

Intesa Sanpaolo

Green Bond Framework

as of 12 June 2017

Intesa Sanpaolo is responsible for the preparation and fair presentation of this Green Bond Framework (“Framework”) as of 12 June 2017.

Purpose

This Green Bond Framework has been developed to demonstrate how **Intesa Sanpaolo** will issue Green Bonds to fund new and existing loans/projects and businesses with environmental benefits in alignment with the *Green Bond Principles, 2016*¹.

Assertions from management

For each Green Bond issued, **Intesa Sanpaolo** Management asserts that it will adopt:

- (A) the Use of Proceeds and
- (B) Policies and Internal Control Procedures:

in respect of each of

- (i) project evaluation and selection,
- (ii) management of proceeds and
- (iii) reporting,

as set out in this Framework.

1.1 Background and Intesa Sanpaolo Commitment

Climate change, considered until recently only in the context of environmental risks, in these last years has become a global economic and financial problem. This is demonstrated by the numerous studies on the subject and the growing attention of the political community but also the turmoil that is affecting the world of institutional investors.

With its almost 90,000 employees, working in about 5,000 branches, and almost 19 million customers worldwide (as of 28 April 2017), Intesa Sanpaolo is conscious of the serious threat that climate change poses to natural capital, to society as a whole and the commitment necessary to deal with this sensitive issue.

It is a global challenge and that for the first time sees the entire world committed towards a single great and vital objective: reducing the greenhouse gas emissions that are putting the delicate balance of our planet Earth at risk.

Intesa Sanpaolo is aware of the way in which climate change might directly impact its activities and, indirectly, its customers, and to that extent it influences many of the Bank's strategic options. The materiality matrix, published in the Sustainability Report (see Table 1) each year, considers climate change as one of the most significant input issues presented in the matrix, and this supports the definition of actions and strategic choices, above all the choice to keep its own ecological footprint down to a minimum.

Environmental protection and attention to climate change are also key dimensions of Intesa Sanpaolo commitment to responsibility, and are highlighted in the Group's Rules for the environmental and energy policy. The commitments declared refer to both direct and indirect impacts, with the aim of assessing risks and opportunities related to the environmental issues, reducing our ecological footprint and that of our customers and suppliers.

Intesa Sanpaolo also act as promoters of good practices in dealing with our customers, by financing their projects (see Table 2) in the environmental sector and in particular in the context of energy production from renewable sources and energy efficiency. The Group is convinced that the eco-innovation theme should become a key part of the investment strategies and that the role of the green economy as a real driver of change could attract an increasing share of private and public sector funding. The Intesa Sanpaolo commitment is to continue supporting, through environmental loans, the renewable energies and environmental protection sectors

¹ <http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/green-bond-principles/>

The evaluation and management of social and environmental risks is also important for the Group. To monitor these risks for large projects, Intesa Sanpaolo has adopted the Equator Principles since 2007. Since 2014, Intesa Sanpaolo's "Operating Guidelines for implementing the Equator Principles" are included in the Group's credit policies, in order to identify, from the application stage, all loans covered by the scope of the Equator Principles. The Guidelines require higher-risk projects, and medium-risk projects if necessary, to be assessed by an independent advisor who identifies the main social and environmental impacts.

Moreover, the business customers rating assessment model has been testing since 2015 a specific question on customer exposure to social and environmental risks. The data obtained will be used by the Bank, along with qualitative and quantitative information, in the overall credit assessment of the customer/applicant and included in the loan disbursement process.

Thanks to these actions Intesa Sanpaolo was acknowledged, with the inclusion in 2016 in the CDP "A List" index, among world leaders for its commitment to reducing carbon emissions and mitigating the risks of climate change. Furthermore, Intesa Sanpaolo has been rewarded for its commitment against climate change with the Industry Carbon Leader 2016 award thanks to its position in the ET Index Research ranking: 21st out of 300 at European level and 50th out of 800 at global level.

TABLE 1

The materiality matrix

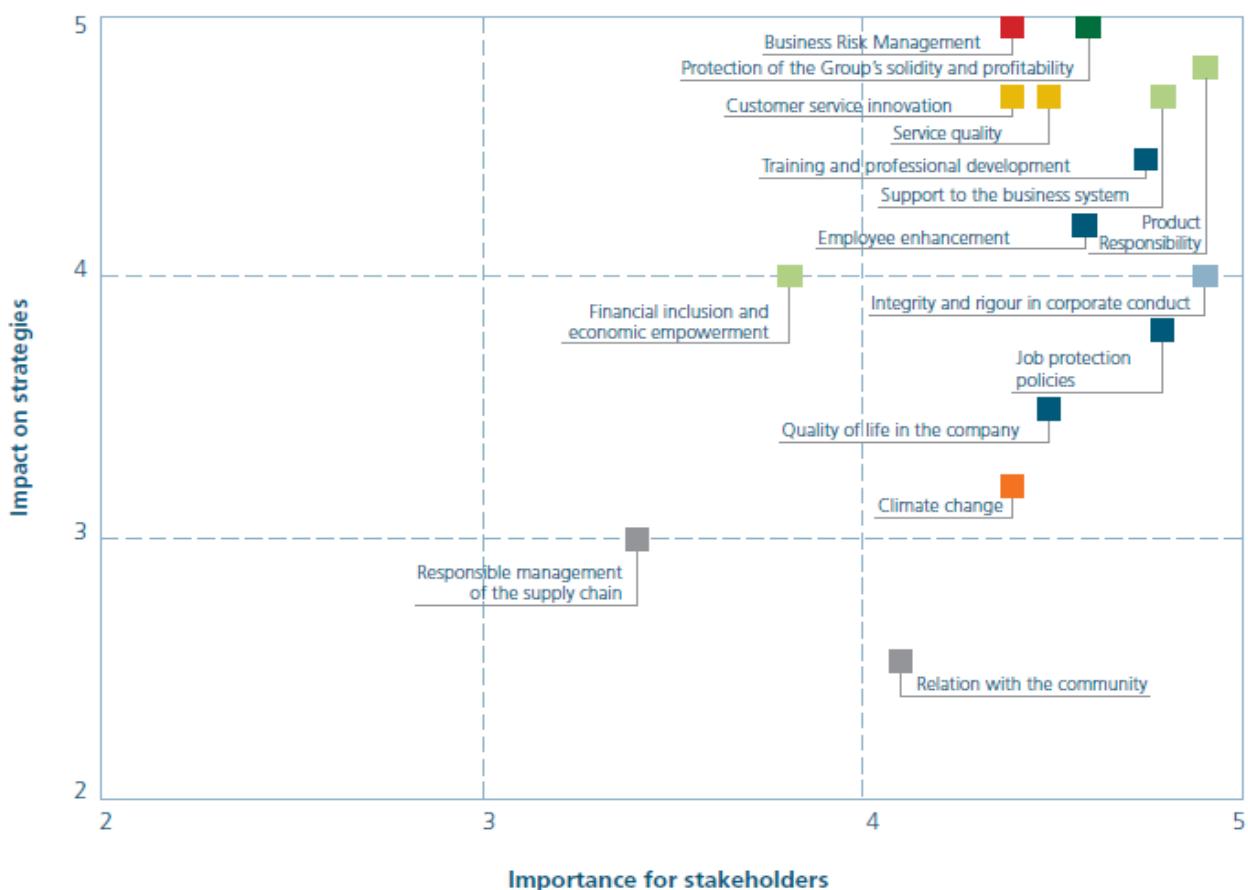
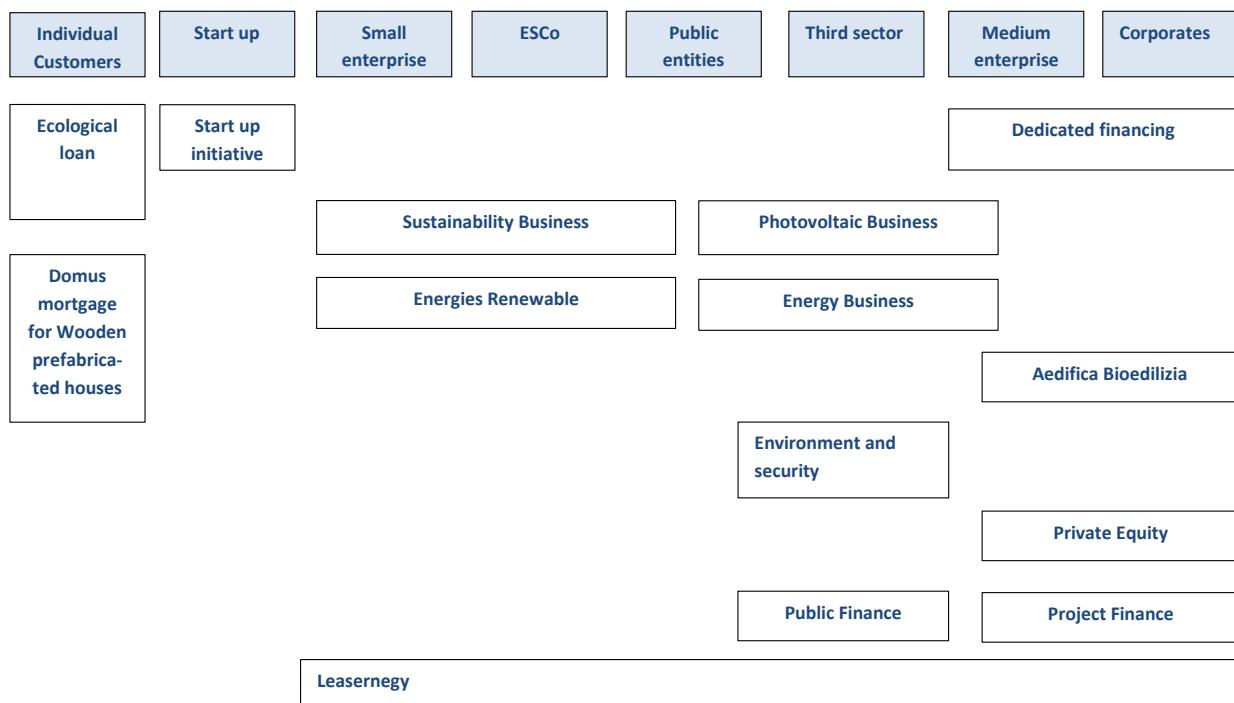


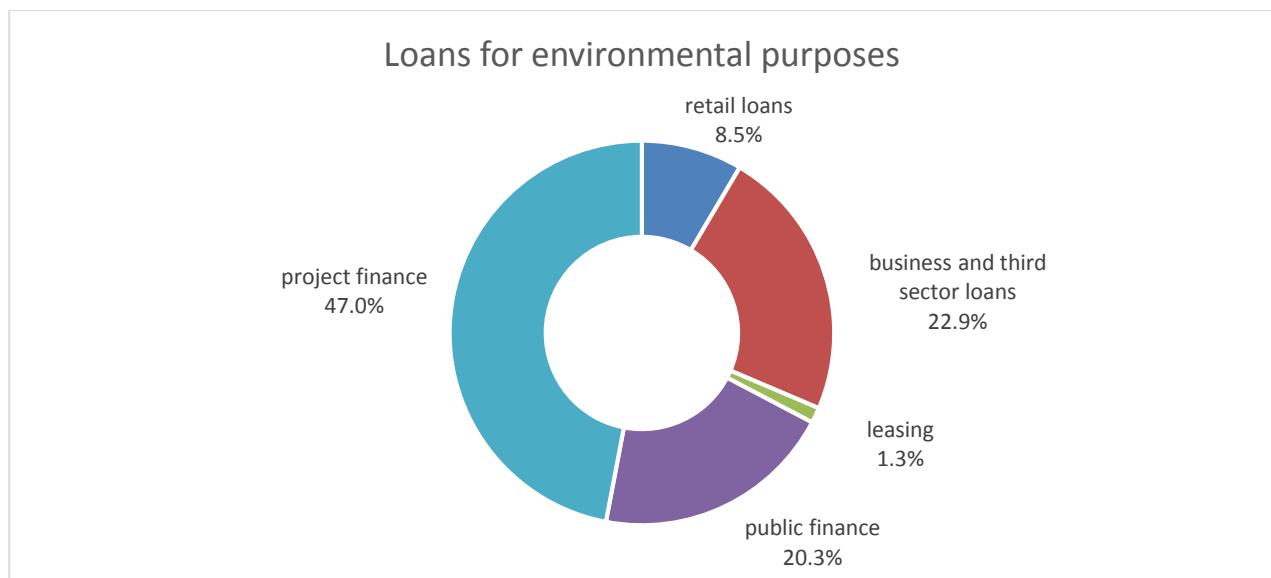
TABLE 2

**Green products and services offered by Intesa Sanpaolo Group in Italy
as of May 2017**



1.2 Green Lending by Intesa Sanpaolo

In 2016, 3.1% of Intesa Sanpaolo's total loans to business referred to environmental protection sectors, such as renewable energy, energy efficiency, environmental services, amounting to about 1.7 billion euro.



Regarding retail customers, loans were disbursed for, among others, the replacement of door and window fixtures and high-performance boilers, the energy-efficiency renovation of property, the purchase of ecological equipment and installation of solar and photovoltaic panels. With its loan for "prefabricated timber-frame houses", the bank also

responded to the needs of customers who are more aware of environmental issues, allocating resources to the purchase of these types of houses that meet certain safety and construction standards.

In Italy, Mediocredito Italiano, the Intesa Sanpaolo Group bank that brings together medium-long term financing, leasing and factoring, made an important contribution with its "tailor-made" financial solutions for businesses and the public administration investing in renewable energy plants or in energy efficiency processes developed by energy intensive or Energy Service Companies ("ESCo"). These loans, overseen by the Energy Desk, are preceded by project appraisals that support the Bank's credit process.

Banca Prossima, the Intesa Sanpaolo Group bank dedicated to non-profit organizations, continued to support third sector companies that want to invest in energy efficient projects with solutions to save on energy costs and increase the overall sustainability of social activities. In 2016, approximately 1.2 million euro of funds was earmarked for projects through an operating agreement with Federesco (the National Federation of Energy Service Companies) and Banca Prossima won the "Green Globe Banking Award" in the "indirect impact" category.

Through its "Circular Economy" project, the Intesa Sanpaolo Group is seizing strategic opportunities to become an innovative and exclusive financial leader for the circular economy, redefining traditional financial tools to support transition to a new model for economic development, which is sustainable over time. As a Global Partner of the Ellen MacArthur Foundation, Intesa Sanpaolo promotes the best experience of leading international companies with Italian SMEs, creating synergies and shared value.

2.1 Use of Proceeds

The proceeds of any **Intesa Sanpaolo** Green Bond will be exclusively allocated to Eligible Loans as defined within the following list of Eligible Categories.

Intesa Sanpaolo's may consider future opportunities to update this Green Bond Framework to expand this list of Eligible Categories and include new Eligible Categories as relevant to Intesa Sanpaolo financing strategy.

The proceeds of the **Intesa Sanpaolo** inaugural Green Bond will be exclusively allocated to Eligible Loans within the two Eligible Categories documented below:

Eligible Loans categories	Further detail	Benefit
1. Renewable Energy	Investments in production, transmission, infrastructure and associated assets, specifically for: Solar, Wind, Bio-energy / Biomass and Hydro energy generation	Renewable energy—wind, solar, geothermal, hydroelectric, and biomass—provides substantial benefits for climate, environment, health and economy. Increasing the supply of renewable energy would allow people to replace carbon-intensive energy sources and significantly reduce global warming emissions.
2. Energy Efficiency	<ul style="list-style-type: none"> • New investments and ongoing maintenance in infrastructure, associated assets, technology and services that contribute towards reduced energy usage and/or increased energy efficiency, such as: energy storage, energy efficiency in industrial facilities, high efficiency co-generation of heat and power, district heating, smart grids, LED lighting • Construction of new building developments or renovation of existing buildings (including public service, commercial, residential and recreational) which meet recognised environmental standards such as: LEED – gold, BREEAM – good/very good, HQE – very good/excellent, CASBEE – A(very good)/S(excellent) or equivalent or, 	<p>Energy efficiency means using less energy to provide the same service. Increasing efficiency of energy consumption seems to be the most straightforward and practical way to climate change mitigation. Investing in energy efficiency also has an impact on the costs that private and business companies have to bear in their energy bills.</p> <p>The construction and operation of a green building will promote a healthy environment for all involved, and it will not disrupt the land, water, resources and energy in and around the building. Green buildings are designed in such a way to reduce overall impact on environment and human health by: reducing trash, pollution and degradation of environment, efficiently using energy, water and other resources and protecting occupant health and improving productivity.</p>

	Buildings which have reduced life cycle consumption of energy levels of at least 20% less than statute/city baseline	
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2.2. Excluded Categories and limitations

- Any kind of investment connected to the nuclear power generation and to the weapons sector will be excluded.
- Hydro projects up to 25 MW in installed capacity are eligible. If larger than 25 MW, one of the following international sustainability best practices has to be satisfied:
 - Hydropower Sustainability Protocol – Published assessment report, score of 3 or above (i.e., in line with “Good Practices”) on all relevant pillars or
 - International Finance Corporation (IFC) Standards – Publicly stated commitment to meet the requirements outlined by all eight IFC performance standards
- Regarding energy production from biomass, the use of vegetable oil is not allowed. Moreover, project sponsors must provide directly at least 70% of plant raw material.

3.1. Project Evaluation and Selection

Business teams will propose loans as Use of Proceeds of each **Intesa Sanpaolo** Green Bond.

For its Inaugural Green Bond Issue, Intesa Sanpaolo will consider only the Mediocredito Italiano Green financing as eligible for the Use of Proceeds.

An internal team of qualified individuals (the “Green Bond Working Group”), made up from the Treasury Department (Head of MLT Funding), CSR (Head of CSR) and the Energy Desk of Mediocredito Italiano (Coordinator of Energy Desk), will review and approve, as appropriate, each proposed loan based on the defined Eligible Categories and Criteria listed in section 2.1 “Use of Proceeds”.

Loans determined as eligible will be marked accordingly and added into the Green Bond Register described in section 4. “Management of Proceeds” below.

The Green Bond Working Group is in charge of the oversight of the process:

- Business teams will propose loans as Use of Proceeds of each Intesa Sanpaolo Green Bond.
- The internal Green Bond Working Group will review and approve, as appropriate, each proposed loan based on the defined Eligible Categories listed by the Use of Proceeds.
- Loans determined as eligible will be marked accordingly and added into a Green Bond Register.
- The Green Bond Working Group is responsible to maintain and update the Green Bond Register further described in section 4. “Management of Proceeds”.

The selection process of Eligible Loans is structured, published on Intesa Sanpaolo’s website, and fully integrated in Intesa Sanpaolo’s existing investment process. Internal roles and responsibilities are defined as follows:

- The analysis of loans eligibility is managed by Mediocredito Italiano functions. External experts can be involved on specific projects depending on workload and are expected to comply with Mediocredito Italiano guidelines.
- The Credit Evaluation function evaluates client’s reputation and creditworthiness.
- Then Mediocredito Italiano approves the disbursements to be made.

3.2. Control of social and environmental risks in financing

In compliance with the current Green Bond Framework, Intesa Sanpaolo expects its customers and business partners to operate in accordance with relevant international, national and local laws and regulations. Thus, in order to assess loans eligibility, Intesa Sanpaolo executes legal and technical due diligences before supplying credit to its customers, verifying the economical sustainability of the business plan, the respect of laws and regulations in the building phase of the project financed and the environmental impacts generated (MWh expected production, in case of Renewable Energy Loans).

4. Management of Proceeds

Intesa Sanpaolo will establish a Green Bond Register for the Green Bond(s) issued. The Register will contain, for each Green Bond issued, information including:

1. **Green Bond details:** ISIN, pricing date, maturity date, etc,
2. **Eligible Loans list:**
 - Eligible category utilised (from this Framework),
 - Summary detail on project / Use of proceeds,
 - Amount of loan outstanding,
 - Disbursement date,
 - Loan maturity, and
 - Expected (social and) environmental benefits

The proceeds of any **Intesa Sanpaolo** Green Bond will be either dedicated to green projects directly from Intesa Sanpaolo or from any one of **Intesa Sanpaolo's** subsidiaries dedicated to green financing (i.e. Mediocredito, Banca Prossima, etc), which will be funded via intercompany loans.

As such, the allocation from any **Intesa Sanpaolo** Green Bond will be made into green projects either directly or indirectly. This will be disclosed in the annual Green Bond Report.

Any balance of issuance proceeds not allocated to fund Eligible Loans will be held in accordance with Intesa Sanpaolo's normal liquidity management, including treasury liquidity portfolio, Cash, Time Deposit with Banks or Other form of available short term and medium / long term funding sources (e.g. Commercial Paper Programme, Bank Credit Line), that do not include GHG intensive activities (i.e. related to fossil fuels exploitation and to carbon intensive assets such as infrastructure dependent on fossil fuels; fossil fuel-fired power plants; high-carbon assets) nor any disputable activity (Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, Genetically Modified Organisms (GMO) in food & feed, Nuclear energy, Sex industry, Tobacco).

In case of asset divestment or if a project no longer meets the eligibility criteria, Intesa Sanpaolo will use the net proceeds to finance other Eligible Loans which are compliant with the eligibility criteria of the Green Bond Framework and corresponding to the same category.

The Issuer will monitor the investments of the proceeds allocated to Eligible Loans, through the review of the external auditor. This monitoring of the funds is integrated into the annual financial reporting and further described in section 6. "Verification" below.

5. Reporting

Intesa Sanpaolo will report annually, until full allocation, on the use of proceeds via a 'Green Bond Report' which will be published via www.group.intesasanpaolo.com. The report will be verified by annual external assurance process.

The Green Bond Report will include the aggregate amount allocated to the various Eligible Loans categories, example loans from each sector (subject to confidentiality), confirmation of direct (from Intesa Sanpaolo) or indirect (from Intesa Sanpaolo's subsidiary) funding of green loans, remaining balance of funds which have not yet been utilized, share of re-financing versus new financing (see **Annex 1** for further detail).

Furthermore **Intesa Sanpaolo** will confirm that the use of proceeds of the green bond issuance conforms to this Green Bond Framework.

Intesa Sanpaolo will also report annually on the environmental benefits (see **Annex 2**) resulting from each loan disbursed from the Green Bond, until the bond maturity:

- Output: annual estimates and/or assessment of major outputs disclosed at category level, annually and up to the complete allocation of bond proceeds;
- Impacts: annual estimates of ex-ante and/or ex-post impacts (where feasible) based on specific indicators developed by Intesa Sanpaolo, disclosed at category level.

When reporting on the identified outcomes, Intesa Sanpaolo may select alternative quantitative or qualitative indicators, to remain relevant to the selected Eligible Loans. For all Eligible Loans, Intesa Sanpaolo may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on loans management.

6. Verification – External review

Intesa Sanpaolo's Green Bond issuance is supported by external reviews provided by:

The Second Party Opinion performed by Vigeo Eiris on the sustainability credentials of the Green Bond, based on pre-issuance commitments and covering all bond dimensions, i.e. Issuer's sustainability profile and commitments related to the issuance (use of proceeds, evaluation, selection and allocation processes and reporting) and alignment to the Green Bond Principles

An annual verification or assurance, i.e. a third party ESG or financial audit, of the Green Bond Report including: bond proceeds allocation, the compliance of the allocated loans with the selection process and the reporting metrics.

Intesa Sanpaolo also commits to the review of the Second Party opinion, every two years, which will include the sustainability credentials of the green bond(s) and the compliance with pre-issuance commitments of Intesa Sanpaolo and their alignment to the Green Bond Principles.

Intesa Sanpaolo

12 June 2017

ANNEX 1

Reporting on funds allocation at category level and Green Bond level

Criteria	Reporting Indicators at category level	Reporting Indicators at Bond level
Use of Proceeds	<ul style="list-style-type: none"> • Number of loans • Amounts invested (in EUR) • Loan Maturity • Direct or Indirect funding 	<ul style="list-style-type: none"> • Number of loans • Amounts invested (in EUR) • Loan Maturity • Total Allocated amount vs total amount proceeds (in %) • Balance of unallocated proceeds (in EUR and %) • Description of the unallocated proceeds management • Overall refunding amount vs new funding (in % of allocated amount and in % of total amount)

ANNEX 2

Reporting on Environmental Benefits: Output and Impacts

Green categories	Environmental benefits	Output reporting indicators	Impacts reporting indicators	Methodologies and assumptions
Renewable Energy	Climate change mitigation	<ul style="list-style-type: none"> • Installed capacity (MW) • Estimated renewable energy production (MWh, future projects) • Renewable energy produced (MWh, past and future projects, where feasible) 	CO2 emissions avoided (tons)	GHG Protocol
Energy Efficiency	Climate change mitigation	<ul style="list-style-type: none"> • Energy savings in MWh (future projects: ex-ante estimation, past projects: ex-post annual measurement, where feasible) • Environmental labels obtained (for buildings, #) 	CO2 emissions avoided (tons)	GHG Protocol