Governance and risk management

Governance structure

Intesa Sanpaolo adopts the “one-tier” management and control model, in which the management and control functions are exercised, respectively, by the Board of Directors and the Management Control Committee set up within it, both appointed by the Shareholders’ Meeting.
Detailed information on the corporate governance system and remuneration – including references to diversity in the Board of Directors – is provided in the ‘’Report on Corporate Governance and Ownership Structures’’ and in the ‘’Report on remuneration policy and compensation paid’’ published on the Bank’s website, to which reference should be made. In particular, the model of attributions and responsibilities of the Bodies on ESG risks and the diversity profiles of the composition of the same Bodies are specifically represented in the Report on Corporate Governance and Ownership Structures.

THE BOARD OF DIRECTORS

The Board of Directors is tasked with corporate management and may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, both of an ordinary and extraordinary nature. It performs strategic guidance and supervision functions for the Company and resolves on all the most important corporate deeds.
The Managing Director and CEO is the Chief Executive Officer and General Manager and supervises the company’s management to the extent of his/her assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board. The Chairman of the Board of Directors oversees the work of the Board, organises and directs the activity and performs all the tasks set by the supervisory regulations. He/She has a non-executive role and does not carry out, not even de facto, management functions.
Within the Board there is a Management Control Committee, appointed by the shareholders’ meeting, which is made up of five independent directors pursuant to the Articles of Association and exercises the control functions also as an internal control and audit committee (pursuant to Italian Legislative Decree no. 39/2010).
The Ordinary Shareholders’ Meeting of 30 April 2019 set the number of members of the Board of Directors at 19, appointing directors for the three-year term of office on the basis of the lists submitted by shareholders. The Ordinary Shareholders’ Meeting of 27 April 2020 subsequently integrated the Board following the resignations tendered by two Board Members.
All directors are non-executive, with the exception of the Managing Director and CEO; 14 directors are independent. Minority shareholders are adequately represented (5 members) and present in all Board Committees with the chairmanship of the Management Control Committee and the Committee for Transactions with Related Parties. The Directors meet the suitability requirements required by the applicable regulations and the provisions of the Articles of Association.
The Board Committees are indicated below, which are appointed by the Board of Directors from among its members, and support the same Board with its duties of performing investigations, providing advice and making proposals:

- Nomination Committee;
- Remuneration Committee;
- Risks Committee;
- Committee for Transactions with Related Parties.

The Committees are composed of five non-executive Directors, the majority of which are independent, with the exception of the Committee for Transactions with Related Parties, which is entirely composed of independent Directors. All the Committees are chaired by independent directors.

RESPONSIBILITIES AND DIVERSITY OF THE MANAGEMENT AND CONTROL BODIES

According to Intesa Sanpaolo's Articles of Association, the Board shall adopt the necessary measures to ensure that each Director, and the Board as a whole, have a continually adequate level of diversification, including in terms of experience, age, gender and international orientation, in addition to competence, fairness, reputation, independence of mind, and time commitment.

In the document on the qualitative and quantitative composition of the Board of Directors published on the Bank's website in February 2019, in view of the renewal of the Corporate Bodies which took place with ordinary Shareholders' Meeting of 30 April 2019, the shareholders were asked to ensure that the new Board of Directors had the broadest gender diversity with adequate professional skills, as well as a diversity of age brackets amongst Directors, in addition to a comprehensive level of knowledge and experience.

With particular reference to the adequacy and diversity of the professional profiles required, a "Skills Directory" has been drawn up in the document cited outlining the set of experiences, knowledge and skills – very good or distinctive, with a very broad, intermediate or limited dissemination – that are considered appropriate to achieve the optimal qualitative composition of the Board of Directors of Intesa Sanpaolo. The skills and expertise were subsequently strengthened and supplemented on the basis of training programs as well as of the intensive induction plan for both the new directors (onboarding) and the entire Board. It should be noted that the document on the qualitative and quantitative composition of the new Board of Directors was published on 3 March 2022, in view of the renewal of the Bodies on the agenda of the Shareholders' Meeting of 29 April 2022.

For further information on the skills declared by the individual directors at a distinctive level, reference is made to the Report on Corporate Governance and Ownership Structures pages 13-14).

The less-represented gender must be reserved a share of at least one third of the total members (7 members out of 19), as established by currently applicable laws on the matter of equal access to the administrative and control bodies of listed companies. Furthermore, in the current structure of the Board, the female gender is represented within all the Board Committees, reaches the majority of the members of the Committee for Transactions with Related Parties and has the chairmanship of the Risks Committee and the Nomination Committee. On the occasion of the next renewal of the Board of Directors, compliance with the new gender proportion laid down in the Articles of Association - equal to 2/5 of the Board Members - will be ensured.

The Board of Directors assessed its composition as adequate, including in terms of diversity, and suitable for a properly balanced composition of the Board Committees. Senior officers of the subsidiaries are appointed by the Board of Directors, which operates according to uniform policies and principles at Group level and in compliance with the regulations and best practices applicable to each subsidiary, with specific importance given to the level of diversity, including in terms of age, gender, seniority of service, geographical origin and international orientation. In establishing the composition of the Bodies, the most adequate and effective mix of personal and professional profiles is sought for each subsidiary in terms of its nature, the structure of its activities and the risks taken. To this end, any indications made by the Management Body of each subsidiary during the annual self-assessment process are taken into account.

TRAINING AND UPDATING OF THE DIRECTORS

With the support of the Nomination Committee, the Board of Directors shall ensure that the Bank draws up and implements induction and training programmes for the members of the same Board. In this context, following the Chairman's indications, Board Members' participation in initiatives is promoted to enhance the degree of knowledge of the operating sectors of the Bank and of the Group companies, company dynamics and their development, the principles of sound risk management and the regulatory and self-regulatory environment of reference, and in formal and informal meetings, aimed at further review of strategic matters.

During 2021, specific induction sessions (7 sessions) were held which touched on the following topics, among other things: the evolution of ESG issues and the Intesa Sanpaolo Group's commitment as part of a dedicated programme; the evolution of ESG Reporting, Commitment to Net Zero and Task Force on Climate-Related Financial Disclosures Report 2020-2021; the evolution of Anti-Financial Crime; the evolution of the Cyber context and new threat scenarios, the architecture of the Bank's digital channels; market abuse and personal transactions.

To promote better understanding of the reference corporate and regulatory environment and its evolution, a collection of governance documents, regulatory references, key correspondence with the Supervisory Authorities, accounting positions and any additional documentation conducive to the performance of their duties is available to Board Members via a dedicated electronic platform and regularly updated.

The Board of Directors receives periodic reports from the corporate control functions on their activities, which illustrate the checks carried out, the results achieved, the weaknesses found and the proposals for action to be taken to eliminate them within the various company areas. These reports shall also cover anti-corruption issues. Several Directors also hold positions on the Boards of Directors of leading Italian universities as well as on the Boards of foundations and third sector bodies active in the fields of art and culture, health, support for poverty and the circular economy and support for nutrition policies. In particular, a member of the Board of Directors, as well as Chairman of the Risks Committee, is a member of the CreaRes Scientific Council, a Centre for Research in Business Ethics and Social Responsibility which aims, among other things, to enhance research on business ethics, ethical finance, corporate governance and social reporting.

REMUNERATION

Full information, both in qualitative and quantitative terms, is provided in the Report on remuneration policy and compensation paid (hereinafter also “Report on Remuneration”), available on the website [i].
The Bank’s Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a remuneration for the services rendered, which is determined by the Shareholders’ Meeting in a fixed amount for the entire period of their office. The Shareholders’ Meeting also determines the additional remuneration for the office of Chairman and Deputy Chairperson. Pursuant to the Articles of Association, the Shareholders’ Meeting has the duty to determine, at the time of the appointment of the Management Control Committee and for the entire term of office, specific remuneration for the Board Members of this Committee, consisting of an equal amount for each Member, but with a special addition for the Chairman.
Pursuant to the Articles of Association, the Managing Director is entitled to receive a fixed and variable remuneration tied to the position of General Manager, determined by the Board of Directors in line with the Remuneration and Incentive Policies approved by the Shareholders’ Meeting.
As required by the Supervisory Provisions, in accordance with the principle of external competitiveness and in order to support the achievement of the ambitious strategic objectives, in 2017 the Shareholders’ Meeting resolved to increase the incidence of variable remuneration to fixed remuneration up to a maximum of 2:1 for Group Risk Takers, including the Managing Director and General Manager.
In continuity with 2020 and in line with the ECB’s recommendation related to the macroeconomic situation following the COVID-19 pandemic, in 2021 the Intesa Sanpaolo Group adopted the utmost prudence in the definition of the 2021 bonuses to be accrued by Risk Takers, thereby introducing a contingent reduction in the maximum portion (equal to approximately -40%) of variable remuneration to be accrued under the short-term Incentive Systems for the year.
However, consistently with the provisions laid down by the 2021 Remuneration and Incentive Policies, in consideration of certain conditions having been met (i.e. Group results at least in line with budget forecasts and absence of recommendations from the Supervisory Authority to moderate variable remuneration with particular reference to the portion payable to Risk Takers), the Board of Directors approved the restoration of the bonuses to be accrued by Risk Takers to the previously established ordinary levels.
The variable component of remuneration, bound to the achievement of specific performance objectives linked to the creation of value for shareholders and adjusted for the risks assumed, is composed of the Annual Incentive System linked to the Managers’ Performance Accountability assessment system and to the 2018-2021 POP (Performance-based Option Plan) Long-Term Incentive Plan for Top Management, including CEO, Group Risk Takers and Key Managers. In accordance with the Supervisory Provisions and the Group’s Remuneration and Incentive Policies, both the short- and long-term variable components are subject to deferral and partly assigned in financial instruments subject to holding periods after the vesting period.
Under the Annual Incentive System, if the bonus accrued by the CEO is equal to or less than 100% of the fixed remuneration, 55% is paid in shares and the remainder in cash. On the other hand, if the bonus accrued is more than 100% of the fixed remuneration, 60% is paid in shares and 40% in cash. Furthermore, the disbursement of 60% of the bonus is deferred for 5 years. The payment of the deferred amounts is subject to the verification of the malus conditions each year. Finally, the company reserves the right to activate claw-back mechanisms on bonuses already paid in the 5 years following their payment in the event of disciplinary measures against fraudulent or grossly negligent conduct and in the event of conduct that does not comply with the provisions of the law, regulations, articles of association or any codes of ethics or conduct resulting in a “significant loss” for the Bank or for customers.
More specifically, in the Incentive System, the ESG dimension was strengthened through the introduction of a specific and structured KPI. This KPI - which represents an evolution compared to the Group’s previous “Diversity & Inclusion” transversal KPI - was assigned to the CEO and approximately 2,100 Group managers (in Italy and abroad), in line with the Group’s ever-increasing commitment to social, cultural and environmental

sustainability and with the aim of creating long-term value for the Bank, its people, its customers, the community and the environment.
Furthermore, the introduction of that new KPI is also linked to the increasing attention on those issues by Regulators, Proxies, Shareholders and Stakeholders of the Group.
The new ESG KPI (which is assigned an incremental weight compared to the previous year, i.e. 15% vs 10%) is assessed on the basis of specific drivers.
In particular, for the CEO:

- Inclusion of Intesa Sanpaolo in the sustainability indices of specialised companies (number of times);
- Achievement of gender equality commitments: i) in annual hires; ii) in the pool of candidates for first appointment to management positions;
- Group initiatives in the ESG sphere:
  - Support to the green economy and the circular economy: i) YoY increase in the Volumes of Loans to Customers relating to Green/Transition Loans, Circular Economy Loans and Green Mortgages; ii) Reduction in total loans granted (caps or credit lines) to the carbon energy sector compared to 31/12/2020;
  - Growth in sustainable finance: YoY increase in S-Loans;
  - Growth in Sustainable Investments: increase in assets invested in ESG products managed;
  - “Giovani e Lavoro” (Youth and Work) Programme
  - Promotion of the Group’s artistic and cultural heritage.

For the remaining personnel, the ESG KPI is assessed:

- both at Group level, to recognise the Bank’s overall commitment in terms of Intesa Sanpaolo’s inclusion in sustainability indices of specialised companies;
- and at Governance Area/Division level, in order to enhance the areas of action of the individual structures. In particular, the assessment takes into account specific projects/actions in the ESG area, as well as the achievement of the commitments on gender equality expressed in line with the Group’s Principles on Diversity & Inclusion.

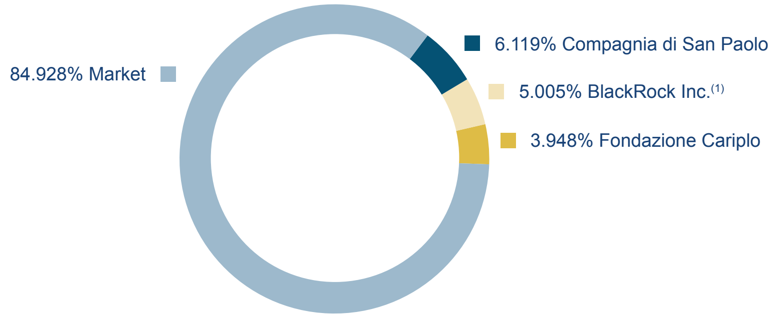
THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

To ensure sound and prudent management, which combines business profitability with informed risk taking and operating conduct underpinned by fairness, the Bank has adopted the Integrated Internal Control System Regulation.
The internal control system has been designed to achieve constant monitoring of the identification, governance and control of the risks involved in our activities and is based on three levels:

I level	Consisting of line controls, which are aimed at ensuring the proper conduct of the operations which, where possible, are incorporated into IT procedures. The controls are carried out by the Operating and business structures themselves (“Level I control functions”), including through units dedicated solely to control duties or performed as part of the back-office functions.
II level	Consisting of risk and compliance controls for the purpose of ensuring, inter alia, the correct implementation of the risk management process; observance of operating limits assigned to the various functions; compliance of company operations with the rules, including self-governance rules. These controls fall within the remit of the Chief Compliance Officer Governance Area, to which the Anti Financial Crime Head Office Department also reports, and within the remit of the Chief Risk Officer Governance Area, to which the Internal Validation and Controls Head Office Department reports; these structures (so-called “Level II control functions”) are separate from the operating structures and separate from internal audit.
III level	Consisting of internal audit controls – assigned to the Chief Audit Officer – aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and information system at Group level.

SHAREHOLDER BASE

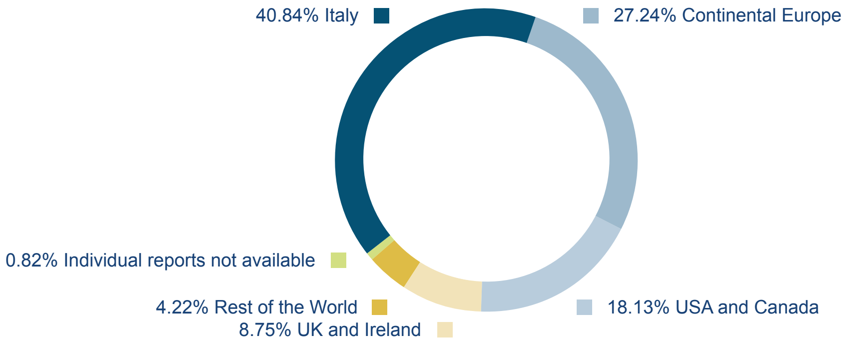
The share capital of Intesa Sanpaolo is equal to 10,084,445,147.92 euro, divided into no. 19,430,463,305 ordinary shares. In February 2022, Intesa Sanpaolo's shareholder base was composed as follows (holders of shares with voting rights exceeding 3%*):



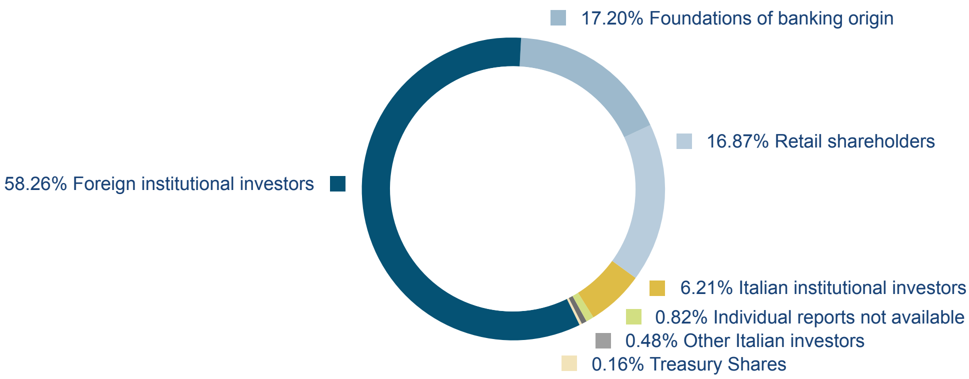
(*) Italian regulations (Article 120 of the Consolidated Law on Finance) provide for the obligation to notify the investee company and Consob of the threshold of 3% of the share capital with voting rights held in a listed company being exceeded, as well as (Article 19 of the Consolidation Law on Banking) the prior authorisation of the Bank of Italy to acquire a significant shareholding in a bank or that entails the possibility of exercising significant influence over the bank itself or the acquisition of a shareholding that attributes a share of the voting rights or of the capital at least equal to 10%.
Furthermore, shareholders that are fund management companies may be exempted from disclosure up to the 5% threshold.
(1) BlackRock Inc. owns, as assets under management, aggregate investment equal to 5.066% as per form 120 B dated 4 December 2020.

Below is an estimate of the ownership structure by geographical area and by type of shareholder, based on the names of the recipients of the distribution of a portion of the extraordinary reserve from the 2020 income (October 2021) as reported by the intermediaries (ex-dividend date 18 October 2021).

OWNERSHIP STRUCTURE BY GEOGRAPHICAL AREA



OWNERSHIP STRUCTURE BY TYPE OF SHAREHOLDERS



RELATIONS WITH SHAREHOLDERS AND THE FINANCIAL COMMUNITY

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on fair and timely communication.
During 2021, communications with the financial community continued to focus on sustainable profitability and the Group's solidity as a firm point of reference for stakeholders. To guarantee access to all, again in 2021 this information was made available quickly, easily and economically through a number of channels like Internet and conference calls via a freephone number. The Investor Relations section of the website [i] has a well-organised content and thematic updates providing Stakeholders with extensive, systematic information.
In order to contribute to the creation of sustainable value over time, regular and frequent meetings were held with the financial community that consolidated long-term relations based on mutual trust.
Special attention was also paid to ESG investors, with dedicated events and road-shows. More specifically, during 2021, ESG & Sustainability promoted specific initiatives, including responding to 22 assessments from investors and analysts on ESG and climate change issues, and holding 50 meetings with 87 parties including investors and analysts focusing on sustainability, in collaboration with Investor Relations and Investor Coverage.
At the end of 2021, Intesa Sanpaolo adopted a Policy for the management of dialogue with investors, consistent with the new Corporate Governance Code and recent banking supervisory provisions on corporate governance. The initiative is also in line with the guiding principles of EU law aimed at encouraging the long-term engagement of the shareholders in companies listed on regulated markets (SHR-II Directive) and, in particular, of institutional investors and asset managers. The main objective of the Policy is to define the principles that specifically govern the dialogue of the Company's Board of Directors with investors (meaning investors, including potential investors, other than individuals and, in the case of individuals, only the holders of Intesa Sanpaolo shares) and proxy advisors.

INTESA SANPAOLO STOCK PERFORMANCE

The performance of Intesa Sanpaolo ordinary shares in 2021 mirrored that of the banking sector indices, with a downward trend in January, when the share price reached its low, a marked growth in February, a subsequent upward trend until the beginning of June and then a downward trend until the middle 10-day period of July, which was followed by a progressive growth until mid-October, when the high point was reached, a sharp decline in November and a partial recovery in December, which brought the share price to end the year up 18.9% on the end of 2020.
Intesa Sanpaolo's capitalisation rose to 44.2 billion euro at the end of 2021, from 37.2 billion euro at the end of 2020.

SHAREHOLDERS' MEETING

For Intesa Sanpaolo, Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as important occasions for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.
Intesa Sanpaolo has always strived to encourage the broadest possible participation in the Shareholders' Meetings and to guarantee the best quality standards for the information provided in order to realise the full potential of the meeting.
The Shareholders' Meeting is called by the Board of Directors whenever it is deemed appropriate, or upon request by Shareholders representing at least one twentieth of the share capital.
The Shareholders' Meeting may also be called by the Management Control Committee, where required for the fulfilment of its duties, subject to sending notice thereof to the Chairman of the Board of Directors.
During the financial year 2021, the Shareholders' Meeting met on two occasions, on 28 April in ordinary and extraordinary session and on 14 October in ordinary session.

RIGHT TO ATTEND AND VOTE

Each share gives the right to attend and vote at Ordinary and Extraordinary Shareholders' Meetings (each share carries one voting right).

Sustainability Governance

The strategic guidelines and policies on sustainability/ESG (Environmental, Social, Governance) are approved by the Board of Directors with the support of the Risks Committee, taking into account the objectives of solid and sustainable creation and distribution of value for all Stakeholders.
The main ESG responsibilities of the Intesa Sanpaolo Bodies and Structures are specified below.

Board of Directors	With the support of the Risks Committee, the Board of Directors approves the Code of Ethics and its updates as well as the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the fight against climate change, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders. With the support of the Risks Committee, it also approves the CNFS, ensuring that it is drafted and published in compliance with applicable regulations.
Risks and Sustainability Committee*	The Risks and Sustainability Committee supports the Board in assessing and analysing sustainability issues (ESG) related to the Bank's operations and in approving the strategic guidelines and policies on sustainability, including the social and cultural responsibility model and the fight against climate change, helping to ensure the best possible risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all Stakeholders. It also supports the Board in the approval of the Code of Ethics and the CNFS, in particular by examining the contents of the materiality matrix, which identifies the most potentially relevant issues in the area of sustainability.
Management Control Committee	With the support of the functions responsible for sustainability (ESG) and internal auditing, the Management Control Committee monitors compliance with the principles and values contained in the Code of Ethics. With regard to the CNFS, it monitors compliance with the provisions set out in Italian Legislative Decree no. 254/2016 and reports on this in its annual report to the Shareholders' Meeting.
Managing Director and CEO	The Managing Director and CEO governs the sustainability performances and has the power to submit proposals to the Board for the adoption of resolutions within his remit.
Steering Committee	The Steering Committee is a managerial committee headed by the Managing Director and CEO, including his first reports i.e. the heads of the Governance Areas and of the Business Divisions. It collaborates in the identification of sustainability issues (ESG) that are potentially relevant for the definition and updating of the materiality matrix. Taking into account the objectives of solid and sustainable creation and distribution of value for all Stakeholders, it collaborates in the definition of strategic guidelines and sustainability policies (ESG), including the model of social and cultural responsibility and the fight against climate change, which the Managing Director and CEO submits to the relevant Board Committees and the Board of Directors. It also examines the CNFS prior to its presentation to the Board. In order to review these issues, the Committee meets at least quarterly as part of the Business Plan and Sustainability (ESG) session. It is also tasked with guiding the consistency of technological development, with specific reference to artificial intelligence/machine learning, with the Group's ethical principles.
ESG Control Room	The ESG Control Room is headed by the CFO Area and the Strategic Support Head Office Department and relies on the Sustainability Managers, identified in each Area and Division, who guarantee an overall and integrated supervision of ESG initiatives for the relevant scope and contribute to the Group's strategic proposition on these issues. It was introduced within the ISP4ESP Programme and active since October 2020. The ESG Control Room supports the Steering Committee - Business Plan and Sustainability (ESG) Session - in the strategic proposition relating to ESG issues; it takes care of the operational coordination for the implementation of the most relevant ESG initiatives and assesses the opportunity and solidity of any new initiatives in this area.
ESG & Sustainability	ESG & Sustainability, within the Financial Market Coverage Department of the Chief Financial Officer Governance Area, oversees the process related to the definition, approval and updating of the ESG and sustainability guidelines, in line with the corporate strategies and objectives and contributes, in coordination with the ESG Control Room, to supporting the Steering Committee in the preparation of proposals for strategic guidelines and sustainability policies (ESG); it oversees the promotion and implementation of ESG and sustainability aspects in the Group's strategies and operations, including Climate Change issues, also in collaboration with other structures; it updates the Code of Ethics and monitors its application with the support of the Chief Audit Officer functions; it is in charge of ESG and sustainability reporting (e.g. CNFS, TCFD Report and other publications on ESG and sustainability matters); it oversees relations with the financial community in relation to ESG and sustainability issues; it oversees the stakeholder engagement process in relation to ESG and sustainability issues; it takes care of communication and disclosure activities, in coordination with the ESG Control Room, and is responsible for defining the Group's training requirements on ESG and sustainability issues, including in collaboration with the other competent corporate functions.

* The new name will become effective as of the next date of renewal of the Bodies.

The sustainability/ESG governance system is based on the involvement, not only of the Board of Directors, but also of the Committees that support the assessment and in-depth analysis processes related to ESG issues. In 2021, 25 meetings of the Board of Directors were held, 15 of which dealt with, among others, ESG issues including but not limited to: the updating of the Rules on transactions with parties operating in the weaponry sector; the updating of the Guidelines for the governance of the Group's Most Significant Transactions;the Fund for Impact; Diversity & Inclusion - Gender Equality and application of the Principles; the annual verification of gender neutrality of the Group's Remuneration Policies; the 2020 Consolidated Non-Financial Statement pursuant to Legislative Decree no. 254/2016; the 2020-2021 Task Force on Climate-related Financial Disclosures Report; the Net Zero Commitment and the ECB Action Plan relating to the management of climate and environmental risks.

Moreover, 52 meetings of the Risks Committee were held in 2021, 11 of which included ESG issues on their agenda. Within them, 6 items on the Agenda referred to climate change risks and the Commitment to Net Zero, while 1 item on the Agenda was reserved for Diversity & Inclusion issues. More specifically, the ESG & Sustainability function periodically meets with the Committee to agree upon the approach and report on the progress of processes and activities related to sustainability and non-financial reporting. In 2021, it took part in 6 meetings with the Risks Committee (with the Management Control Committee also invited to 2 of them). In addition, ESG & Sustainability presented the Annual Report on the implementation and governance of the Code of Ethics to the Management Control Committee together with the Surveillance Body pursuant to Italian Legislative Decree no. 231/2001.

In addition, 20 meetings of the Steering Committee were held in 2021 (each divided into one or more sessions). In particular, the "Business Plan and Sustainability (ESG)" sessions, also dedicated to ESG issues, were held on 13 occasions, during which, for example, updates relating to the ISP4ESG programme, as well as many of the issues mentioned above, were addressed. The ESG Control Room also met 13 times in the year.

The Sustainability Governance is also strengthened by the role of the 17 Sustainability Managers retained by the ESG Control Room, identified in each Area and Division, who are tasked with coordinating the numerous ESG initiatives undertaken by the Divisions and Governance Areas and assessing new opportunities and cross-cutting projects in the ESG sphere accordingly. In particular, within the scope of the International Subsidiary Banks Division, an ESG governance model was defined in 2021 that is consistent with the diversity and specificities of the reference territories and in line with the Parent Company's approach. In addition to the creation of a dedicated team working alongside the Head Office Sustainability Manager, each Bank appointed an ESG manager, usually coinciding with the deputy CEO, and set up an ESG team reporting directly to him/her.

To this effect, two strategically significant projects for the Group were carried out in 2021: the ISP4ESG programme, already launched in 2019, and the ESG Reporting project.

The ISP4ESG internal programme, conceived with a view to consolidating the Group's leadership in terms of sustainability, achieved important results in 2021. This project, to be considered as a wide-ranging and high-impact initiative, led by the CFO area in coordination with the Strategic Support Department, involves all the different Group structures and aims to integrate ESG logics into the Bank's business model and strategy and make a real impact within the company and on society as a whole. The main activities carried out in 2021 were as follows:

- Definition of an ESG/Climate Credit Framework consistent with sustainability regulations, based on the sector mapping of the Group's loan portfolio from an ESG perspective carried out in 2020. This framework leads to reconsider the loan disbursement process, overcoming a logic limited to policy definition and also introducing considerations related to ESG/Climate issues at sectoral, counterparty and product/transaction level (ESG Project/Climate Credit Framework);
- Response, together with the Institutional Affairs structure, to the ECB requests relating to the management of climate and environmental risks (self assessment, gap analysis, action plan) and monitoring of the related activities;
- Assessment of the implications and the steps required to join the Net-Zero Alliance by all Group Divisions: content, communication methods and timelines; definition of target setting activities on high-emission sectors;
- Proposal for the 2022/2025 Group ESG Plan;
- Continuation of the activities carried out by the ESG Control Room and management of the steps required to share the afore-mentioned initiatives;
- Continuation of the development of new methodologies and guidelines shared at Group level on Sustainable Investments, aimed at incorporating ESG factors in the offering of investment products, through the coordination of regulatory compliance and the implementation of evaluation models that also take into account ESG factors in the investment proposals to customers;
- Coordination and development of activities for the dissemination of the ESG culture identified as an enabling factor. A basic ESG training course was released for the Group's people, available on the e-learning platform completed by 38,500 people.

The constant evolution of European regulations on ESG reporting and sustainability, including the Corporate Sustainability Reporting Directive (CSRD) proposal, the EBA Guidelines on ESG Reporting, the EU Taxonomy (and related disclosure obligations), the Sustainable Finance Disclosure Regulation (SFDR), the ECB guide on the management of environmental and climate risks, together with the requirements arising from adherence to the various voluntary reporting standards (TCFD, SASB, PRB, WEF - in September 2021, the Bank undertook to adopt and implement the Stakeholder Capitalism Metrics developed by the World Economic Forum), led Intesa Sanpaolo to launch, in August 2021, a project focused on Group ESG Reporting.
The project, which pursues the ambitious goal of creating an integrated and transversal approach to Group ESG Reporting capable of addressing the new regulatory requirements and emerging best practices, involved several Group structures and companies. The first phase of the project, organised in 4 working groups, focused on an overall gap analysis and on the definition of an action plan in relation to the evolution of ESG regulations and the frameworks and standards applied to ESG reporting in order to design the necessary measures for the fulfilment of the 2021 regulatory reporting requirements in the CNFS, with particular reference to the definition of a methodological approach to the calculation of the Green Asset Ratio (GAR) and all the other KPIs and information required by Art. 8 of the EU Taxonomy Climate Delegated Act. The second phase, which is scheduled to be launched in 2022, will be dedicated to the implementation of “target” measures.

TRAINING AND PROMOTION OF ESG CULTURE

ESG training within the Intesa Sanpaolo Group is structured on a base level, cutting across the various issues and the Divisions and Governance Areas, and managed within the ISP4ESG programme, and an in-depth or specialist level, on individual issues, curated by the Divisions and Governance Areas concerned. Overall, in 2021 over 74,300 Group’s people (77% of the total) received 700,000 ESG training hours (14% of the total), almost twice compared to 2020, with over 9 million accesses to digital platforms (Apprendo, Myla and Management School). A specific App is dedicated to structure heads, namely the Management School, which, through a catalogue of 5 hours on topics ranging from diversity and inclusion to smart working and ethics, from circular economy to environmental sustainability, intends to support them also with the integration of sustainability criteria in their managerial activities and in raising awareness among their resources. In 2021, the Management School ESG content was accessed by 1,165 users for a total amount of 70 hours.

The promotion of the sustainability culture also takes place through a collection of online training modules (e.g. videos) on the values and principles set forth by the Code of Ethics; the collection, launched in 2018, at the end of 2021 included 15 training modules reflecting its values and principles within Intesa Sanpaolo, dealing with topics such as expected conduct towards Stakeholders, human rights, financial inclusion, sustainable investments and the climate change challenge. In 2021, the training modules were accessed by almost 4,700 users on average, with a maximum of around 10,500 users for the course dedicated to “Principles of conduct in customer relations”.

The training activities conducted within the various Divisions serve the dual purpose of providing and strengthening the technical skills for the performance of specific tasks and, more generally, contributing to the dissemination of the sustainability culture throughout the Group.
With this dual purpose, the IMI Corporate & Investment Banking Division continued the process undertaken in 2020 which involved all the Departments in a continuous exchange of information within the same Division and with the other structures and in the creation of a pool of resources focused on the ESG sphere, then called upon to act as “ambassadors” in their respective structures. In particular, a schedule of dedicated webinars involved and raised awareness among the Boards and employees of Intesa Sanpaolo Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil - Banco Multiplo, and a specific course dedicated to Banca Intesa Russia is currently in the process of being planned.

Within the Insurance Division, the entire corporate population was involved in ESG training activities in 2021. In particular, two webinars dedicated to sustainability issues, which garnered high interest, specifically addressed certain behaviours that in everyday life contribute to the achievement of the “Sustainable Development Goals” (SDGs) and that generate a positive impact on climate change. The webinars aroused high interest with the participation of around 160 employees.
Thanks to the active cooperation between the Intesa Sanpaolo Group and research centres, including CeTIF - Centro di Ricerca su Tecnologie Innovazione e Servizi Finanziari (Research Centre on Innovation Technologies and Financial Services), some meetings/workshops focused on the impacts of ESG issues and the opportunities to be seized for the insurance sector were organised during the year. As part of the Division’s induction process for new resources, a specific focus on ESG issues characterised in particular the meeting dedicated to Intesa Sanpaolo Life products entitled “Il caring del Cliente: la nostra prospettiva” (Customer care: our perspective).

During the year, the Fideuram - Intesa Sanpaolo Private Banking Division, also with a view to supporting the expansion of the ESG product offering, launched a number of educational and training activities, including:

- an ESG training course, in collaboration with some of the most prestigious Italian universities, dedicated to the Private Bankers of the Fideuram and Sanpaolo Invest Networks, including a skills certification test at the end;
- a webinar focused on the Circular Economy dedicated to the Intesa Sanpaolo Private Banking Network which was attended by around 1,100 Private Bankers;
- a schedule of six meetings for the Division's Top Management, conducted in collaboration with Intesa Sanpaolo's Institutional Affairs Department, focused on the evolution of EU regulations on ESG issues;
- a remote ESG training course on the Apprendo platform with a duration of approximately 3 hours, targeted at an audience of 1,800 Division employees as part of the mandatory CONSOB training.

In 2021, some ESG courses were also held within the Asset Management Division (Eurizon), which mainly concerned topics such as active share ownership and the investment process; the Dialogue between the economy, markets, sustainability and products; ESG Glossary. Furthermore, accredited courses were held in order to maintain ESG Certifications in compliance with Efpa Italia standards.
Lastly, the mandatory course "Presidi adottati in tema di Sostenibilità" (Safeguards adopted on the subject of Sustainability) involved 400 employees of the Asset Management Company. Aside from providing a regulatory overview, the course outlined the direction taken by the market and the actions launched by Eurizon, in addition to an overview of ESG products.

In 2021, the International Subsidiary Banks Division undertook a number of activities to increase awareness and knowledge of ESG issues with initiatives and courses, which involved various corporate functions in the subsidiaries and at the Head Office of the Division. The main objective was to support the change and create specific ESG skills in the functions most involved in the different projects. The main topics of the initiatives carried out included: ESG, ESG risk in lending activities, sustainable finance, efficiency and energy saving. September marked the launch of the "Leading the ESG journey" programme, developed by the Management School and dedicated to the entire managerial cluster of the Division, involving around 60 managers from the Head Office in Italy and 900 from the Banks.
With reference to ESG Risk training, two initiatives were launched in 2021 concerning risk management and management of lending activities. The first one targeted at responsible functions involved 63 participants (60 from subsidiaries and 3 from Italian Head Offices), while the second one, aimed at a cross-sectional target and in e-learning format, involved over 1,300 persons.

ESG COMMUNICATION

During the year, internal communication in the sustainability area was strengthened through the publication of news on the company Intranet, with the aim of contributing to raising awareness and disseminating ESG culture at all company levels. The subjects of the communications included participation in important events (e.g. World Environment Day, Asvis Sustainable Development Festival, the second anniversary since joining the PRBs, SRI Week), results relating to the inclusion of Intesa Sanpaolo in rankings and sustainability indices, the publication of policies (e.g. in 2021, the reports on Coal and unconventional Oil & Gas) and reports (annual and half-yearly CNFS, TCFD Report), commitment to national and international initiatives (the latest and most significant of which was Net Zero against climate change), as well as the most important commercial initiatives such as S-Loans, the Circular Economy credit plafond and Green Bond issues.

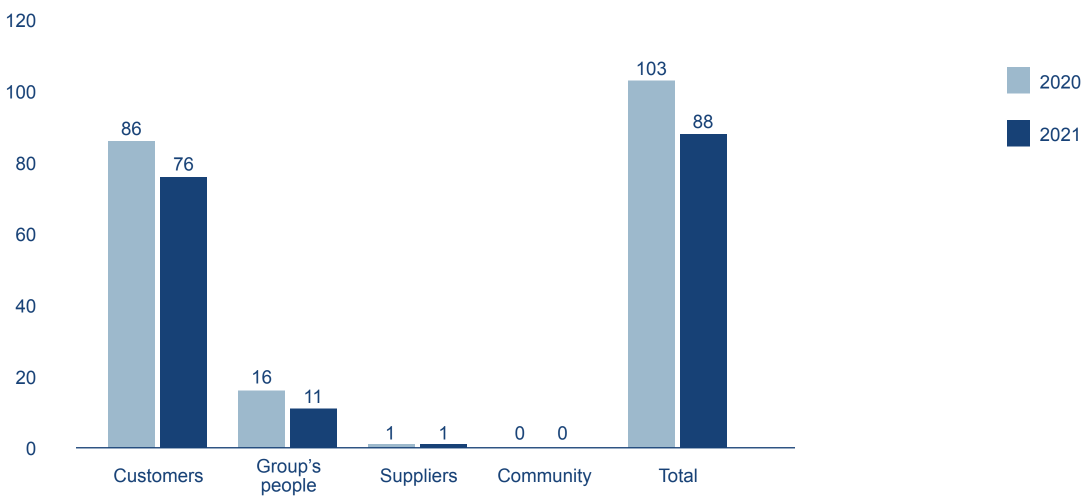
Special attention is paid to the sustainability section of the corporate website which includes, in addition to reporting the news described above, the description of the Group's commitment to the various Stakeholders and in line with the material issues. During 2021, the section underwent a first review aimed above all at improving the presentation of the Group's objectives and results in the most relevant sustainability areas. The main results were also included in an interactive summary version of the Consolidated Non-Financial Statement and the most important indicators of a non-financial nature were collected on a single page, downloadable in Excel format. In 2021 these actions allowed the Group to rank first in Europe and Italy in the Lundquist/Comprend Webranking rankings for the transparency and effectiveness of its sustainability reporting.

IMPLEMENTATION AND GOVERNANCE OF THE CODE OF ETHICS

The Code of Ethics is the self-regulatory document adopted by all the Group companies and is an integral part of the Sustainability management model; it sets out the values and principles that govern relations with Stakeholders, referring, for some particularly important areas (e.g. human rights, employment protection, environmental protection, fight against corruption), to rules and principles that are consistent with the best international standards. The Code's implementation and governance mechanism is based on the following cornerstones:

- The principle of self-responsibility, where each structure is directly responsible and ensures adherence to the values and principles of the Code, setting the related objectives and action plans and, where appropriate, appointing a contact and Sustainability Managers.
- The commitments set out in the Code are given practical expression in the annual reporting process (Consolidated Non-financial Statement), which presents the management policies and procedures, initiatives, indicators and objectives for the issues relevant to the Stakeholders and the business. The process was reinforced by the half-yearly non-financial reporting in 2021 as well. Furthermore, a specific report was published and a specific publication on the climate (TCFD Report) was added in October 2021.
- The analysis and subsequent certification of corporate social responsibility governance by an independent third party in accordance with the principles and contents of standard ISO 26000, published annually on the website [i]. The Governance assessment is conducted according to the UNI PdR 18:2016 methodology on the Group's Italian and international perimeter and assessed with a score on a scale from 15 to 45. This assessment is supported by an analysis carried out with respect to each topic resulting from the materiality analysis, which is assigned a score from 1 to 5. In 2021, the overall Sustainability Governance assessment confirmed the highest rating, namely "Consistent and excellent", corresponding to the maximum score of 45. For the second consecutive year, the assessment highlighted a complete maturation of the Group's sustainability governance process, with the Control Room dedicated to ESG issues becoming fully operative. In particular, Italy's score showed an increase in relation to 3 topics (Sustainable investments and insurance; Retention, enhancement, diversity and inclusion of the Group's people; Service quality and customer satisfaction) bringing the number of topics that reached the highest score (5) to 9. The integration of ESG issues into cross-cutting processes (human resources management, health and safety, management of direct impacts on the environment, prevention of corruption) continued to be mature and complete. Further progress was made to strengthen the synergy with International Subsidiary Banks, creating, where possible, functional reporting to the head office department. In relation to the International Subsidiary Banks, there was an improvement in relation to all the topics, except for Employment protection, which maintained the same rating as the previous year. Still at an international level, a systemic approach emerges, capable of expressing objectives, action plans and monitoring in relation to the achievement of the preset targets.
- The Code of Ethics includes the option to address reports of alleged non-compliance with the provisions laid down therein. The management of the aforesaid cases of non-compliance falls within the remit of the ESG & Sustainability structure which, following the necessary checks, replies in collaboration with the structures concerned, ensuring to protect the reporting parties from any form of retaliation, discrimination or penalisation, and guaranteeing the utmost confidentiality, without prejudice to obligations laid down by the law. In 2021, 88 reports were received, down from the previous year (103 in 2020): 78 were received in Italy and 10 from abroad. The highest number of reports came from customers (76), followed by those from employees (11). The category having the greatest impact in the area of customer complaints concerns the difficulty of access to branches or online services by people with disabilities (19 reports); 17 reports concern operating issues often connected with communication problems with foreign customers. 4 requests were received from customers in relation to the Diversity and Inclusion Policy and regarding the inclusion of people with disabilities and the request for inclusiveness in corporate communications. The Group's people sent 11 reports, 4 of which from abroad; the most strongly felt topic was tensions in the workplace, often exacerbated by the complexities imposed by the pandemic. Non-discrimination issues were constantly and carefully monitored in 2021 as well.

Alleged non-compliance reports with the Code of Ethics by Stakeholder



- Finally, the last cornerstone for the implementation and governance of the Code of Ethics is represented by the initiatives for the dissemination of the sustainability culture through internal and external training and communication activities (see the paragraphs on Training and promotion of ESG culture and ESG communication).

Compliance with the principles and values of the Code of Ethics was monitored with the support of the Chief Audit Officer, so that it could be reported annually to the Management Control Committee and the Surveillance Body pursuant to Italian Legislative Decree no. 231/2001. Checks were conducted on 11 risk areas (for a total of 44 audits) that also considered social and environmental responsibility aspects and implications including:

- Governance of ESG projects and initiatives (transversal audit);
- Transactions with Related Parties and associated entities;
- Personnel remuneration and incentive systems (in various Group companies);
- Research and Development Special Fund reporting;
- Monitoring of acquisitions under centralised management;
- Checks on loan disbursement activities on specific sectors or business areas, in correlation with the ongoing pandemic emergency ("Management of COVID-19 moratoria") or with environmental requalification incentives (e.g.: Superbonus, Ecobonus bonuses and other tax incentives in the construction sector);
- Management of loans to innovative start-ups (focus on customers of the Banca dei Territori Division);
- Evolution of social impact initiatives under the Impact Fund (mainly with regard to aspects related to financial inclusion) and pledge lending business analysis;
- Analysis of consumer protection and claims management activities in Prestitalia (again with regard to aspects related to financial inclusion);
- Assessment of the governance and business model processes of Intesa Sanpaolo Innovation Center;
- Customer complaints management activities (on various Group companies) and in general measures aimed at assessing the service quality (e.g.: focus on the order acquisition process from Private customers);
- Assessment, in the context of the analysis of "corporate" lending transactions, of the correctness of the procedures adopted for specific transactions in sensitive sectors (Oil & Gas, Gaming, energy production, weaponry sector);
- Within the Banca dei Territori Division, personnel management and reallocation in relation to the integration with the UBI Banca Group, and introduction of smart working for Network personnel;
- Opening and management of relations with institutional customers in IW Bank;
- Analysis of the methods for disposal of some scrapped goods (UbiLeasing).

Management of environmental, social and governance risks

The Group has implemented specific processes and responsibilities to understand and manage risks in such a way as to ensure long-term business solidity and continuity, extending the benefits to its Stakeholders.
Below is an overview of the main ESG risks that are significant due to their potential impact on company activities and the related mitigation measures.
The following sections go into more detail and describe the main controls relating to some of the risks identified in the table below.

Issue	Potential risk	Potential impacts	Mitigation measures
Integrity in corporate conduct	Compliance risks with applicable legislation (corruption, money laundering, taxation, free competition, privacy, labour law) and ineffective response to regulatory changes Risk of providing employees with insufficient or no training Reputational risks	Fines and penalties, limitations to conducting business Damage to reputation and brand	Compliance system divided into different levels to monitor the compliance risk, with specialised functions Internal control system Definition of corporate internal regulations Admission to the cooperative compliance scheme with the Italian Revenue Agency Specialist training for employees Introducing a whistleblowing system Guidelines for the governance of environmental, social and governance risks concerning lending operations and associated self-regulation policies for sensitive sectors Adherence to UNEP FI’s Principles for Responsible Banking (PRB)
Service quality and customer satisfaction	Unfair commercial practices Inadequate customer service levels Inadequate customer communications Loss of access to services	Customer dissatisfaction with loss of competitiveness, customers and market shares leading to reduced profitability Disputes and complaints Fines and penalties Damage to reputation and brand	Model focussing on the level of service, on personalised advisory services, and on transparency Process of clearing for new products and services Careful and proactive management of complaints Dialogue with Consumer Associations Initiatives aimed at ensuring accessibility to services Business continuity plan
Innovation, digital transformation and cybersecurity	Ineffective transition from traditional to digital channels IT risk Business continuity in the event of an emergency, blocking or malfunctions	Loss of competitiveness, customers and market shares leading to reduced profitability Disputes and complaints Fines and penalties Damage to reputation and brand	Prevention of IT risk Careful assessment of emerging risks Development of an innovative offering/ solutions Physical network integration with online structures Dissemination of the digital culture Innovations aimed at ensuring accessibility to services for people with disabilities
Financial inclusion and supporting production	Inadequate offering of products/services to customers Reputational risks	Loss of competitiveness, customers and market shares leading to reduced profitability Damage to reputation and brand	Offering development in favour or financial inclusion for vulnerable people Development of solutions in support of the third sector Offering development to support production

Issue	Potential risk	Potential impacts	Mitigation measures
Sustainable investments and insurance	Assessment and control of ESG risks in the investment portfolios Investments in controversial sectors Reputational risks Failure to comply with regulations	Loss of competitiveness, market shares and customers who are conscious of ESG aspects, leading to reduced profitability Damage to reputation and brand Fines and penalties	Integration of ESG factors into the Investment process Development of the range of ESG funds Company engagement activities ESG training Internal control system Subscription to Principles for Responsible Investment (PRI) and Principles of Stewardship Subscription to Principles for Sustainable Insurance (PSI)
Community support	Reputational risks	Damage to reputation and brand	Development of investments and partnerships with a social impact in the community Development of training and work projects for the next generations Initiatives supporting the promotion of culture for social cohesion Development of institutional initiatives in support of the community
Employment protection	Conflicts and related labour dispute risks	Disputes Strikes with impacts on service continuity for customers Employee dissatisfaction with impacts on productivity	Responsible management of corporate restructuring processes, with the reallocation of employees to other activities New hires to promote generational change Management of labour dispute risks System of labour relations
Retention, enhancement, diversity and inclusion of the Group’s people	Inadequate employee enhancement and motivation Incapacity to acquire and maintain talents Termination of the employment relationship with managers holding relevant roles Insufficient focus on diversity and inclusion issues	Employee dissatisfaction with impacts on productivity Lack of adequately trained and qualified personnel Inadequate customer service levels Damage to reputation and brand	Investments in training activities Talent management programmes Recognition of employees’ merit Succession plans for business continuity Initiatives to enhance diversity and inclusion, including training with a specific focus on the topic Diversity & Inclusion Principles Sexual orientation and identity diversity regulations Rules for combating sexual harassment Adhesion to “Women’s Empowerment Principles”
Health and safety of customers and employees	Accidents in the workplace Occupational diseases Risks associated with the COVID-19 pandemic Robberies	Employee dissatisfaction with impacts on productivity Damage to persons arising from the COVID-19 pandemic Damage to persons and objects during robberies Damage to reputation and brand	Health and safety training Certification of the health and safety management system (ISO 45001) in all branches and buildings in Italy Assessment and management of infection risk Risk assessment for workplaces and work processes Development of specific organisational, training, technical and medical solutions to combat the COVID-19 pandemic Preventing and combating robberies

Issue	Potential risk	Potential impacts	Mitigation measures
Employee well-being	Inadequate employee motivation Work/life balance difficulties	Employee dissatisfaction with impacts on productivity Loss of skills as result of employee exits	Risk assessment of subjective and social conditions Assessment of work-related stress Work-life balance initiatives Offering of solutions for welfare and quality of life in the company Development of climate surveys
Transition to a sustainable, green and circular economy	Management of social and environmental risks in loans Transactions or loans in controversial sectors Reputational risks	Loss of competitiveness, market shares and customers who are conscious of ESG aspects, leading to reduced profitability Problematic loans or need for provisions Damage to reputation and brand	Assessment of ESG, climate change and reputational risks within the Risk Appetite Framework Rating model which also includes intangible aspects of companies Risk clearing processes which include environmental, social and governance aspects Equator Principles for project finance Guidelines for the governance of environmental, social and governance risks concerning lending operations and associated self-regulation policies for sensitive sectors Opinions involving the assessment of social-environmental factors Inclusion of ESG factors into the credit framework Development of a specific offering to facilitate the transition with dedicated plafond Employee and customer training and engagement Development of study and research projects

With reference to the topic ''Climate Change'', reference is made to the tables indirect/direct risks linked to climate change included in this paragraph and to the Climate Change chapter (page 195).
With reference to the topic "Group value and solidity", the risks and the related monitoring methods are part of the broader management framework of the Group's capital position and economic performance; for further information, reference is made to the Report on operations and the Consolidated Financial Statements of the Group.

The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of the risk identification activity, carried out within the Group on an ongoing basis in order to maintain constant alignment with the changing internal and external context and guarantee the adequacy of the controls and limits implemented to safeguard "Long term viability". This activity, in addition to being performed as part of the identification and assessment processes, also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.

In this context, the growing digitalisation of the technological infrastructure and of the commercial offering, the increased automation of processes (e.g. through the introduction of robotics and/or artificial intelligence) and the introduction of new working methods have led a change in the nature of some risks. In particular, while not representing inherently new risks, significant potential exposure can be expected to:

- IT and Cyber risks, in relation to: (i) growing reliance on ICT systems and consequent increase in the number of users who make use of virtual channels and interconnected devices, (ii) exponential growth in the amount of managed data that must be protected and whose quality must be ensured (iii) greater use of IT services provided by third parties (Open Banking, Fintech, Cloud systems), (iv) low production costs of new attack techniques with the presence of organisations in possession of specific skills and experience;

- risks associated with the digital transformation process linked to the increase in competition induced by the digitalisation of the financial sector (e.g. entry of new competitors) and the vulnerabilities that still characterise the current operating context (e.g. digitalisation process costs, legacy system obsolescence, regulatory framework fragmentation);
- third party risk, in relation to a greater reliance on systems and services provided by third parties (both in relation to the outsourcing of business processes and to growing dependence on cloud or IT service providers in general).

The constant evolution of the operating environment, both internal and external, requires the current risk management frameworks to be constantly updated, in order to maximise their effectiveness in terms of identifying and mitigating the Group's potential exposure. To this end, a series of project initiatives were launched with the aim of optimising the Group's Digital Operational Resilience profile, particularly through the evolution of the current assessment processes towards more timely and "data driven" approaches.
Furthermore, with a view to effective monitoring of the evolution of these types of risks, in addition to accelerating the digitalisation process in order to increase long-term profitability and seize new business opportunities, the Group has continued to guarantee investments for:

- the continuous upgrading of Cybersecurity monitoring (including awareness-raising campaigns targeted at customers) in line with best practices and reference international standards, as well as for the progressive evolution of ICT systems (e.g. digitalisation of services, business insourcing, in-cloud service activation);
- the strengthening of third-party monitoring and control measures, also in consideration of the greater complexity of relationships;
- the evolution of the knowledge and skills of internal resources (e.g. Up-Skilling/Re-Skilling programmes, reinforcing awareness of ICT, Cyber, Third Party and ESG Risk issues).

For further information on cybersecurity, reference is made to the paragraph Innovation, digital transformation and cybersecurity (see page 112).

MONITORING OF ESG AND REPUTATIONAL RISKS

In accordance with its approach to sustainability/ESG and the principles outlined in the Code of Ethics, the Intesa Sanpaolo Group is aware of the importance of the correct and responsible allocation of resources, following social and environmental sustainability criteria. Therefore, it promotes balanced development that can redirect capital flows towards sustainable investments that balance interests like the preservation of the natural environment, health, work, the well-being of the whole community and the safeguarding of the system of social relations. As part of the risk management framework, the governance of ESG risk factors is outlined in the various primary risk categories (e.g. credit risk, market risk and operational risk) and develops in close integration with the oversight of reputational risk, enhancing the interconnections between these risk profiles. ESG risk, as the risk stemming from the potential negative impacts of a company or activity on the environment, people and communities, and also including risks related to corporate governance, may have impacts on profitability, on reputation and on credit quality and may entail legal consequences.

REPUTATIONAL RISK GOVERNANCE MODEL

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.
The Group actively manages its image in the eyes of all stakeholders, by engaging all its Organisational Units and seeking robust, sustainable growth capable of creating value for all stakeholders. In addition, the Group seeks to minimise possible negative effects on its reputation through rigorous and comprehensive governance, proactive risk management and guidance and control of its activities.

The overall management of reputational risk is pursued primarily through:

- compliance with standards of ethics and conduct and self-governance policies. The Code of Ethics adopted by the Group contains the core values that Intesa Sanpaolo intends to commit itself to and sets out the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with even broader objectives than those required by current legislation;
- the systematic, independent contribution by the company structures tasked with safeguarding the company reputation, which maintain relations with stakeholders, within their respective areas of responsibility;
- an integrated monitoring system for primary risks, to limit exposure to those risks, and to comply with the related limits contained in the Risk Appetite Framework[1] (RAF);

1 The RAF represents the overall framework within which corporate risk management is developed, and is divided into (i) general principles of risk appetite; (ii) monitoring of the Group's Overall Risk Profile; (iii) monitoring of the Group's Main Specific Risks

- the Reputational Risk Management processes governed by the Chief Risk Officer Governance Area, which operate transversally across the corporate functions and in synergy with decision-making processes.

Those processes, which involve control, specialist and business functions, for various purposes, specifically include:

- the Reputational Risk Assessment, which seeks to identify the most significant reputational risk scenarios that the Intesa Sanpaolo Group is exposed to, is implemented annually and gathers the opinion of Top Management regarding the potential impact of these scenarios on the Group's image, in order to identify appropriate communication strategies and specific mitigation actions, where necessary;
- ESG & Reputational Risk Clearing, which is aimed at the ex-ante identification and assessment of the potential reputational and ESG risks associated with the most significant business operations, the main capital budget projects and the selection of the Group's suppliers/partners;
- Reputational Risk Monitoring, aimed at monitoring the evolution of Intesa Sanpaolo's reputational positioning (on the web, for example) also with the aid of external analyses.

The reputational risk governance model also includes an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.

In order to safeguard customers' interests and the Group's reputation, specific attention is also devoted to establishing and managing customers' risk appetite, pursued through the identification of the subjective and objective traits of each customer. The assessments of adequacy during the process of structuring products and rendering advisory services are supported by objective information, that considers the true nature of the risks borne by customers when they undertake derivative transactions or make financial investments.

More specifically, the sale of financial products is also governed by specific preventive risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered).

ESG RISK GOVERNANCE MODEL

The management of ESG risks requires considering not only the impacts of those risks on the Bank's organisation, but also the potential impact on stakeholders and the risks that the Bank exposes its stakeholders and the environment to through its operations.

The Group therefore adopts a holistic approach to ESG issues, which is based on:

- defining a Group ESG strategy in line with the guidelines provided by Corporate Bodies, supported by the internal governance structures: Intesa Sanpaolo aims to be a sustainable financial intermediary that generates value for communities, aware that innovation, development of new products and services and companies acting in a sustainable manner can contribute to reducing the impacts of phenomena such as climate change and social inequalities. To this end, it also takes active part in a wealth of domestic and international initiatives. (For further information, see paragraphs Strategy for combating climate change and Commitment to domestic and international initiatives and strategies for the United Nations Sustainable Development Goals);
- the management of sustainability issues in sensitive sectors through its own regulatory framework that includes the ''Guidelines for the Governance of ESG Risks concerning lending operations'' and voluntary conduct policies (e.g. "Principles on Human Rights", "Rules for the environmental and energy policy", "Rules for lending operations in the coal sector", "Rules for lending operations in the unconventional oil&gas sector" and "Rules governing transactions with subjects active in the armaments sector") also aimed at defining general and specific criteria for limiting and excluding lending operations in business sectors considered to be more exposed to ESG risks;
- the identification and management of potential direct and indirect impacts related to climate change and the development of metrics for the measurement of indirect impacts;
- the integration of ESG factors into the general Risk Management framework and in particular the provision, within the Risk Appetite Framework, of a specific section dedicated to ESG and climate change risks, which defines specific limits and criteria with respect to the financing of sectors and counterparties most exposed to such risks; the inclusion within the scope of the Credit Risk Appetite[1] of ESG elements and, among these, of an external score that rewards the production of sustainable products or services above a certain threshold in proportion to total turnover;

1 Indicator helping relationship managers, in the credit origination phase, through the counterparty assessment process. This indicator is based on the rating and a number of risk and resilience factors aimed at evaluating the long-term risk of the counterparty.

- the adoption of a corporate rating model, validated by the ECB, which includes social and environmental elements (e.g. environmental certifications, research and development activities) that can lead to an improvement in the rating;
- the integration of ESG factors within the credit framework through the adoption of a sector mapping in terms of the potential impact of climate and ESG risks and the assessment of these risks within the ESG & Reputational Risk Clearing and Equator Principles[1] implementation processes. These assessments are especially important with reference to the financing of Corporate customers, particularly in relation to transactions with counterparties operating in sectors classified as sensitive from an ESG perspective by the ''Guidelines for the Governance of ESG Risks concerning lending operations'' and to transactions classified as Most Significant Transactions[2]. The development of a counterparty ESG score is yet another method to support lending processes;
- the assessment of ESG factors relating to customer investments, within the Product Governance processes of the Parent Company and the subsidiaries and linked to Customer portfolio risk issues with a view to the Suitability of Investments with the Group's financial intermediaries;

Management of sustainability issues in sensitive sectors

In relation to the ESG risks associated with its business activities, Intesa Sanpaolo pays special attention to sustainability issues related to sensitive sectors, above all climate change and the environment.

In 2020, Intesa Sanpaolo published the "Guidelines for the governance of environmental, social and governance risks concerning lending operations". The purpose of these Guidelines is the definition of: 1) a list of "sensitive sectors"; 2) general criteria to limit and exclude loans in line with the definitions set out in the document; 3) detailed criteria applicable to individual sensitive sectors through the application of specific sector regulations. According to the company ESG risk regulations, the Group pledges not to finance companies or projects which stand out for their negative impact on:

- UNESCO World Heritage Sites[3]
- wetlands according to the Ramsar Convention[4]
- IUCN protected areas, categories I to VI[5]

The Bank also pledges not to finance companies or projects if, during the assessment of the transaction, they are discovered to be located in areas of active armed conflict, or if evidence - such as legal proceedings promoted by the competent authorities - emerges of violations of human rights and forced or child labour practices.
Among the sensitive business segments from an ESG perspective, the coal sector, the unconventional oil and gas sector and the arms production and trading sector are of particular importance and subject to specific internal regulations.
In particular:

- as regards the coal sector, the regulation, updated and made more stringent in 2021, defines the limits and exclusion criteria for the Group's lending operations in the segments of coal extraction and coal-fired power plants, supporting customers in their efforts to reduce their use of coal for the production of energy (phase-out) and encouraging the transition towards low carbon-intensity alternatives, such as renewable sources and gas. The Group also undertakes to phase out its exposure to counterparties belonging to the coal mining sector by 2025.
- with regard to the unconventional oil and gas sector, Rules were issued in July 2021 which define limits and exclusions for unconventional resources such as tar sands, shale/tight oil&gas and resources extracted in fragile ecosystems such as the Arctic region (onshore/offshore oil and offshore gas) and Amazonia (oil in the area known as Amazon Sacred Headwaters[6]). Specifically, the regulations prohibit the financing of projects aimed at the development, construction and expansion of activities involving the exploitation and extraction of unconventional resources and the related transport infrastructures. Furthermore, the Group undertakes to

1 International Guidelines that financial institutions adhere to on a voluntary basis for the management of socio-environmental risks arising from project financing. The Principles are based on the criteria of the International Finance Corporation (IFC) of the World Bank (the Performance Standards), which concern, amongst other issues: the assessment of social and environmental impacts; the protection of workers' rights; the exclusion of child labour and forced labour; the prevention of pollution and the promotion of energy efficiency; risks to the health and safety of communities; the consultation of the populations concerned and protection of their rights; safeguarding biodiversity and the sustainable management of natural resources; and the preservation of cultural heritage.
2 Transactions of great significance, within the Group or with single customers or counterparties, which could potentially have a significant impact on the overall risk profile and/or on specific risks of the Group.
3 List of sites officially recognised by the United Nations Educational, Scientific and Cultural Organisation (UNESCO). The sites are selected on the basis of their cultural, historical or scientific value, or other relevant aspects, and are legally protected by international treaties.
4 Convention that provides a framework for the conservation and sustainable use of wetlands and their resources. Almost 90% of UN member states have acceded to the Convention to become "Contracting Parties". One of the key pledges of the contracting parties is the identification and addition of suitable wetlands to the list of wetlands of international importance, also known as the Ramsar list.
5 List of protected areas which have been identified and classified (from category I to VI) by the International Union for Nature Conservation (IUCN), a membership union uniquely composed of government and civil society organisations. The categories are defined as follows: - I Strict protection [Ia) Strict Nature Reserve and Ib) Wilderness Area] - II Conservation and protection of ecosystems (e.g. National parks) - III Conservation of natural features (i.e. natural monuments) - IV Conservation through active management (e.g. Habitat / species management area) - V Conservation and restoration of landscape / seascape (e.g. Protected landscape/seascape) - VI Sustainable use of natural resources (e.g. protected area with sustainable use of natural resources).
6 Area understood as the drainage basin of the Amazon River, and of the Napo, Pastaza and Marañon rivers.

phase out the exposures associated with these unconventional resources by 2030;

- with reference to the armaments sector, the new “Rules governing transactions with subjects active in the armaments sector”, issued in May 2021 and which apply uniformly to all Group companies and Banks, in accordance with the values and principles set forth in the Code of Ethics, expressly prohibited to undertake any kind of banking or lending activity related to the production of and/or trade in controversial weapons and/or those banned by international treaties and in particular: nuclear, biological and chemical weapons; cluster and fragmentation bombs; weapons containing depleted uranium; and anti-personnel landmines. Aware of the need to support national and European defence together with the allied countries in NATO, the Intesa Sanpaolo Group limits its banking and/or lending activity solely to operations that relate to the production and/or trade of military goods in countries belonging to the European Union and/or NATO. Operations in countries that do not belong to the European Union or NATO are also permitted but are submitted to an extraordinary approval process, subject to the existence of intergovernmental programmes with the Italian Republic. The other Group Banks and Companies are not authorised to undertake operations involving the production and/or trade of military goods. Only the Group International Subsidiary Banks can request specific and prior authorisation from the Parent Company if these operations concern military goods destined for permanent use by the armed forces and related bodies responsible for defence as well as the police forces of the country where the same Bank is located. The operations of the Group’s Branches and International Subsidiary Banks are also subject to local regulations, when they are stricter than the Group regulations.

Management of risks and potential impacts linked to climate change - development of metrics for the measurement of indirect impacts

The Chief Risk Officer Area and the Chief Financial Officer Area, with the support of the various Governance Areas and Divisions, work together in identifying and analysing the range of risks and opportunities related to climate change, in order to include them in the ordinary risk assessment and monitoring processes and the credit strategies, and to establish the objectives and guidelines aimed at implementing the actions designed to manage and mitigate those risks.
Key activities in climate risk management concern:

- the identification, assessment and measurement of such risks;
- the implementation, development and monitoring of a company-wide risk management framework, including risk culture, risk appetite and relative credit limits.

With reference to the disclosure related to climate risk management, since October 2018 Intesa Sanpaolo decided to support the recommendations of the “Task Force on Climate-related Financial Disclosures” (TCFD), progressively including information relating to risk management in the climate change area in its Consolidated Non-Financial Statement and Financial Statements. Furthermore, the first TCFD report [i] was published in 2021, to which reference should be made for a detailed representation of the topic.

The potential impacts, the related time horizon (short, medium, long) and the mitigation and adaptation actions taken for each potential risk observed are also identified annually, with reference to both indirect and direct risks.

Indirect risks related to climate change

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in public policies Technological changes Changes in customer/ consumer preferences	Short/medium/long term	**Loans** Reduction of business or increase in costs for customer companies with possible consequences on creditworthiness and solvency **Asset management** Consequences of climate change on companies in the portfolio with consequent possible reduction in the value of assets under management Documentary impacts Impacts on the offering of products and services to customers Impacts on internal and IT procedures Reputational impacts	**Loans** Assessment of ESG and climate risks on loans in sensitive sectors Inclusion of environmental risks when assessing creditworthiness Assessment of the materiality of ESG risks in business sectors Counterparty ESG scoring Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Energy transition support through funding to the Green Economy, Circular Economy and ecological transition Participation in Net-Zero initiatives with objectives to reduce financed emissions **Asset management** Assessment and control of ESG risks in the investment portfolios Implementation of sustainability self-regulation policies Participation in Net-Zero initiatives with reduction of the emissions associated with investments Active monitoring of evolving regulations and internal policies IT investments Adaptation of the range of products and services
Transition Changes in public policies Technological changes Changes in customer/ consumer preferences	Short/medium/long term	Reputational impact, negative perception from Stakeholders and in particular from SRI investors due to nil or inadequate management of such risks Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower rating	Inclusion of environmental risks when assessing creditworthiness Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Stakeholder engagement initiatives Participation in international working groups on climate change issues Participation in Net-Zero initiatives with objectives to reduce financed emissions

* 0-2 years short term; 2-5 years medium term; over 5 years long term

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in environmental regulations Introduction of new greenhouse gas emission limits or new related reporting systems	Short/medium term	**Loans** Financial implications of environmental regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors	**Loans** Offering of dedicated financial solutions and specialist advisory services for customers in the field of renewable energies and energy efficiency Participation in working groups and initiatives relating to climate change Active collaboration with policy makers to highlight the need for stable and clear environmental regulations
Transition Introduction of regulation on climate risks for the financial sector	Short/medium term	Reduction of Group revenues deriving from excessive exposure to more vulnerable sectors to climate risk	Inclusion of climate risk in risk management systems Rebalancing of portfolios Offering of products and services connected with transition
Transition Changes in customer/ consumer preferences	Short/medium term	Reduction in Group revenues due to the increased competition generated by the growing demand for ESG products and the fall in demand for non-ESG services/products	Offering of products and services for the Green economy, Circular Economy and the ecological transition Green and ESG bond issues
Physical Extreme weather events (floods, heavy snowfall, whirlwinds)	Short/medium/long term	Financial implications for corporate and retail customers damaged by extreme weather events, with possible consequences on their creditworthiness and solvency	New subsidised loans intended to restore damaged structures Suspension or moratorium of repayments of loans issued to damaged customers Insurance products for damage caused by extreme climate events

* 0-2 years short term; 2-5 years medium term; over 5 years long term

With specific reference to the inclusion of climate change risk within the Risk Management Framework, special attention was paid from 2019 to 2021 to the development of stress test and scenario analysis methodologies. During 2021, the architectural and methodological preparation was begun also to support the “climate stress test” of the European Central Bank planned for the first half of 2022. The scenario analysis and stress testing framework is based on the following elements:

- a dedicated platform for measuring transition risk on the Large and Mid Corporate segments. The solution provides a bottom-up impact assessment on financial statements, that is, at single counterparty level, based on selected stress scenarios (generally coinciding with those set out in the NGFS - Network of Central Banks and Supervisors for Greening the Financial System Framework);
- a calculation engine, specifically developed to measure the transition risk of the SME portfolio. A top-down approach is used in this case, with estimates based on sector approximations (enriched with idiosyncratic adjustments, only where available, at single counterparty level). The model provides a series of financial statement projections for single businesses, though starting from the specific sector, exploiting specific scenarios in line with the requests to conduct the stress test required by the European Central Bank;
- the adoption of a specific approach to define the “long-term strategic response” in line with the achievement of the Group’s net zero targets.

Direct risks related to climate change

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in environmental regulations	Short/medium term	Possible fines in the event of failure to comply with new regulations	Constant and precautionary monitoring of possible changes to national and European regulations
Transition Introduction of new greenhouse gas emission limits or new related reporting systems Increase in cost of raw materials	Short/medium term	Costs for upgrading heating and air conditioning systems and for new monitoring tools Costs related to eventual taxes connected with greenhouse gas emissions Increase in costs of energy supply	Own Emissions Plan implementation and monitoring Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings
Transition Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)	Short/medium term	Costs of changing the processes of certification in the event of changes to standards	Continuous and precautionary monitoring of possible changes in standards Participation in specific training courses and workshops
Physical - acute Extreme weather events (floods, landslides, heavy snowfall, whirlwinds)	Short/medium/long term	Possible damage to the Bank's infrastructure and possible disruption of activities	Precautionary assessment of the hydrogeological risks for buildings Adoption of a business continuity plan and measures to prevent/ mitigate/manage physical damage to the Bank's structures
Physical - chronic Increase or reduction in average temperatures	Medium/long term	Increase in energy supply costs connected with greater heat or electricity consumption	Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings ISO 14001 and ISO 50001 certification for the management of environmental and energy issues

* 0-2 years short term; 2-5 years medium term; over 5 years long term

With reference to direct impacts, Intesa Sanpaolo is committed to analysing and containing possible risks on its properties as well as taking immediate action in the event of environmental disasters.

The Risk Assessment Document, which evaluates risks to workers' health and safety (Italian Legislative Decree 81/2008), also assesses hydrogeological risk due to flooding and landslides. The hydrogeological risk assessment of buildings is conducted both as a preventive measure and also following external events with a view to ensuring that the buildings involved meet all safety standards. Based on the provisions of the Italian Institute for Environmental Protection and Research (ISPRA, Istituto Superiore per la Protezione e la Ricerca Ambientale), which divides the territory into 5 hazard classes (very high P4, high P3, medium P2, moderate P1 and attention areas AA), more than 1,000 Intesa Sanpaolo buildings in Italy are subject to landslide and flood risk. For the Bank's assessment of flooding, the benchmark is based on the level of danger associated with a floodable area, and depends on the probability that the area can be flooded. With regard to landslides, on the other hand, the benchmark is also based on the level of danger (from P1 to P4) associated with an area subject to landslides, but depends on the relationship between the probability of occurrence of the event and its magnitude taking into account both the speed of the landslide's movement and the extent of its spread over the area.
These assessments, together with the daily analysis of Arpa's weather alert bulletins and the bulletins of the Department of Civil Protection on critical national and regional issues, enable the Intesa Sanpaolo Group in Italy to implement actions that take account of the effects of critical events connected with natural phenomena deriving from climate change, making it possible to manage different potential risk scenarios, indicated in the Emergency Plans, in order to mitigate and reduce their potential damage, particularly with regard to workers and Stakeholders.

The inspections on a sample of selected properties in areas of greater hydrogeological risk continued in 2021. This project was carried out with the aim of validating the methodology for the definition of a vulnerability index for the Bank's properties that can be used to identify priority action and analysis criteria in the event of emergency situations. Based on the results of these inspections, possible intervention measures to make the buildings safe will then be identified in order to prevent the occurrence of potential risk situations.
In addition, the tide bulletin is periodically consulted on the Venice branches affected by the "high tide" phenomenon emergency due to the rise in tide levels so as to allow prior notification to the competent structures for the activation of the procedures laid down in the specific Emergency Plans. In addition, a project was launched to update the specific risk analysis based on the implementation of the MOSE (Experimental Electromechanical Module) system in the municipality of Venice.

In general, with regard to all direct risks related to climate change, in Italy the CEM (Critical Events Management) is activated when the first bad weather alert is issued. CEM guarantees the continuous and precise monitoring of the situation and supports the overall coordination of the actions agreed to by the territorial structures, in constant connection with the relevant central structures.
In the case of very serious disaster situations, the Emergency Management Operations Centre of the Business Continuity Management Department is also activated, which monitors the situation and assesses whether to close facilities temporarily and to take any additional action.
In order to ensure business continuity in the areas most affected by the inclement weather, the crisis delegates of local and central structures are also activated for timely reporting of critical situations, with particular regard to delays in the transport of valuables and correspondence, difficulties for personnel in reaching their workplaces, operational issues and problems with branch physical plant.

The Context Analysis of the three schemes of certification for the Integrated Environment, Energy, Health and Safety Management System, aligned with the UNI EN ISO 14001:2015, UNI CEI EN ISO 50001:2018 and UNI ISO 45001:2018 standards, also took account of the risks connected with climate change. Some areas were identified, including environmental and security regulations, environmental and climatic conditions, credit access and financial inclusion, real estate, plant efficiency and maintenance, internal communication tools, for which the expectations of stakeholders were assessed, highlighting for each one strengths and weaknesses and ongoing or possible actions to mitigate a potential risk. For all highlighted risks, mitigation or risk acceptance actions were defined with the specific identification of the structures responsible for overseeing the actions according to a model that takes account of the value attributed to the impact and the probability of the risk occurring.

Moreover, the mapping of the exposure of further physical risks from Climate change of all bank assets will also start from 2022 as set out in the Bank's Business Plan. A scoring of exposure to the climate risk of Intesa Sanpaolo buildings is expected to get underway and projections and simulations of forecasting scenarios are expected to be carried out.

ESG and climate change risks within the scope of the Risk Appetite Framework

The Risk Appetite Framework (RAF) represents the general framework within which corporate risk management is developed.
In 2021, a dedicated section was introduced which brings together ESG, climate change and reputational risks, and which includes qualitative and quantitative elements. In particular, with reference to ESG & Climate risks, the "Group recognizes the strategic importance of ESG factors and the urgency of curbing Climate Change. The Group is committed to include the impact of these aspects in its strategic decision-making processes and to fully integrate them in its risk management framework with the goal of maintaining a low risk profile. The Group is committed to control how ESG and Climate Change impact existing risks (credit, operational, reputational, market and liquidity risk) and implement high ethical and environmental standards in internal processes, in products and services offered to customers and in the selection of counterparties and suppliers".

The quantitative components envisaged in the ESG & climate change RAF concern the definition of credit exposure limits and KPIs/KRIs subject to assessment and monitoring. In particular, with a specific focus on climate change risk, the following safeguards were introduced in 2021:

- specific credit exposure limits with reference to the coal mining sectors, in line with the commitments undertaken in terms of phase out, and oil&gas;
- a shortlist of controversial companies, often responsible for operations classified as "dodgy deals[1]";
- quarterly monitoring of the Group's credit exposure to the corporate sectors most exposed to the climate change risk on the basis of a sector ESG/climate heatmap developed within the ISP4ESG Programme.

In 2022, the safeguards described above will also be further enriched and strengthened in line with the Net-Zero targets adopted by the Group.

Within the RAF, the Credit Risk Appetite Framework is particularly important; in 2020, it was enhanced through the introduction of new climate and environmental risk/resilience factors relating to the energy class and environmental certifications of the financed customers. New risk/resilience factors were introduced in 2021 for Corporate and Large Corporate counterparties:

- the ESG and SGS (Sustainable Goods and Services) scores were introduced using data from an external supplier, contributing to a potential notch up/down of the counterparty's risk class position;
- for counterparties where supplier data were not available, the potential notch up/down of the counterparty's risk class was determined on the basis of answers to a qualitative questionnaire and environmental certifications.

As part of the 2022 Credit Risk Appetite, a further evolution of the risk/resilience driver was approved for Large Corporate and Corporate counterparties, with the aim of enhancing the assessment expressed by the ESG score developed internally by the Bank. In addition, a factor was introduced to enhance the presence of environmental certifications for Retail SME counterparties as well.

The Credit Risk Appetite factors relating to exposure to climate risks can consequently lead to potential repercussions on the price for customer loans.

ESG factors and corporate rating model

Thanks to its long-term collaboration with Confindustria Piccola Industria, an innovative rating model has been developed, validated by the ECB. In the model, social and environmental aspects can also have a positive impact, leading to an improvement in the rating. In addition to the usual economic and financial assessments, the new model aims to make it easier to access credit, with more favourable financial terms, by highlighting the intangible qualities of the business, such as trademarks, patents, quality and environmental certifications, research and development activities, innovation and digitalisation, development and competitive positioning projects, management of business risk, ownership and management and being part of a supply chain.
During 2021, an application was also submitted to the Supervisory Authorities for the validation and authorisation of a new rating model which further strengthens the analysis of ESG factors by defining and including in the model a score developed internally based on ESG information (corporate counterparties).

For Italian counterparties, the qualitative portion of the rating model also includes the assessment of aspects linked to catastrophic events based on the specific geographic area. The importance of physical risk has been carefully analysed by Intesa Sanpaolo, especially as Italy is considered to be one of the European countries most exposed to the effects of climate change. Intesa Sanpaolo has therefore developed an ad hoc CAT RISK module for the measurement of physical climate risk related to domestic counterparties with a corporate turnover less than 500 million euro, assessing the risk of natural calamities potentially affecting corporate

1 Projects/Transactions targeted by media campaigns of non-governmental organisations for their environmental and/or social impacts.

plants and equipment. The module investigates the degree of riskiness of the Italian territory at municipal level. The percentage of the area at high CAT risk is transformed and normalised in order to obtain a continuous risk level indicator for different natural calamities.
Different factors related to physical risk have been analysed and three variables were included in the final model: fires, earthquakes and floods.
The model identifies a specific impact on the company's credit standing, which goes from neutral (no CAT risk) to negative (exposed to CAT Risk). CAT risk exposure is calculated automatically; a questionnaire investigates the presence of insurance against catastrophic risks, which, if present, can neutralise the impact of CAT risk.

Inclusion of ESG factors in the credit framework

The Intesa Sanpaolo Code of Ethics requires that investment decisions and the credit policy take account of the socio-environmental risks associated with the activities of corporate customers. This commitment is also outlined in the "Rules for the environmental and energy policy", in the "Principles on Human Rights" and in the "Guidelines for the governance of environmental, social and governance risks concerning lending operations".
Intesa Sanpaolo intends to carefully consider climate and environmental risk factors in the assessment of counterparty creditworthiness, as well as in the credit granting process, ensuring that they are monitored within its portfolios.
The Bank is currently developing a holistic approach for the integration of ESG/Climate factors within the credit framework. In particular, the Bank is gradually reviewing its lending processes with the aim of facilitating the transition to a more sustainable economy.
Key elements to the new credit framework include:

- a sectoral assessment that includes ESG/Climate risk assessments for each business sector in which the bank customers operate;
- the definition of sector strategies which takes into consideration risk and opportunity aspects;
- an ESG score defined at counterparty level;
- a sustainability attribute to the product/transaction.

These elements have an impact on the Credit Risk Appetite, Credit Strategies (pricing) and credit granting processes.

The objective of the sectoral assessment is to identify the sectors (and microsectors) most exposed to climate change and ESG risks. To this end, a financial materiality assessment was performed, in line with the TCFD approach: a top-down sectoral assessment was carried out for each sector and microsector based on the calculation of 5 scores relating to the evaluation of climate-change transition risk, environmental, social and governance risk and an overall ESG score (obtained by weighting the single ESG scores, according to the sensitivity of each sector to these factors).

As part of the ESG sectoral strategy, a sectoral heatmap was also defined, assigning the following sectoral strategies to each business sector in order to:

- encourage credit granting in the case of companies operating in sectors where a clear positive ESG impact emerges in line with the regulatory taxonomy for sustainable investments (i.e. White and Blue sectors);
- encourage credit granting with regard to companies operating in sectors where it is possible to support transition with a view to sustainability (i.e. Yellow Sectors);
- discourage credit granting with regard to companies operating in controversial sectors from an ESG profile (i.e. Orange Sectors);
- prohibit and limit credit granting with regard to companies operating in sectors with high ESG risk (i.e Red Sectors).

The counterparty ESG score, which Intesa Sanpaolo applies to non-financial companies, is in keeping with and in integration of the sectoral assessment and also includes components relating to climate risk (transition and physical risk), the implementation of which is scheduled in 2022. The purpose is to assess the ESG profile of corporate customers, adopting the same approach across the entire portfolio, from large listed customers to small and medium-sized enterprises. The score leverages on data from external and internal sources and covers the most important indicators of risks and opportunities in the three ESG dimensions, including (but not limited to):

- carbon footprint, physical and transition risk, water consumption, biodiversity protection (environmental dimension);
- labour conditions and standards, occupational health and safety, human capital development, diversity and inclusion (social dimension);
- ownership and control, structure of the Board of Directors, audit/tax/risk management, business ethics (Governance dimension).

With regard to corporate credit granting, the ESG & Reputational Risk Clearing process plays a particularly important role. It aims at the identification and assessment of potential reputational and ESG risks associated with the Most Significant Transactions (MST) and Corporate financing transactions as laid down by internal regulations. The process is divided into two control levels: the first, overseen by the proposing structures, aimed at identifying the counterparties, projects and transactions most exposed to ESG and reputational critical issues and the second, overseen by the Enterprise Risk Management Department, aimed at assessing these critical issues and providing a risk opinion including the assignment of a risk level (from low to very high) to support the decision-making process. In 2021, approximately 262 loan transactions with corporate customers were authorised, 56% of which were classified as having a low or medium-low reputational and ESG risk level.

Transactions subject to the Equator Principles (EP), international guidelines Intesa Sanpaolo complies with since 2007 (the Group currently adopts the "EP IV" standards, an updated version of the Guidelines), also fall within the scope of the ESG & Reputational Risk Clearing process. In 2021, a total of 19 loans subject to screening according to the Equator Principles reached financial close (a total of 386 since 2007) for an overall granted value of 1,427.6 million euro[1].
The table below shows the number of projects that reached financial close in 2021, broken down by category[2].

	Total	Category A	Category B	Category C
Project Finance	15	4	9	2
Project related Corporate Loans	4	1	3	0

1 The amount of granted credit subject to EP screening came to 45.3% of the total granted credit for project finance transactions
2 The EPs envisage the assignment of a risk category to the projects to be financed (A is high, B medium and C low), based on variables such as the socio-environmental characteristics of the country, industrial sector and the characteristics of the project in question. Higher-risk projects, and medium-risk projects, if necessary, are assessed by an independent advisor who identifies the main social and environmental impacts.