
- Thermal power stations and other combustion installations
- Nuclear industry/Radioactive processes
- Major installations for the smelting of cast iron and steel
- Installations for the extraction processing and transformation of asbestos
- Integrated chemical installations
- Construction of motorways, of long-distance railway traffic and of airports
- Large-diameter oil and gas pipelines
- Sea ports and also inland waterways
- Toxic and dangerous waste-disposal installations
- Large dams and reservoirs

- Groundwater abstraction activities
- Pulp and paper manufacturing
- Major mining, on-site extraction of metal ores or coal
- Hydrocarbon production
- Major storage facilities for petroleum, petrochemical and chemical products
- Large-scale logging
- Large-scale waste-water treatment
- Domestic solid waste-processing facilities
- Large-scale tourism development
- Large-scale power transmission
- Large-scale reclamation
- Large-scale agriculture/silviculture
- Tanneries

(source: EBRD)

6.3% of Sanpaolo Imi Group total loan portfolio (7.7% on 2003)

POTENTIAL RISKS RELATED TO MAIN INTERNATIONAL PROJECT FINANCING



- Significant environmental impact due to infrastructure dimensions
- Involvement of areas with strategic political locations or precarious political and social equilibrium
- Risk for social disturbances as a consequence of massive foreign presence
- Critic technical aspects in relation to both projects needs and soil protection



IMPLEMENTED MITIGANTS

- Participation of major International Institutions as the World Bank (IFC) or the EBRD, in order to allow a better management of political and social implications through granting an independent supervision (SPIMI is currently valuating the subscription of the Equator Principles)
- Mandate to environment and technical independent consultants to assess and monitor the project development during working out process, construction and operation
- Tightening contractual covenants in terms of both informative purposes and action plans requirements
- Continuous information sharing between lenders and other involved parties

IN CASE OF PROBLEMS REVEALED BY ENTITIES BOTH INTERNAL OR EXTERNAL TO THE PROJECT FINANCING STRUCTURE



- The lenders' group immediately shares the information
- Consultants are required to deepen the issue promptly
- The sponsors are invited to provide explanations and examples of ongoing solving process
- Specific resources are dedicated to analyze and face the problem, if needed
- Informing process to local communities is immediately undertaken



CONTINUOUS MONITORING OF THE ONGOING PROJECT DEVELOPMENT CANNOT AVOID ALL PROBLEMS, BUT DOES GRANT PROMPT AND EFFECTIVE INTERVENTION, ALLOWING FOR PROPER SOLUTIONS UNDER THE TIGHTENING THREAT OF LENDERS POOL CLAIMING AN EVENT OF DEFAULT

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|--|---|
| <p>Energy savings:</p> <ul style="list-style-type: none"> - extensive use of electricity from renewable sources; - replacement of about 2,600 traditional monitors with LCD monitors | <p>Increase of annual consumption of hydroelectric energy (+51%). Replacement of 3,730 traditional monitors with LCD monitors</p> |
| <p>Development of a fund to support renewable energies</p> | <p>Banca OPI has continued providing advisory services in the tender bids for the appointment of an integrated waste disposal system. The Ministry for the Environment has been contacted for the creation of a fund to finance renewable energies in the South of the Mediterranean.</p> |



2005 TARGETS

- ISO 14001 environmental certification
- Achieving maximum energy efficiency (e.g. Green Light project, completing the replacement of old monitors with flat-screen ones, and fuel consumption monitoring)

A commitment to national economic development, support for regional and local initiatives and enhanced access to banking services for all levels of the community



FOCUS ON COMMUNITY INVOLVMENT

- Micro lending: 91 projects for 1,1 mln (70% of the total funds allocated)
- Social banking: Multiethnic branches, Benefit Start (basic low cost current account)
- Job schemes set up in collaboration with local associations
- Wide variety of local initiatives, donations and sponsorships
- Financial initiatives for local development:
 - SINLOC (equity financing and advisory service)
 - closed-end funds, focused in centre and South Italy

| TARGETS 2004 | ACTIONS TAKEN AND RESULTS ACHIEVED |
|---|--|
| Set up of Consultative Committees on the local economy | Calabrian-Lucanian Consultative Committee set up in October 2004 |
| Preparation of a policy for the disbursements made by the banking networks. | Adoption of the policy made by the banking networks. |
| Promotion of other micro-credit initiatives. | Funds available doubled (2 mln). A new initiative launched in cooperation with the Fondazione Venezia at the beginning of 2005 (200,000 euro). |
| Promotion and participation in closed-end funds by Banca OPI | Participation in the Henderson PFI Secondary Fund L.P. Promotion of a fund aimed at developing PPP in Italy which is expected to be launched in 2005. |



2005 TARGETS

- Further development of micro-credit and Migrant Banking initiatives
- Extensive cooperation with societies, consumer associations in particular.

- Strategic commitment to CSR
- Corporate Governance Model
- Stakeholder Commitment
- Conclusions

OUR COMMITMENT IS TO:

- Integrating the Group's CSR approach in the development of its banking business
- Governing the Company with systems in compliance with the best international standards
- Strengthening the awareness of indirect environmental impacts into lending and investment decision making
- Building a communication flow with all stakeholders which is clear, continuous and concrete

I INVESTOR RELATIONS

- Dean Quinn dean.quinn@sanpaoloimi.com +39 011 555 2593
- Damiano Accattoli damiano.accattoli@sanpaoloimi.com +39 011 555 3590

Piazza San Carlo 156

10121 Torino

www.grupposanpaoloimi.com