



Environment  
and climate change

# Environment and climate change

## RELEVANT ISSUES

Transition to a sustainable, green and circular economy	page 174
Loans and services for the Green and Circular Economy	page 174
Green culture and initiatives	page 180
Direct environmental impacts	page 184
Greenhouse gas emissions and energy consumption	page 185
Responsible management of resources	page 188

## WHY THESE ISSUES ARE RELEVANT

Climate change is an extremely important phenomenon and the changes taking place are transforming our planet. As well as its consequences and repercussions on the planet's ecosystem, the constant increase in global temperatures due to the growing concentration of greenhouse gases in the atmosphere is also impacting on the economic and social dynamics of present and future generations.

The seriousness of the phenomenon was confirmed by the reports of the Intergovernmental Panel on Climate Change (IPCC), according to which, at the current rate of CO<sub>2</sub> emissions, the increase in the average global temperature will be over 1.5°C by 2030 (compared to pre-industrial levels), considered by experts to be the maximum safety threshold to avoid otherwise irreversible consequences.

According to the "Risk Analysis. Climate change in Italy" report by the Euro-Mediterranean Centre on Climate Change (CMCC), Italy is one of the Mediterranean countries most exposed to the effects of climate change. The result is the emergence of a scenario in which risk will grow in many areas over the coming decades with significant economic and financial costs for the country and impacts that will be felt in all sectors and most keenly by more disadvantaged sections of society.

Effectively tackling the causes of climate change and adapting to its impacts therefore requires a collective effort at both global and national level as well as a comprehensive and systemic view of the problem. With the health, social and economic crisis caused by the COVID-19 pandemic, 2020 helped us to focus more closely on the importance of improving the resilience of our social, environmental and economic systems to internal and external stress, including climate change.

The European Union has made clear commitments to combating climate change with the aim of reducing emissions by at least 55% by 2030 and making Europe the first climate-neutral continent by 2050. To accelerate this transition, in 2019 the European Commission presented the European Green Deal, a roadmap for making the EU economy sustainable; later, at the start of January 2020, the Green Deal investment plan was presented, which aims to mobilise at least 1 trillion in sustainable investments over the next decade. The EU's commitment to guaranteeing the transition to a low-carbon economy is also confirmed by the Recovery and Resilience Facility, a tool which represents 90% of the 750 billion euro EU Next Generation plan (which will help European states address the economic and social impact caused by the COVID-19 pandemic). The Recovery and Resilience Facility provides subsidies and loans subordinate to the presentation of national recovery and resilience plans (NRRP), in which 37% of resources must be allocated to the climate.

Intesa Sanpaolo has long backed the transition to a low-carbon economy through direct actions to mitigate its emissions and its support of green initiatives and projects of benefit to its customers.

This commitment, confirmed in the 2018-2021 Business Plan, takes form through actions to support the production system from an environmental perspective, like the specific credit plafond of 6 billion euro for companies that adopt the circular model. Furthermore, in January 2020, in the context of the European Green Deal, Intesa Sanpaolo stated its willingness to make available 50 billion euro loans in the coming years in Italy. As concerns direct impacts, the Intesa Sanpaolo Group Environmental Plan - Climate Change Action Plan - identifies mid and long-term objectives for reducing CO<sub>2</sub> emissions and increasing energy consumption and production from renewable sources.

## PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-issue	Project/Indicator	2020 Actions/Results	2021 objectives
Transition to a sustainable, green and circular economy	Loans and services for the Green and Circular Economy	<ul style="list-style-type: none"> <li>Loans disbursed for the Green and Circular Economy: over 2.5 billion euro disbursed, equal to 2.9% of total loans</li> <li>Circular Economy credit plafond: 2.2 billion euro disbursed since launch of credit line</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the green economy</li> <li>6 billion euro credit for companies that adopt the circular model using innovative methods</li> <li>Launch of a specific investment fund dedicated to the Circular Economy</li> </ul>
	ESG-Linked loans for SMEs: S-Loan	<ul style="list-style-type: none"> <li>Loans granted with ESG-Linked KPI around 130 million euro disbursed</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the sustainable economy</li> </ul>
Direct environmental impacts	Greenhouse gas emissions*	<ul style="list-style-type: none"> <li>Scope1 + 2 Market-based**: 68,725 tCO<sub>2</sub> eq -13.1% vs 2019 -59.7% vs 2008 0.020 tCO<sub>2</sub> eq/m<sup>2</sup>: -10.3% vs 2019 0.768 tCO<sub>2</sub> eq/addetto: -7.5% vs 2019</li> </ul>	<ul style="list-style-type: none"> <li>Containment of CO<sub>2</sub> emissions</li> </ul>
	Energy consumption	<ul style="list-style-type: none"> <li>Electricity: 387,714 MWh</li> <li>Thermal energy: 190,180 MWh</li> <li>Renewable electricity consumption vs total: 84.3%</li> <li>Electricity produced from renewable sources: 1,082 MWh</li> </ul>	<ul style="list-style-type: none"> <li>Containment of energy consumption</li> <li>Increase in the use of renewable energy sources</li> <li>Maintenance of electricity production levels from photovoltaic energy</li> </ul>
	Responsible management of resources	<ul style="list-style-type: none"> <li>Paper purchased: 4,660 t</li> <li>Environmentally-friendly paper purchased (including recycled paper) vs total: 85.0%</li> <li>Paper saved: ~2,400 t</li> <li>Toners used: 96.5 t</li> <li>Remanufactured toners used vs total: 54.7%</li> <li>Water: 1.7 million m<sup>3</sup></li> <li>Waste: 3,167 t</li> <li>Business travel: 61 million km</li> <li>ISO 14001 and 50001 certified scope: 100% of Intesa Sanpaolo branches and buildings in Italy</li> <li>New Headquarters: Green Building Council LEED certification - Platinum level - in the sustainable building management category</li> </ul>	<ul style="list-style-type: none"> <li>Responsible use of resources</li> </ul>

\* Emission factors for the calculation of CO<sub>2</sub> established by Intesa Sanpaolo, in accordance with the ABI Energia Guidelines - Linee guida sull'applicazione in Banca del GRI Standard in materia ambientale - and on the basis of the main 2020 publications (UNFCCC, IEA, IPCC, AIB, etc.).

\*\* Market-based: the Scope2 data for purchased electricity considers the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions.

# Transition to a sustainable, green and circular economy

## COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for environmental and energy policy, the Intesa Sanpaolo Group has always paid particular attention to the portfolio of green products and services it offers to its customers, also with the goal of contributing to combating climate change.

In January 2020, Intesa Sanpaolo, in the context of the European Green Deal, stated its willingness to make available 50 billion euro loans in the coming years in Italy.

Intesa Sanpaolo is active in supporting the transition to a low-carbon economy, promoting renewable energy, energy efficiency and the circular business model, and encouraging the development of its various customer segments, committed to reducing their environmental footprint, by promoting green products and services supplied via the sales network in Italy and abroad. In 2020 it expanded its range with innovative financial solutions that meet the growing need for products increasingly in line with ESG principles. The Group also takes heed of the impacts generated by customers and suppliers, contributing to the spread of virtuous processes and behaviours in the environmental, social and governance areas. In addition, particular importance is given to training and research initiatives, as well as to events on environmental issues organised by Intesa Sanpaolo and/or its partners.

## LOANS AND SERVICES FOR THE GREEN AND CIRCULAR ECONOMY

In 2020, the Group's disbursements for the Green and Circular Economy came to over 2.5 billion euro, equal to 2.9% of all Group's loans.

### GREEN ECONOMY

In 2020 the disbursements of the Group for the Green Economy totalled 1,985 million euro (almost 22 billion euro in the 2010-2020 period).

The offer involves all customer segments: retail customers (46%), businesses and Third sector (15%), corporate & project finance (39%).

The Bank supports the green projects of its retail customers through the granting of mortgages and loans for environmental purposes.

The financing solutions are not only aimed at those who want to purchase or build an energy efficient property but also at those who want to improve their energy efficiency through energy-saving measures such as, for example, the replacement of fixtures and high-performance boilers, the renovation of buildings from an energy efficiency perspective, the purchase of environmentally-friendly vehicles and the installation of solar and photovoltaic panels.

The range of sustainable Mortgage solutions has been enriched with the introduction of Green - Mutuo Domus: a subsidised mortgage (reduction of the APR and free energy certification for renovation purposes) which makes it possible to purchase and build a residential property in Italy with a high energy class (equal to or higher than B) or to renovate a residential property in Italy improving its energy performance rating by at least one class.

In 2020, over 5,100 green mortgages of a total value of over 800 million euro were issued.

Still on the subject of mortgages, Intesa Sanpaolo participates in the EeMAP (Energy efficient Mortgages Action Plan) project, a European initiative that aims to create standardised European energy efficient mortgages with a view to encouraging the redevelopment of buildings and the purchase of energy efficient properties thanks to preferential financial conditions.

Special conditions were also introduced in the loans area for the PerTe Prestito Facile and PerTe Prestito Giovani products for environmentally-aware customers who want to improve the quality of their properties with energy redevelopment measures. Around 59 million euro of green loans was granted in 2020.

The range of green solutions has been enriched with a series of dedicated services, some of which provided by partner companies. These additional and optional services help to assess the possible savings that can be made through energy redevelopment measures, for example. They include the Valorizzazione Immobiliare service which, via a specific tool, enables branch managers to support customers who intend to invest in their homes through energy redevelopment measures and restructuring works, identifying, free of charge, possible ways of reducing their energy consumption and, if possible, benefitting from tax breaks. In the event the customer wants a precise assessment of the condition of their property, it is also possible to perform an



energy check on the home, benefitting from special conditions. This check takes the form of a personalised consultancy service consisting of an inspection in which the individual components and energy characteristics of the building are examined in detail in order to determine the potential savings that can be made with the house.

Intesa Sanpaolo offers those planning to carry out renovation works - families, condominiums or specialist businesses, for example - a special structured solution so they can benefit from the subsidies introduced by the Italian "Rilancio" Decree (converted into Law no. 77 of 17 July 2020). This Decree raises the tax deduction level to 110% (the so-called "superbonus"), usable over five years or transfer of tax credit, for all energy redevelopment expenses incurred on the building between 1 July 2020 and 31 December 2021 for the performance of works such as insulation, the replacement of boilers with centralised condensation systems and heat pumps, including hybrid or geothermal systems. Intesa Sanpaolo's modular solution is based on the purchase of the tax credit at a fixed price set at the outset as a function of the type of the tax credit, the optional PerTe Ecobonus bridge-loan to start the work, without having to wait for offsetting against tax liabilities (with an undertaking to repay this advance by transferring the tax credit to the Bank), and the option of benefiting from free advisory service in identifying and gathering the technical and administrative documentation required to issue the approval, where applicable. PerTe Ecobonus also makes it possible to finance other measures that benefit from tax deductions of less than 110% (Ecobonus/Sismabonus and other construction tax bonuses), and more specifically energy efficiency projects, the installation of photovoltaic systems, the installation of electric vehicle charging columns and the adoption of anti-earthquake measures.

Among the insurance products that aim to cover customers' insurance needs in the Family, Health and Property areas, the XME Protezione insurance policy focuses on protection against natural disasters, providing coverage for the damage caused by atmospheric events such as floods and cloudbursts. The coverage will reimburse up to 80% of the customer's property value. Over 105,000 XME Protezione policies with flood coverage had been taken out at the end of 2020.

In the area of motor insurance products, the ViaggiaConMe policy with consumption-based plan involves a premium linked to the number of kilometres travelled during the year: once the defined threshold has been exceeded, the premium to be paid will be integrated based on the additional kilometres travelled. The proposed solution therefore discourages the use of vehicles, with potential positive impacts on the environment.

Lastly, following the environmental disasters and extraordinary weather events that affected Italy also in 2020, the Intesa Sanpaolo Group continued its tangible and concrete commitment to supporting households and businesses affected with specific focus on agricultural companies, penalised more than anyone else by exceptional weather events, through the activation of dedicated credit lines, new subsidised loans for redeveloping damaged structures (homes, shops, offices, artisan workshops and businesses), suspensions of payments on outstanding loans and preferential, simplified and expedited procedures for the new instruments. In particular, emphasising its strong bond with the areas in which it operates and to help the public and the economic fabric of affected zones to deal with the emergency situations, the following instruments were provided in 2020: a 100 million euro credit line for the Verona area; a 300 million euro credit line to help families and businesses throughout the Triveneto area; 200 million euro for all of the provinces of North-West Italy; a 25 million euro credit line for families and businesses in the city and province of Crotona which suffered damage as a result of the extreme weather events.

Intesa Sanpaolo has continued to support non-profit companies that wish to invest in energy efficiency projects with solutions that make it possible to save on energy costs and increase the overall sustainability of their business.

Intesa Sanpaolo supports professionals and businesses in the creation of investment plans in the energy sector with short, medium and long-term loans to support renewable energy and energy efficiency projects.

In terms of products, in December the Banca dei Territori Division updated its range of solutions with Energia Impresa, a medium-term loan that replaces the previous Energia Imprese and Energia Sostenibile products, incorporating their features.

The new product is particularly flexible both in terms of the personalisation of the loan and its adaptability to various segments: the Renewable Energy sector (photovoltaic, wind energy, hydroelectric energy, residual gas from purification processes); Biogas, for the production of electricity; Biomethane, for the production of biomethane for transport; Energy Efficiency measures, for energy efficiency investments in buildings, plants and processes.

One distinctive feature of the solution is the support of MLT/Leasing Specialists who evaluate the technical/financial aspects of the investment and its relative sustainability, also availing themselves of a specific simulation tool and, if necessary, the assistance of the Energy & Utilities Desk in the origination phase of the project, in the structuring of the loan, in the technical due diligence phase, which is preceded by an appraisal - usually performed by an external consultant specifically appointed according to the regulations in force - to

support the Bank's credit assessment, and in the formulation of the final opinion on the technical, economic and financial sustainability of the project.

The Energy Desk, composed of a team of professionals from the sector, provides assistance for entrepreneurs who have planned investments in renewable energies or who intend to diversify their energy sources, assessing their projects from a technical and business perspective and evaluating the financial sustainability of the investment: a comprehensive service that ranges from the credit consultancy on risk assessment and the structuring of the most suitable financial solutions, to advice on new market opportunities and technology trends in the area of new energies.

To support businesses that aim to improve their sustainability profile and with the goal of assisting them on a path of structural change, associating their economic and financial decisions with their environmental and social impacts, in July 2020 Intesa Sanpaolo launched an innovative new solution to finance and encourage the sustainable growth projects of SMEs. The new ESG-Linked S-Loan stands out for the sharing of sustainability performance improvement goals by businesses, through precise commitments undertaken with the Bank via specific indicators subject to annual monitoring, certified by the business in the notes to their financial statements, and rewards in the shape of special conditions, with rate reductions awarded to businesses that meet their fixed goals. The product is activated through the signing of a covenant based on the choice of two KPIs, relating to two different ESG areas, from a selection of six. If, on the basis of the declarations in the notes to the financial statements regarding KPI-related performances, the covenant is respected, the corporate customer shall be granted the special rate for the following year. In 2020, 71.7% of businesses chose an Environment KPI (Energy procurement with Guarantees of Origin or Introduction of a procurement policy including environmental considerations). Intesa Sanpaolo allocated a 2 billion euro credit line for the S-Loan as part of the 50 billion euro dedicated to the Green Economy. At the end of the year 119 projects had been funded for a value of over 130 million euro.

To help raise awareness of environmental issues among business customers, in 2020 a number of webinars and focus sessions were held, also in collaboration with external media partners and trade associations, on the key issues and most high-impact Group solutions in the area of sustainability and ESG topics particularly with regard to the S-Loan, as well as on the issue of the Circular Economy and the Superbonus, generating great interest and strong participation among customers.

The IMI Corporate & Investment Banking Division (IMI CIB) continues to pursue its commitment to sustainability, promoting innovative financial solutions that respond to the growing need for products more in line with ESG principles. During the year it assisted and supported businesses with sustainable strategic plans and investments for the transition towards a green and circular economy.

The range of financial products includes the following main solutions: Sustainability-linked and Green Loans, Circular Economy Loans and placements that permit the use of the Bank's dedicated credit line, Green, Social and Sustainability-linked Bonds (e.g. SDG-Linked or Climate Change), as well as Project Finance dedicated to the world of renewable energies (wind, photovoltaic, biomass, hydroelectric).

In 2020 the Division participated in numerous green, circular and sustainable financing operations (bilateral and syndicated). In addition, in September it participated, as Joint Bookrunner, in the issuing of the first equity-linked green bond in Italy by Falck Renewables SpA.

In April 2020 IMI CIB took part, as Joint Lead Manager and Joint Bookrunner, in the issuing of the Cassa Depositi e Prestiti Social Bond, an operation designed to support the businesses and public entities severely affected by the COVID-19 emergency.

All in all, the IMI Corporate & Investment Banking Division participated as bookrunner in 12 Green, Social and SDG-linked bonds in the Euro market in 2020.

In December 2020, there were also two commodity finance contracts that link the variation of the interest rate with the achievement of environmental-linked KPIs.

In terms of innovative solutions, in November 2020 IMI CIB concluded an ESG operation on the Forex market with Moncler that makes it possible to link the hedging of currency risk with the company's green sustainability goals. The operation leverages on the ESG experience acquired by Intesa Sanpaolo also as part of the operation concluded in December 2019 with high-speed railway industry business Italo (first ESG-linked derivative in Italy related to interest rate hedging).

Furthermore, in order to accelerate the spread of the ESG culture and guarantee its customers the best solutions, the IMI CIB Division, leveraging on its internal and international expertise, put together a specialist interfunctional coverage and product team, known as ESG Team IMI CIB, consisting of professionals with complementary knowledge, expertise and experience in order to offer its domestic and international Corporate customers a wide and integrated range of products/services.

In the second part of 2020 a pilot training course on ESG issues was launched for IMI CIB, which focused on Environment and Climate problems.

## CIRCULAR ECONOMY

The Circular Economy is fundamental for economic development that generates a positive environmental and social impact. The circular model is based on the redesign of industrial processes and business models to generate economic and competitive advantage for companies, with a regenerative approach towards natural capital. Its objectives include the generation of a virtuous cycle in the use of resources, overcoming the linear model which involves extraction, production, sale and waste.

The Intesa Sanpaolo Group confirmed its commitment to the Circular Economy by promoting the spread of the model, drawing on the support of the Ellen MacArthur Foundation, the main promoter of the global transition towards the Circular Economy. In fact, it continued to collaborate with the Foundation, of which Intesa Sanpaolo is now Strategic Partner thanks to a 3-year agreement for the 2019-2021 period. Intesa Sanpaolo will continue to redefine business strategies in an innovative way, ensuring financial support for investments to facilitate the redesign of the industrial system. The activity is considered of primary importance for the Group and is indicated as a strategic pillar within the 2018-2021 Business Plan.

The transition to a Circular Economy continued, also with the contribution of the Intesa Sanpaolo Innovation Center, a Group company which oversees all the Circular Economy activities.

The Circular Economy Lab (hereinafter, CE Lab), launched in 2018 thanks to a Framework Agreement between Intesa Sanpaolo and Fondazione Cariplo with the goal of supporting and assisting the transformation of the Italian economic system and disseminating new models of value creation in the collective interest, accelerating the transition to the Circular Economy, was relaunched with the renewal of the partnership signed in July 2020. The Circular Economy Lab's strategy involves open innovation operating methodologies aimed at identifying innovative solutions and technologies in the area of the circular economy and its relative activities are now based on these three pillars:

- the promotion and spread of CE culture at national and international level through events, networking platforms with the involvement of external stakeholders and partners;
- innovative training programmes aimed at businesses, with the aim of supporting the updating of the circular economy business culture;
- the acceleration of the circular transformation through Circular Economy advisories for SMEs and Corporate businesses.

Among the various projects, the CE Lab launched an open innovation programme for the circular innovation of a Group customer, an initiative that involved almost 100 start-ups (15% foreign) with mature and market-ready solutions; 10 start-ups made it to the final and were presented to the customer's management team in order to launch pilot projects.

In partnership with Microsoft, it also launched a Call for Start-ups with the aim of combining the principles of the circular economy with the potential of the digital revolution. The initiative involved over 400 start-ups (55% Italian and 45% foreign) and over 20 Corporate businesses and SMEs. The result is an important and up-to-date map of the digital technologies that act as enablers for the Circular Economy.

In order to provide concrete support to companies involved in the transition process, the Intesa Sanpaolo Group, within the time-frame of the 2018-2021 Business Plan, has decided to provide a credit plafond of up to 5 billion euro, increased by 1 billion euro in 2020 following the operation with UBI, aimed at companies which adopt the circular model with innovative procedures, granting the best conditions for accessing credit. In 2020 this business support tool was also extended to the foreign banks of the International Subsidiary Banks Division. In addition, a tranche of the credit plafond was allocated to supporting businesses that invest in projects in the area of the production of renewable energy, energy efficiency and sustainable farming and biodiversity. Still in the area of green initiatives, a tranche of the credit plafond was also dedicated to supporting the Green Mortgages requested by customers for the purchase of new high energy efficiency houses (class B upwards) or the refurbishment of houses with consequent improvement of the energy class.

As regards the credit process, the Intesa Sanpaolo Innovation Center, based on criteria connected with investments in the Circular Economy defined together with the Ellen MacArthur Foundation, is responsible for providing a technical assessment on the level of circularity of the initiatives proposed by businesses. More specifically, the circular eligibility criteria are as follows:

- Solutions that extend the product life or cycles of use of goods and materials (application of modular design; implementation of reverse logistics programmes; reuse, repair and regeneration or reconditioning of products);
- Production processes fuelled by and/or products made of renewable or recycled resources;
- Products and/or services that significantly increase effectiveness and efficiency of the resources consumption, within the company or along its supply chain (application of principles of industrial symbiosis and realisation of an integrated supply chain that makes waste streams into feedstock; closing loops and/or

apply circular economy and systemic design principles; creation or promotion of a supply chain guided by circular principles);

- Design and/or manufacture of products that can be fully recycled or composted within an efficient framework of collection, separation and recycling after use (compostable products, recyclable products);
- Innovative technologies that enable circular business models (Internet of Things to empower traceability services, reverse-logistic and/or predictive maintenance; use of additive manufacturing/3D printing to increase the easy-to-repair degree and the materials efficiency; Big Data analytics, Artificial Intelligence, and Cloud Computing aiming at dematerialisation services and/or marketplaces development for secondary raw materials).

As regards the tranche for green projects, the criteria used to access the credit line and for which the Innovation Center provides an assessment are:

- Renewable energies and in particular investments in production, transmission, infrastructure and associated assets, such as solar, wind, bioenergy/biomass and hydroelectric energy;
- Energy efficiency, for example new investments and maintenance in infrastructure, technologies and services that contribute to reducing energy consumption and/or increasing energy efficiency; construction and redevelopment of new energy-efficient buildings;
- Sustainable management of natural resources and the soil, biodiversity; sustainable farming and urban greening projects.

Out of a total of 420 applications reviewed since the launch of the credit line, 139 projects with circular criteria and valued at over 1.3 billion euro and 7 projects with green criteria valued at more than 65 million euro have been funded by the end of 2020\*.

Numerous company projects were supported for initiatives such as the replacement of traditional materials with others from recycled or biological sources, the recovery of urban organic waste for biomethane production, with the production of compost and recovery of CO<sub>2</sub>, the production of coloured compostable fabrics with dyes made from agricultural waste.

In order to disseminate and share these criteria within the Bank, an online training course targeted at over 50,000 Group employees has been set up and further updated.

Training and awareness initiatives have also continued, producing the following overall results: over 450 workers participated in specific courses; 19 training tools and 7 Circular Economy Podcasts; around 800 students were involved in circular lectures. With regard to the Banks of the International Subsidiary Banks Division, in May and June 3 online sessions were held for the Managers and Relationship Managers of the Corporate&SME functions. The training sessions, which involved 150 employees from the Division's Banks, sought to raise awareness of Circular Economy criteria also through the sharing of Group success stories with the end goal of facilitating the transition to Circular Economy models in the countries in which the Division operates.

During the year, the assessment of businesses along their value chain also continued (over 100 businesses have been interviewed since the start of the initiative) with the use of the Circular Economy Standard, an instrument used to measure the level of circularity; 2 in-depth workshops on Circular Economy issues were also held for businesses.

With regard to start-ups (see page 118), 2020 saw the continuation of the Startup Initiative which selects the most promising innovative start-ups, provides them with coaching on approaching the market and introduces them to the stakeholders of the innovation ecosystem. The selection process integrates the circularity criteria in the overall assessment. An Italian start-up in the bioeconomy sector was heralded as Circular Economy success story.

In the context of partnerships and collaborations, meetings of the Alleanza Italiana per l'Economia Circolare (Italian Alliance for the Circular Economy), of which Intesa Sanpaolo is the promoter, together with Enel, also continued. The Alliance comprises a number of large and medium sized 'Made in Italy' companies and, since 2017, has sought to reinforce existing collaborations and propose new projects between companies, in order to promote the transition to the Circular Economy in the various production chains, while also involving Italian and European institutions. To this end, in November a new position paper was published which presented not only the vision of the Alliance and its guiding ideas and experiences, but also a road map to the circular economic model consisting of concrete goals and opportunities.

To spread the culture of innovation in the area of the Circular Economy, in 2020 the Group continued to support the BioCircE Master's (the first Italian Master's course in this area).

An agreement with Bocconi University for research into the Circular Economy, geared towards validating the

\* The figures including UBI Banca are as follows: out of a total of 441 applications reviewed since the launch of the credit line, 145 projects with circular criteria and valued at over 1.3 billion euro and 10 projects with green criteria valued at around 70 million euro have been funded by the end of 2020.



theory of de-risking financial portfolios both at individual counterparty and portfolio level, was renewed for two years. The Circular Economy and Finance research project scientifically analysed this issue by focusing on some of the opportunities available in terms of de-risking circular assets, generating superior risk-return combinations and the ability to stabilise performances over time. As part of the work, the 3R (Risk, Revenue, Reputation) Model was defined, a mapping of the main benefits generated for financial institutions by the Circular Economy.

As part of the partnership with the Ellen MacArthur Foundation, in September 2020 the paper “Financing the circular economy - Capturing the opportunity” was published with the expert contribution of the Intesa Sanpaolo Innovation Center.

In terms of European Commission initiatives, Intesa Sanpaolo continued the activity it began in 2017, regularly participating in the work of the Group of Experts for the financing of the Circular Economy, contributing in 2020 to the publication of the document Categorisation System for the Circular Economy which aims to identify the activities that significantly contribute to the goals of the circular economy also through the development of the associated technical screening criteria.

In June 2020 Intesa Sanpaolo was the winner of the ABI Award for Innovation in Banking Services in the Innovation in Sustainable Finance category thanks to its Intesa Sanpaolo Circular Economy Plafond project. The award recognises the company's willingness to contribute to the development and transformation of the Italian economic context, making a positive impact on both society and the environment. In December, this award made it possible to participate in and win the XI National Innovation Award – Premio dei Premi, established by the Office of the President of the Council of Ministers with the permission of the President of the Republic, who every year presents it to the best innovation projects in the banking, industry, services, university, public administration and voluntary sectors.

## GREEN BONDS

In 2017, Intesa Sanpaolo was the first Italian bank to issue a 500 million euro Green Bond connected with environmental sustainability projects. The commitments undertaken by Intesa Sanpaolo are defined in Guidelines (Green Bond Framework) in line with the Green Bond Principles of the ICMA (International Capital Markets Association), as confirmed by an independent audit performed by an external ESG research and analysis company. In June 2020 Intesa Sanpaolo published its third annual Green Bond Report [1] on the use of the proceeds from the Green Bond and its associated environmental benefits. The report also includes the certification of the auditing company, the Second Party Opinion on the bond issue (Robust ESG performance) and Moody's assessment, which obtained the highest score (GB1 Excellent). At 31 May 2020, the proceeds from the Bond, fully allocated during the first year of the issue, had been used as follows: 58.4% to finance new projects and 41.6% to refinance projects already present in the Intesa Sanpaolo portfolio. In total, 76 projects have been financed with over 460,000 tonnes of CO<sub>2</sub> emissions avoided annually, the equivalent of over 2.8 million return trips from Milan to Rome by plane. 60.5% of the proceeds have been allocated to photovoltaic power, 13.3% to wind power, 15.1% to bioenergies, 9.3% to hydroelectric power and 1.8% to energy efficiency.

To support loans and projects for the Green Economy, the Circular Economy and the social sphere, in November 2019 Intesa Sanpaolo, on the basis of the Sustainability Bond Guidelines (Sustainability Bond Framework - developed in line with the international standards established by the ICMA, in particular with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018), issued the first 750 million euro Circular Economy Green Bond to support loans granted by the Bank as part of the 5 billion euro credit line dedicated to the Circular Economy, increased by 1 billion euro in 2020 following the merger with UBI. In December 2020 Intesa Sanpaolo published the first report on the use of the proceeds from the Green Bond focused on the Circular Economy [1], which were fully allocated during the first year. The report also includes the certification of the auditing company, and obtained the Second Party Opinion of ISS ESG. 50.5% of the proceeds have been allocated for the financing of new projects and 49.5% to refinance existing projects. At 31 October 2020 the breakdown of the projects in the Circular Economy portfolio was as follows: 36.9% for production processes driven by renewable or recycled sources and/or connected products, 32.7% for the development of products and/or services that significantly improve effectiveness and efficiency in the consumption of resources, inside the company or its supply chain, 12.5% for solutions that extend the life cycle or products and/or materials, 12.3% for innovative technologies that promote the circular economy model, 5.6% for the design and/or realisation of products that can be entirely recycled or composted as part of an efficient process of collection, separation and recycling after use. All in all, the forecast annual savings in CO<sub>2</sub> emissions come to over 255,000 tonnes, corresponding to 341 tonnes per million euro.

Thanks to this issue, the Green Bond Ratio, the percentage of outstanding green bonds at the end of the year

out of the total amount of outstanding Senior Preferred and Covered Bonds intended for institutional investors (five-year moving average), is equal to about 3.6%.

In March 2020 the Intesa Sanpaolo Group was the winner of the 2020 Environmental Finance Bond Awards for its issuing of a Green Bond focused on the Circular Economy. UNEP FI (the United Nations Environment Programme Finance Initiative) also recognised Intesa Sanpaolo's commitment to spreading the values of the circular economy in its report "Financing Circularity: Demystifying Finance for the Circular Economy", published in October 2020, which makes particular mention of the Green Bond focused on the Circular Economy.

## GREEN CULTURE AND INITIATIVES

Numerous initiatives have been put in place to spread an environmental culture among employees and customers (for the initiatives in the Circular Economy area, see page 177), including:

### TRAINING

The "Apprendo" multimedia platform is available for all employees in Italy: it provides training on environmental and climate change issues. The training module "The climate change challenge" has been available since 2019 and by the end of 2020 had been used by around 4,500 employees.

As regards environmental protection issues, two mandatory courses are available on the online Apprendo platform for Intesa Sanpaolo resources directly involved in the application of the Environmental and Energy Management Systems (around 7,000 people). For all other resources an optional course is available with the aim of spreading good practices. The course was also made available to employees of Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura and Fideuram Vita who occupy the properties that attained ISO 14001 certification. Similarly, to meet the requisites of the ISO 50001 standard, in 2020 CIB Bank (Hungary) once again trained around 2,000 employees on energy issues through an online platform and its top management with ad hoc training.

The European Regulatory & Public Affairs structure also carried out internal training initiatives to raise awareness among employees on environmental issues under discussion with European regulators.

In 2020 Intesa Sanpaolo Formazione continued to develop digital learning and manage the digital training platforms Skills4Capital and Skills4Agri. The former is dedicated to SMEs as part of the collaboration between Confindustria - Piccola Industria and Intesa Sanpaolo; the latter is instead dedicated to companies in the Italian agricultural and agri-food system, the result of the agreement between Intesa Sanpaolo and Confagricoltura. By subscribing to the platforms, users can take advantage of training content and, among the courses provided, six are specifically focused on social and environmental impact issues.

### PARTICIPATION IN ASSOCIATIONS AND DEBATES ON ENVIRONMENTAL SUSTAINABILITY ISSUES

The Group made an important contribution to the international debate on environmental sustainability issues in 2020.

With regard to the issue of direct environmental impacts, the Bank continued to participate in the working group of the Italian Banking Association (ABI) on Green Banking, which provides an insight into the processes relating to energy and environmental management in the Bank according to the main international standards. In particular, in 2020 the attention was focused on the management of real estate during the COVID-19 pandemic and green banking procurement.

In terms of sustainable finance, the Group's collaboration with the Italian Banking Association (ABI) continued and intensified within specific working groups, particularly in relation to issues connected with the European Action Plan for financing sustainable growth. Within the Association, Intesa Sanpaolo also actively participated in the "Sustainable Loans – Supporting businesses in the process of transition towards sustainability" project, an initiative designed to contribute to the process of integrating ESG factors (particularly Environment and Climate Change) in the management of the risks connected with corporate lending and the definition of the "Handbook for Sustainable Finance", an info-educational tool jointly developed by ABI and consumer associations which, using simple and accessible language, aims to communicate and raise awareness among consumers of the various aspects of sustainability in its guise as an informed economic model.

Intesa Sanpaolo participates in the Working Group on Sustainable Finance, established by Ministry of the Environment decree no. 75 of 2020, which is tasked with developing proposals on sustainable finance issues within the framework of the United Nations Sustainable Development Goals. Thanks to the work carried out by the Working Group, the Ministry of the Environment has introduced a voluntary environmental sustainability certification system, currently at the trial stage, also with the collaboration of Intesa Sanpaolo. The system provides indicators and assessment metrics that make it possible to measure the level of environmental

sustainability of a business project which, if virtuous, can access specific loans.

At the European level, Intesa Sanpaolo interacted with legislators, trade associations and various stakeholders to promote and represent the Group's various initiatives on environmental and social sustainability. Intesa Sanpaolo, through its office in Brussels, brings its best practices to the attention of regulators and represents the specificities of its context so that they are taken into consideration during the legislative process.

The Group also continued its collaboration with the main European trade associations, contributing to the work of the European Banking Federation (EBF) on the Sustainable Finance and Sustainable Development Goals (SDGs), the Association for Financial Markets in Europe (AFME), European Issuers, in the area of Sustainable Corporate Governance, and the European Mortgage Federation – European Covered Bond Council (EMF-ECBC) as regards green mortgages. In particular, Intesa Sanpaolo helped draft the sector's position papers in some of the main documents (legislative and non-legislative) published in 2020.

In 2020 Intesa Sanpaolo actively participated in three working groups of the European Financial Reporting Advisory Group (EFRAG). Of these, the Project Task Force on Climate-related Reporting concluded with the presentation of the How to improve climate-related reporting report in February 2020. The main objective was the analysis and identification of good corporate reporting practices, both as regards the financial impacts of climate risk on companies, and as regards the impact of companies' activities on the environment (the so-called double materiality) taking into consideration the needs of users and those who process the reports. Intesa Sanpaolo's collaboration with EFRAG continued with its participation in the "Project task force on preparatory work for the elaboration of possible EU non-financial reporting standards". The task force was set up in response to an official request for technical consultancy from the European Commission for the drafting of possible non-financial reporting standards that could form part of a revised European non-financial reporting directive. Finally, a representative of Intesa Sanpaolo was appointed to the "Advisory Panel on Intangibles (API)", which will provide the EFRAG Technical Expert Group the benefit of its accounting and industry expertise on specific aspects of intangibles.

Studi e Ricerche per il Mezzogiorno (SRM) is a Group's research centre aimed at disseminating economic knowledge and culture, with a particular focus on the development of southern Italy, Maritime Economy and Energy. In 2020 SRM participated in a number of national and international meetings and seminars (held online) on the environment, Green Economy, Blue Economy and sustainability, expanding its ability to analyse these phenomena. SRM, among other things, is also part of SOS LOG, the association for the development of sustainable logistics, whose mission is the dissemination of information, research and initiatives aimed at spreading the culture of sustainable transport and logistics.

As Founding Member of Res4Africa, Intesa Sanpaolo confirmed its commitment to the development of renewable energy in Africa. The Foundation, which includes some of the main players in the Italian and European energy sector, has the aim of promoting a market, regulatory and financial context that allows investments to be made in renewable energy on the African continent. As well as the usual organisation of business-to-government events and seminars, the development of market studies and the organisation of capacity building seminars, in 2020 the Foundation focused in particular on the development of the RenewAfrica renewable energy support programme.

Intesa Sanpaolo is a partner of the Milan Polytechnic Energy & Strategy Group for the market trends observatory in the segments of renewable energy production and innovation in the energy sector.

## STUDIES

The Group's commitment to the development of study and research projects in the environmental field continued in 2020. Listed are some of the most important publications:

- The sixth Report on the Bioeconomy - The Bioeconomy in Europe - produced by the Intesa Sanpaolo Research Department which, in addition to providing new estimates on the value of the bioeconomy, includes an analysis of the agrifood supply chain in Italy and Europe with a specific focus on its sustainability;
- The performance of local public transport businesses, product of the Research Department's long-standing partnership with ASSTRA on the issue of local public transport, takes account of the impact of COVID-19 on the sector, the dynamics of the demand for transport and the problems of congestion and pollution, which are resulting in the growing awareness that only by strengthening, improving the efficiency and modernising local public transport can we hope to foster the sustainable development of the country;
- The 98th edition of the Report analysing industrial sectors (ASI), by the Intesa Sanpaolo Research Department and Prometeia, contains an analysis of the green transition of Italian industry as compared with that of its main European competitors. According to the analysis, after Germany the Italian manufacturing segment is the second least intensive for GHG omissions;
- The green transformation of European manufacturing: an analysis of greenhouse gas emissions and the latest technologies, a study by the Research Department which examines the theme of the green transition of

- industry and of Italy in general;
- The research on the "Northern Sea Route" and its growth prospects, an argument strongly connected with climate change and sustainability, carried out by Studi e Ricerche per il Mezzogiorno (SRM) together with Intesa Sanpaolo;
  - The 2020 Annual Italian Maritime Economy Report by SRM which highlighted the issues of sustainability and the Blue Economy, presented on the international stage during Naples Shipping Week and as part of other national and international events; the research continues to be an important reference source on the topic for institutions, industry operators, trade associations, infrastructure and the academic world. The lead topics this year were intermodal railway and sustainability, regarded as two key drivers for combating the pandemic and making the national logistics system more resilient. In 2020 studies were also carried out with ALIS - Associazione per la Logistica e l'Intermodalità Sostenibile (Association for Sustainable Logistics and Intermodality) on how to reduce external logistics costs, and Contship (multinational in the logistics sector) on the container sector, which highlighted how the sustainability of logistics is a key driver of business development.
  - The 2020 Report on Energy in the Mediterranean by the Mediterranean Energy Observatory, a project developed by SRM together with the Energy Security Lab (ESL) of Turin Polytechnic. Among other things, the Report focused close attention on renewable energies, hydrogen, the gas sector and energy investments in the Mediterranean area;
  - The SRM research project Un Sud che Innova e Produce (A South that Innovates and Produces) was enriched with a new study on the technology transition in production chains: sustainability and innovation as drivers of development, carried out with the contribution of the Intesa Sanpaolo Research Department and Intesa Sanpaolo Forvalue. The study examined the issue of public and private supply and demand for innovation, to support the growth of the territories and to promote an innovative, interconnected and eco-sustainable production model.

## EVENTS AND INITIATIVES

In order to raise the awareness of environmental issues among customers and employees, the Intesa Sanpaolo Group participates in various initiatives aimed at increasingly spreading the culture of sustainability and good practices as widely as possible. The main international events in which the Group participated in 2020 were World Environment Day promoted by UNEP (the United Nations Environment Programme) - this year dedicated to biodiversity - and the European Week for Waste Reduction promoted by the European Commission. In Italy, Intesa Sanpaolo also took part in Energy Saving Day as part of the "M'illumino di meno" campaign. As for the initiatives of the International Subsidiary Banks, CIB Bank (Hungary) participated in the WWF's Earth Hour while Bank of Alexandria (Egypt) and Intesa Sanpaolo Bank Albania promoted the United Nations' Earth Day. VÚB Banka (Slovakia), also in conjunction with a number of international environmental initiatives, organised training sessions to promote green lifestyles among employees.

At the end of 2020 Intesa Sanpaolo launched Formula Green + online transactions = - CO<sub>2</sub>eq. The aim is to raise customer awareness of the environmental impact of their banking activities/transactions and support initiatives with positive environmental effects. Every time Retail customers buy a bank product via Remote Offering or through the self-service channel, without physically entering a branch, they are informed that, thanks to their choice, CO<sub>2</sub> emissions have been avoided. Customers can also learn more about the topic on the dedicated page of the Bank's website which highlights how the online product subscriptions of Intesa Sanpaolo multichannel customers in the last year resulted in a 570-tonne reduction in CO<sub>2</sub>eq emissions (data validated by partner Lifegate). The good act of customers that acquire products without entering branches is mirrored by the Group which, via a donation, offers tangible support for the environmental protection projects present on the Group crowdfunding platform, For Funding. In this context, together with Fondazione Comunità Milano, Intesa Sanpaolo took part in Forestami, an urban forestation project which aims to plant 3 million new trees in the Metropolitan City of Milan by 2030. Intesa Sanpaolo contributed 250,000 euro, equal to 8,000 trees which will be planted as part of the project. In collaboration with the WWF, in 2020 Intesa Sanpaolo launched the "Diamo una casa alle api" project which, still ongoing, aims to help protect bees. The project plans to create areas in the WWF Oases for the feeding of the pollinators, Bee Hotels to position in gardens, urban parks and Oases to facilitate nesting and a number of camera traps to record the habits of the bees. As well as promoting the project on the For Funding platform, Intesa Sanpaolo contributes by donating 30 euro for every Green mortgage issued and 10 euro for every Green loan granted. Donations will end on 30 June 2021 when the target of 350,000 euro has been reached.

Finally, two invitation-only events, not open to the general public, were organised by the IMI Corporate & Investment Banking Division on the issue of Sustainability in 2020:

webinar "The European green deal: the way for a new Italian renaissance", aimed mainly at businesses in the Energy sector, with the participation of the Secretary of the Council of Ministers - Ministry of Economic Development. The European context was illustrated together with the role of Italian public policies on the



energy transition, renewable energies, energy efficiency and sustainable transport, and related investments in innovative technologies;

virtual conference "The new role of Sustainable Finance and the European Recovery Plan", attended by the Directorate-General of the European Commission Structural Reform Support Programme and the Italian Minister of European Affairs. The event focused on the EU programme of measures and its pillars in terms of sustainable finance, focusing particular attention on Italy and the recovery opportunities for national businesses.

# Direct environmental impacts

## COMPANY POLICIES

Intesa Sanpaolo's commitment to the environment takes the form of self-regulated environmental and energy instruments that define the strategic and operational guidelines which underpin the Group's environmental protection initiatives and its efforts to reduce its environmental footprint. The Group's Code of Ethics and the Rules for environmental and energy policy, approved by the top management, define the principles and guidelines that regulate the environmental responsibility of the Group and the monitoring of the impact of its activities. More specifically, direct impacts are monitored by an Environmental Management System extended to all Intesa Sanpaolo branches and buildings in Italy. An Energy Management System and a Worker Health and Safety Management System are also applied in Italy and are coordinated by a structure within the Safety and Protection Head Office Department which reports directly to the Managing Director and CEO. It is therefore possible to talk about an Integrated Management System which meets all the requirements of the most recent reference standard in this area (ISO 14001, 50001, 45001) and, as such, is subject to annual auditing and certification by an international and independent third party which certifies its compliance. To translate the commitment to protecting the environment into tangible action, this Head Office Department also includes an Energy Manager. The role of Mobility Manager has also been introduced in the Labour Affairs and Policies Head Office Department to cover applicable issues.

A dedicated structure – Corporate Social Responsibility (CSR) – has the task of overseeing the areas that fall under the Group's social and environmental responsibility, including the more specific issue of climate change. In addition, pursuant to Italian Legislative Decree 152/2006 as amended, since 2019 the Head of the Safety and Protection Head Office Department has also been Environmental Officer and given broad decision-making, organisational and spending powers, including the preliminary approval of any change in the production process that may be relevant for environmental purposes. Moreover, the Group closely manages the risks connected with climate change by promoting adaptive behaviour or conduct designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention. For a detailed analysis see the section Management of potential risks and impacts related to climate change (see page 69).

## CLIMATE CHANGE ACTION PLAN

In accordance with the environmental responsibility commitments undertaken by the Group, since 2009 Intesa Sanpaolo has set mind to long-term goals through the creation of specific action plans. The first Intesa Sanpaolo Environmental Plan covered the 2009-2013 period, and was followed by the plan relating to 2013-2016. Both Plans set measurable goals in the areas of energy savings, economic savings and the reduction of CO<sub>2</sub> emissions. The scope of the plans, limited to Italy in the first Plan, has gradually increased with the inclusion of various International Subsidiary Banks.

In 2017, CSR, in association with the Real Estate and Logistics, Procurement and Safety and Protection Head Office Departments, the International Subsidiary Banks Division and the Chief Operating Officer and Chief IT, Digital and Innovation Officer Governance Areas, drafted a new Environmental Plan - the Climate Change Action Plan - with targets for 2022 and 2037. This Plan was reviewed by the Risks Committee and approved by the CEO. In the Plan the Intesa Sanpaolo Group outlines its goals as regards reducing the CO<sub>2</sub> emissions associated with its activities, taking 2012 as its reference year, including for the emission factors, in order to put its results in their historical context. CSR will monitor the achievement of the targets on an annual basis and the results will be analysed with the relevant competent structures.

The goals for 2022 include a reduction of 37% in absolute emissions connected with energy consumption (direct and indirect) compared with 2012. A reduction of 43% was recorded in 2012-2020 but this was influenced by the effect of the COVID-19 emergency on energy consumption.

The Plan also includes objectives related to consumption and energy production from renewable sources. In particular:

- an increase in the use of renewable energy sources, from 76% at the end of 2012 to 81% by the end of 2022; In 2020 electricity consumption from renewable sources exceeded 84%;
- the maintenance of electricity production levels from photovoltaic energy, taking account of the restrictions and characteristics of the real estate assets. Once again, over 1,000 MWh was produced in 2020.

Finally, in accordance with the international climate change agreements, long-term targets for 2037 have been set and more specifically, as a continuation of the mid-term goal for 2022, the aim is to reduce direct and indirect emissions (Market-based) by 43% compared to 2012.

Following the integration of UBI in the Group, the Climate Change Action Plan was updated in 2020 with the revision of the 2012 baseline and also confirming the medium- and long-term emission reduction goals established by the original Plan within the new corporate structure. In addition, with regard to renewable energy a new goal of purchasing 89% of electricity from renewable sources by 2022 was established. In 2020 electricity purchased from renewable sources already amounted to 88%.

## CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

For some time Intesa Sanpaolo's Environmental, Energy and Health and Safety Management System, applied in all Italian branches and buildings, has been certified by an international third party according to the ISO 14001, 50001 and 45001 standards. The System continuously monitors the company's goals and is subject to internal checks to assess the degree to which performance levels meet with expectations.

The ongoing suitability of the measures adopted over time is guaranteed by a system of controls on three levels which involves conducting checks on a sample of branches and buildings and on the activities carried out at headquarters. While the first two levels consist of controls performed by internal company functions, the third level is entrusted to an international third party that certifies the conformity of the System and issues the certification.

Many corporate functions are involved in applying the Management System, each one in relation to its own area of competence: the Safety and Protection Head Office Department as the structure responsible for coordinating the System, the Real Estate and Logistics Head Office Department as the department that centralises real estate activities, the Development Policy and Learning Academy Head Office Department for training requirements, the ICT Head Office Department for the management and streamlining of ICT infrastructure and the Banca dei Territori Division for network activities. The Senior Management plays a key leadership role in the identification of objectives and strategies, the identification of the resources required for its development and the application of the System and, as a department, responds to the requests and expectations of stakeholders who are increasingly attentive to risk monitoring and the management of opportunities deriving from non-financial issues, including environmental issues.

During the annual Management Review which involves, at different moments, both the management and the operations departments of the Bank, the suitability and efficacy of the Management System is assessed on the basis of the reference regulations and current legislation, also in light of the commitments undertaken by the Governance. The Review also assesses the degree to which goals and targets have been achieved, the results of internal audits performed the previous year, the analysis of staff skills, the effectiveness of the training provided, measures to improve the System and any changes in internal and external factors that may generate risks and opportunities for the Bank.

During the last certification process, Intesa Sanpaolo adapted its Energy Management System in Italy to the most recent international standard (2018) which adopts the same layout, terms and definitions as other ISO standards and facilitates compatibility and integration (High Level Structure).

In addition, the process of certifying the companies of the Insurance Division according to the ISO 14001 and 45001 standards was also completed in 2020.

In 2020 Hungarian subsidiary CIB Bank successfully renewed the energy certification of its real estate and services, switching to the new ISO 50001:2018 standard. In mid-December 2020 the Bank successfully passed an audit focused on new procedures, regulations and responsibilities as well as data collection, the measurement of consumption data and the sharing of same with the network of branches across Hungary.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

The mitigation and containment of CO<sub>2</sub> emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. This is done with a view to continually improving its environmental performance, which has already seen major reductions in electricity and thermal energy consumption, and in the resulting emissions for over a decade (-59.7% reduction in Scope1 + Scope2 Market-based emissions compared to 2008).

In terms of consumption, 2020 was an anomalous year because of the COVID-19 emergency which impacted in particular on the consumption of electricity (see box "The impact of COVID-19 on electricity consumption"). In general, 2020 saw a 12.4% reduction in electricity consumption and a 3.4% reduction in thermal energy consumption.

Consequently, Scope1 + Scope2 Market-based greenhouse gas emissions also decreased by 13.1%, a reduction of 15.9% in the case of Scope1 + Scope2 calculated with the Location-based method.

In general, the Intesa Sanpaolo Group's greenhouse gas emissions are reported in CO<sub>2</sub> equivalent in accordance with the international GHG Protocol (Greenhouse Gas Protocol), in the form of:

- Scope1 direct emissions, relating to the use of fuel for heating and the fleet;
- Scope2 indirect emissions for centralized HVAC systems and electricity;
- Scope3 indirect emissions produced as a result of activities connected with the company but not directly controlled by it (paper, waste, office equipment, etc.).

## EFFICIENCY AND OPTIMISATION OF ENERGY CONSUMPTION

### THE IMPACT OF COVID-19 ON ENERGY CONSUMPTION

The COVID-19 emergency resulted in the reorganisation of all of the Intesa Sanpaolo Group's management and operating procedures. In general the branches of the Intesa Sanpaolo Group remained operative at all times, albeit with some restrictions in terms of opening hours. The Group's buildings also remained operational albeit with significantly reduced numbers of onsite staff on average due to the use of smart working as a COVID-19 risk prevention strategy. In some foreign countries there were no staff onsite for a few short periods.

With the goal of optimising energy consumption on the basis of staff presence, in Italy over 25,000 adjustments were made to energy service hours between March and May alone.

The objective of guaranteeing the maximum safety of employees in company spaces and combating the risk of contracting COVID-19 also involved a closer and more attentive focus on the air conditioning and ventilation systems. With this in mind, in both its branches and buildings in Italy Intesa Sanpaolo adopted standards above and beyond those established by the technical regulations in the sector, overestimating its requirements in order to ensure a wide margin of protection for both employees and customers. As a precaution, all ventilation systems are constantly set to maximum to provide everybody with greater volumes of external air.

Despite this, thanks to its careful management of consumption, in Italy the savings deriving from the reduced use of the buildings due to COVID-19 have been estimated at around 24 GWh.

In addition to the above measures related to COVID-19 and the downsizing of some buildings, the reduction in energy consumption in 2020 was due to the continuous energy efficiency actions implemented within the Intesa Sanpaolo Group both in Italy and abroad.

For many years now the Intesa Sanpaolo Group has adopted environmental sustainability rules for the development of sustainable branches, site renovations or the development of new branches that take account of the most recent and up-to-date criteria for the improvement of energy and management efficiency.

Furthermore, every year a series of initiatives are implemented to reduce energy consumption; some of these are outlined below:

Project	Description	Forecast annual savings
Replacement of lighting systems (Italy, Egypt, Ukraine) Total investments: 33,000 euro	Traditional or low energy lamps were replaced with new LED technologies in various branches and central offices	Annual energy savings: 493,000 kWh Annual cost savings: 51,600 euro Reduction in potential CO <sub>2</sub> emissions: 179 t
Replacement or maintenance of HVAC systems (Italy, Slovakia, Slovenia) Total investments: 2.334 million euro	The replacement of heating and air conditioning systems continued	Annual energy savings: 8,189,000 kWh Annual cost savings: 1.605 million euro Reduction in potential CO <sub>2</sub> emissions: 2,334 t
Unscheduled maintenance on facades and window/door fittings (Italy) Total investments: 443,000 euro	Renovation work was carried out on buildings with the replacement of window/door fittings and the improvement of the exterior insulation system	Annual energy savings: 48,000 kWh Annual cost savings: 11,000 euro Reduction in potential CO <sub>2</sub> emissions: 15 t
Other optimisation and energy efficiency measures (Italy) Total investments: 876,000 euro	Additional optimisation and energy efficiency actions were taken, different from previous ones or including various measures mentioned above	Annual energy savings: 1,930,000 kWh Annual cost savings: 370,000 euro Reduction in potential CO <sub>2</sub> emissions: 557 t



The specific actions mentioned above are also supplemented with important initiatives launched in Italy. For a number of years the management and governance of the energy consumption of the buildings has been overseen by a centralised platform, Sigi Energia, connected to sensors installed in the buildings (dataloggers and temperature probes). Thanks to these sensors, installed in over 3,000 branches, the monitoring and management of energy consumption, both electricity and thermal energy, is guaranteed for over 95% of the consumption of this cluster of buildings. Thanks to specific algorithms and an alert system, the platform promptly identifies areas of optimisation and automatically sends the intervention request to maintenance staff. One of the most recent evolutions, implemented in 2020, involves the correlation of the analysis of staff arrivals and departures with the data of the energy consumption curve. This latter analysis is crucial not only for further optimising energy consumption but most importantly for improving worker comfort.

Meanwhile, with regard to the large buildings, which always have lots of complex data, in 2020 Intesa Sanpaolo focused on the creation, together with Microsoft, of a new dedicated digital platform. This new solution not only makes it possible to analyse the data in its entirety, as happens with Sigi Energia, but also to monitor consumption on the basis of the various facilities and floors, enabling the systems to be managed more efficiently. There are also important "intangible" benefits such as an increase in the productivity of the building's management chain and an increase in the comfort perceived by those who occupy these spaces, thanks to the fact that the probability of anomalies becomes extremely reduced. In 2020 the analysis regarded two large buildings, in Milan and Vicenza, and in 2021 will be extended to the DPC and other sites.

Thanks to the measures implemented in recent years, in Italy the Group was able to claim tax deductions of around 6.9 million euro in 2015-2020, around 970,000 euro of which in 2020.

Further evidence of the Group's commitment to sustainable building management can be seen with the Intesa Sanpaolo Skyscraper in Turin which, in addition to receiving LEED Platinum certification in 2015 for the construction of the building, was awarded Platinum level in 2019 and 2020 also in the sustainable building management category (LEED Existing Buildings Operations & Maintenance – EB O&M).

Finally, it is important to point out that the Intesa Sanpaolo Group also performs a detailed analysis of the potential risks related to climate change with the aim of both preventing possible service interruptions and avoiding extraordinary property management costs (see page 69).

## RENEWABLE ENERGY

In addition to the energy efficiency measures aimed at reducing its environmental impact, the Intesa Sanpaolo Group has committed, where possible, to producing electricity through the installation of photovoltaic plants and to purchasing electricity from renewable sources. The total consumption of electricity from renewable sources amounted to approximately 84% of total consumption.

The self-production of energy from renewable sources comes from the photovoltaic plants in Italy, 9 of which with a capacity under 20 kWp and 5 of large size, and from two plants in Slovenia. In 2020 the Intesa Sanpaolo Group self-produced 1,082 MWh of energy, saving around 215,000 euro on the purchase of electricity and avoiding 527 tonnes of CO<sub>2</sub> emissions.

In the Group companies in Italy, around 99% of energy purchased comes from renewable sources.

Outside Italy the situation is different, also in relation to the limits imposed by certain national regulations. Intesa Sanpaolo Bank (Slovenia) once again eliminated its emissions this year by purchasing all its energy from hydroelectric sources, while Privredna Banka Zagreb (Croatia) purchases around 60% of its electricity from renewable sources and Intesa Sanpaolo Bank Luxembourg 22%. Additionally, thanks to the national energy mix part of the electricity used by Intesa Sanpaolo Bank Albania (100%), Banca Intesa Beograd (Serbia) (27%), VÚB Banka (Slovakia) (15%) and CIB Bank (Hungary) (9%) comes from renewable sources.

## MOBILITY

The Mobility Management function, part of the Labour Affairs and Policies Head Office Department, is dedicated to supporting employee commuting, to improve their quality but also to promote sustainable means of transport. The goal is to translate the feedback from employees into concrete actions in order to provide a structured range of options for daily commutes and implement the actions of the Home-Work Commuting Plans.

The main goals pursued by the Intesa Sanpaolo Group are: the reduction in the use of private individual transport, as requested by the so-called Ronchi Decree, the improvement of road safety, as established by the international ISO 39001:2012 standard, and the reduction of the Group's CO<sub>2</sub> emissions.

As regards the last objective, the most significant initiatives are:

- the spread of Flexible Work and Training, which innovatively combine the management of people's private lives with the company's organisational requirements (see page 162);

- the signing of a union agreement on work-life balance, which also introduced measures to help people that work far away and that have specific personal needs to move closer to their residence or home;
- the Mobility Office platform which promotes the use of public transport, enabling employees to request annual season tickets directly from their workstation and also to take advantage of discounted rates with the option of paying in instalments (the service is available in certain cities - Bologna, Florence, Milan, Padua, Rome, Turin and Venice);
- the company shuttle service available in Turin/Moncalieri, Milan/Assago and Padua/Sarmeola di Rubano, which has a positive impact on the environment (an estimated 500 tonnes approx. of CO<sub>2</sub> avoided) as well as on people's quality of life; a shuttle service to Cairo and Alexandria is also available at the Bank of Alexandria (Egypt);
- the company carpooling service, a mode of transport based on the concept of several people with similar routes and working hours sharing the same private car. The aim is to share the car for commutes in order to improve the quality of transfers, make savings on transport expenses, reduce traffic congestion, pollution and road accidents. To promote the use of carpooling and increase subscriptions, the aim is to extend the current service in 2021. Other forms of car sharing are active at Intesa Sanpaolo Bank Albania, CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Pravex Bank (Ukraine), Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia), Intesa Sanpaolo Banka Bosna i Hercegovina and VÚB Banka (Slovakia);
- the development of shared services (cars, mopeds, scooters, and bicycles). In Italy, ALI - the Intesa Sanpaolo employees' association - has entered into agreements with the main networks in a number of cities. Bicycles owned by the Bank are available for use at Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia), CIB Bank (Hungary) and VÚB Banka (Slovakia). Special bicycle parking spaces are available in Intesa Sanpaolo Bank Albania and Eximbank (Moldova) as well as in Privredna Banka Zagreb (Croatia), CIB Bank (Hungary) and VÚB Banka (Slovakia) where, in addition, employees can benefit from additional services (changing rooms and showers). In addition, in order to reduce the use of taxis, in 2018 CIB Bank signed a contract for a car sharing service which only uses electric cars;
- the incentivisation of micromobility through various initiatives, such as the possibility of parking foldable bicycles and/or scooters in company spaces, a plan to install racks for the parking of traditional and electrically assisted pedal bicycles, and dedicated contributions by the Intesa Sanpaolo Employees' Association (ALI);
- the constant commitment to managing and upgrading the company fleet according to selection criteria that promote respect for the environment. In terms of the models proposed by the policy, hybrid vehicles were included where suitable for the uses envisaged by the drivers. The activities to increase the use of hybrid/ electric vehicles in the fleet also continued;
- the development of remote communications for both listening and work activities, with the widespread use of Skype for Business in place of commuting and business trips.

## RESPONSIBLE MANAGEMENT OF RESOURCES

According to the Code of Ethics and the Rules for the environmental and energy policy, the Group's responsibilities include the close evaluation of the consequences of its activities on ecosystems and the reduction of its environmental footprint. For this reason, the responsible management of resources is a priority issue for the Intesa Sanpaolo Group in its attempts to mitigate its impact on the environment.

### PAPER, TONERS AND STATIONERY

In 2020 there were lots of changes to the Intesa Sanpaolo Group's working methods and habits in terms of operations and procurement. The widespread introduction of smart working, particularly at the Group's headquarters, resulted in a significant reduction in purchases of paper, both overall (-24.5% compared to 2019) and on a per-employee basis (-19.7% compared to 2019).

Purchases of toner, the reporting of which was fine-tuned outside of Italy in 2020, also fell drastically (total down 15.4% compared with 2019).

The reduction in paper consumption also continued in 2020 thanks to the implementation of dematerialisation measures. Considering only the actions launched in the last five years, in 2020 around 2,370 tonnes of paper was saved, corresponding to 3,940 tonnes of CO<sub>2</sub> avoided and a theoretical cost saving of around 4.2 million euro.

These savings were made possible by actions taken both internally and regarding customers.

In Italy, for example, the paperless contracts project continued: in addition to bank contracts, investment transactions and branch transactions, banking products and services related to pension plans and after-sales operations on POS contracts, in 2020 it was extended to additional products and services dedicated to legal entities, including remote services and short-term loan products. These developments point to the gradual extension of dematerialisation among legal entities, which will be further expanded in 2021. Digitisation was

also further promoted in both the Business-Bank relationship, with the introduction of new digital signature functionalities for contracts on the Inbiz Corporate Banking portal, and in transactions with Società Italiana di Revisione e Fiduciaria (Siref) customers. Some of the Group's international branches, such as London and Hong Kong, launched actions to dematerialise the accounting documents of their customers.

The digital transformation process also continues in the branches of the International Subsidiary Banks Division where the use of tablets, already in place for gathering signatures during transactions in Privredna Banka Zagreb (Croatia), VÚB Banka (Slovakia), Intesa Sanpaolo Bosna i Hercegovina, CIB Bank (Hungary), Intesa Sanpaolo Bank Slovenia, was extended to sales processes as well. In addition to paperless contracts, tablets are also used to simplify and improve the customer experience of clients and managers by offering processes that are fully integrated with online platforms. Pravex Bank (Ukraine) also launched actions to make its customer accounts paperless.

As regards the internal actions carried out within the Group, as part of the three-year programme for the digitisation of all the Group's HR systems and services, the process of the dematerialisation of worker communications (merit, awards, assignments, transfers, part-time, etc.) continued, as did the preparatory activities for the project to review print management processes. A process to streamline the printers, with savings in terms of paper, toner and resulting CO<sub>2</sub> emissions, was also launched at Intesa Sanpaolo Bank Albania.

Furthermore, in the Eurizon Group the policies for the use of printers were reviewed and important investments were made to convert customer reports into digital format.

Finally, with regard to eco stationery, the process of encouraging all Group companies to purchase materials with low environmental impact also continued. A total of around 34 tonnes of eco stationery was purchased in 2020, 30 tonnes of which containing paper (notepads, post-its, files, etc.) and the remainder consisting of ballpoint pens, highlighters and stamps in recycled material and office supplies made of sustainable wood.

## **WATER**

The Intesa Sanpaolo Group's consumption of drinking water from aqueducts is predominantly related to sanitary purposes and, to a lesser extent, the generation of cold air for air conditioning.

In 2020, the Group's per capita water consumption was 19 cubic metres per staff member. The increase in water consumption can be explained first and foremost by the increased spending resulting from bills but also by the WHO regulations on COVID-19 prevention measures which urged people to wash and disinfect their hands more frequently as a way of combating the spread of the virus.

## **ENVIRONMENTAL MONITORING AND HAZARDOUS WASTE MANAGEMENT**

The Intesa Sanpaolo Group focuses particular attention on environmental monitoring and the management of hazardous waste for the environment. In 2020, the monitoring of radon and asbestos continued in Italy and was joined by environmental monitoring connected with the COVID-19 emergency.

With regard to radon, in line with the new legislation introduced in 2020 which establishes stricter action thresholds, based on concentration levels, for underground work spaces, the Safety and Protection Head Office Department carries out campaigns for the measurement of the average annual concentration level in order to protect the health of employees. If concentration levels exceed the thresholds an external consultant is brought in to identify risk mitigation measures. In the event remediation work is not sufficient to respect the reference limits, the regulation states that the Radiation Protection Expert should perform an Effective Dose Assessment to verify compliance with the maximum reference limit. No instances of this maximum limit being exceeded were recorded in 2020.

In the same way, although the activities carried out by Intesa Sanpaolo employees do not in any way expose employees to dust and materials containing asbestos, in 2020 the Safety and Protection Head Office Department once again carried out a specific risk assessment for all workspaces. The checks performed, according to the timeframes established by law, by a Qualified Expert in the Management and Control of materials containing asbestos, confirmed that there is no contamination: all of the values measured are lower than the threshold established by law and similar to those present in the external environment.

In addition, in 2020 monitoring was also carried out in Italy to assess the quality of the air inside workspaces following systems management activities, as per a company procedure developed in response to the COVID-19 emergency. The results of the surveys were satisfactory: the level of internal microbial contamination was comparable to that of the external environment, confirming that the ventilation systems guarantee an adequate supply of air from the outside.

## WASTE MANAGEMENT

For the purposes of managing the waste produced at the Group's sites, the Italian territory was divided into a number of lots where companies specialised in waste collection, sorting and disposal activities operate. These companies are subject to an evaluation process during which the authorisations required to operate as transporters (by means of vehicles entered on the relevant register) and recipients are also acquired. The various types of special waste are managed on the basis of their specific characteristics, while for separately collected waste such as paper, plastic and glass, compliance with the provisions issued locally applies.

Similarly, in other countries, waste collection and management take place in compliance with the reference national legislation.

With the beginning of the COVID-19 emergency, at Group branches and buildings due attention was focused on the disposal of personal protective equipment (masks, gloves, etc.) according to the laws in force. In Italy, for example, specific bins were provided exclusively for the disposal of these materials, which are subsequently collected with the mixed waste collection by the local municipality.

In 2020 the special waste produced by the Group came to around 3,200 tonnes (35.4 kg per staff member), down compared with 2019 due to the lower numbers of employees present onsite.

Only 5.9% of waste is disposed of in landfills, 0.8% is incinerated with energy recovery, and the remaining 93.3% is recycled or reused/recovered.

## OTHER GREEN INITIATIVES

In line with the sustainability rules for the purchase of office machines, the Intesa Sanpaolo Group assesses the environmental impact connected with the purchase and responsible use of the following equipment: photocopiers, printers, desktop computers, monitors, notebooks and ATMs/MTAs. In the promotion of sustainability aspects due consideration is given both to legislation and relevant compliance requirements in force, as well as to specific environmental evaluation criteria.

Internal Carbon Pricing is also used as an additional support tool in the purchasing process, assessing energy efficiency in terms of the GHG emissions generated by energy consumption throughout the life cycle of the equipment.