SUSTAINABILITY RISK INTEGRATION POLICIES AND INFORMATION ON THE ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN THE PROVISION OF INVESTMENT ADVICE OR INSURANCE ADVICE

March 2021

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INTRODUCTION

The purpose of this document is to illustrate the policy of Intesa Sanpaolo (hereinafter also “the Bank”) in relation to Sustainability Factors in the context of investment advice or insurance advice (hereinafter also "Advice "). In particular, this document applies to the business activities and processes for defining the catalogue of financial products subject to Advice and illustrates the Bank's policies on the integration of Sustainability Risks and the consideration of the adverse impacts on i sustainability in Advice activities themselves.

REGULATORY FRAMEWORK

Client interest in sustainable investments has grown in recent years, due in part to a push from European institutions which, on 11 December 2019, presented the European Green Deal, a series of measures aimed at making energy production and the European lifestyle more sustainable and less harmful to the environment, with the aim of transforming the EU into a climate-neutral society by 2050.

With a view to encouraging sustainable investments, the European Parliament issued Regulation 2019/2088[1] (so-called Disclosure Regulation) at the end of 2019. Its objective is to identify and standardize the information to be given to end investors on the integration of sustainability risks, the consideration of the adverse impacts on sustainability factors, the promotion of environmental or social characteristics and Sustainable investments by placing specific transparency obligations on financial market participants and financial advisers (such as Intesa Sanpaolo).

Investor’s growing interest, their greater awareness of the importance of sustainability issues, as well as the evolution of the regulatory framework have favoured an ever wider diffusion of financial products with sustainable investment characteristics or objectives. To promote the consideration of clients' sustainability preferences in current investment processes, the reference regulatory framework will be completed by the European legislator through the adaptation of the following Directives:

1. legislation on the provision of investment services (Market in Financial Instruments Directive, MiFID II);
2. Insurance Distribution Directive (IDD);
3. legislation governing the activity of Undertakings for Collective Investment in Transferable Securities (UCITS) and that of Managers of alternative investment funds (AIFMD).

To define uniform and shared criteria to determine whether an economic activity can be considered eco-sustainable and identify the degree of eco-sustainability of an investment, as well as to reduce the practice of "greenwashing", i.e. the marketing of financial products defined as "sustainable", but which do not meet basic environmental standards, the European Parliament issued Regulation (EU) 2020/852[2] (so-called Taxonomy Regulation). This regulation sets out a classification system for economic activities from an environmental point of view, which will be progressively applied through the issue of specific delegated acts containing the technical screening criteria that define the methods for achieving the defined environmental objectives[3].

THE ROLE OF SUSTAINABILITY FOR THE INTESA SANPAOLO GROUP

In the 2018-2021 Business Plan, the Intesa Sanpaolo Group outlined its commitment to strengthening its leadership in Corporate Social Responsibility, aiming to become a reference model in terms of environmental and social sustainability. Consistent with this commitment, in addition to the Consolidated Non-Financial Statement prepared in accordance with Art. 4 of Legislative Decree 254/2016, the Intesa Sanpaolo Group has voluntarily published an intra-annual report of non-financial indicators in a structured and organic document since 2018. Through the establishment of a dedicated central structure, the Group pursues the objective of

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[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

[2] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending regulation (EU) 2019/2088.

[3] Pursuant to the Taxonomy Regulation, environmental objectives mean: a) climate change mitigation; b) climate change adaptation; c) sustainable use and protection of water and marine resources; d) the transition to a circular economy; e) pollution prevention and control; f) the protection and restoration of biodiversity and ecosystems.

carrying out the timely monitoring of projects, initiatives and quantitative performance indicators in the sustainability field and of fully informing the market and all stakeholders of the results achieved in the course of year, also demonstrating the constant and effective focus of Intesa Sanpaolo Group's people on sustainability issues.

The Intesa Sanpaolo Group adopts principles of responsibility to generate collective value, aware that innovation, the development of new products and services and the empowerment of businesses and stakeholders themselves can contribute to reducing the impact of phenomena such as climate change and social inequalities on society. The decision to join important international initiatives, such as the United Nations Global Compact and the Equator Principles, comes from this awareness. In 2019, the Intesa Sanpaolo Group's commitment to sustainability was further strengthened by joining three important United Nations initiatives, which are part of the framework to achieve the UN Sustainable Development Goals: the Principles for Responsible Banking, launched in September 2019, to bring the banking sector closer to the Sustainable Development Goals and those set by the 2015 Paris climate agreement; the Principles for Sustainable Insurance to also include sustainability criteria in the insurance business and the Women's Empowerment Principles, to promote gender equality and the professional development of women.

The Intesa Sanpaolo Group has also put in place specific processes and responsibilities aimed at understanding and managing risks to ensure long-term stability and business continuity, extending the benefits to its stakeholders.

INTEGRATION OF SUSTAINABILITY RISKS AND INFORMATION ON THE ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN ADVICE

The Intesa Sanpaolo Group is aware of its significant impact on the social and environmental context in which it operates and chose some time ago to act, not only on the basis of economic and financial returns, but also with the aim of creating long-term value for the Bank, its people, its customers, the community and the environment.

In particular, in providing Advce, the Bank plays an important role in informing clients about financial products with sustainable investment characteristics or objectives. This context includes the disclosure of integration of sustainability risks and the adverse impacts on the sustainability factors of the Advice carried out with its customers.

With specific reference to sustainability risks, the Bank provides the definition of this type of risk as part of the information provided in relation to Advisory services. The Bank has also launched specific projects aimed at investigating and improving its clients' investment preferences in terms of sustainability through specific processes in the profiling phase, to identify investment solutions consistent with the preferences expressed by investors during this profiling. As part of the aforementioned projects, the Bank is also looking at integrating its processes to take into account the principal adverse impacts of the financial products, on which it provides advice, on sustainability factors. Pending the completion of these initiatives - which will be carried out concurrently and in compliance with the evolution of the regulatory framework on sustainability - the Bank is making use of the specialist knowledge of the Group Manufacturer of the Asset Management Division and Insurance Division in designing, developing and selecting financial products that take into account the aforementioned adverse impacts on sustainability factors.

The Bank also examines the documentation provided by financial market participants regarding sustainability risks and the impact on the performance of the financial products themselves, as part of its product governance processes relating to the catalogue of products subject to Advice. The results of these examinations are specifically disclosed in the commercial guides intended for the network, so as to ensure complete alignment of the entire commercial chain. Finally, specific training content is provided to promote the corporate culture on sustainability.

For more information, see the further contents of the Sustainability of the Intesa Sanpaolo Group section.

GLOSSARY

Some of the terms, as defined by the Disclosure Regulation, that are used in this document are explained below to aid the reader.

Financial adviser

Means; (a) an insurance intermediary which provides insurance advice with regard to IBIPs; (a) an insurance company undertaking which provides insurance advice with regard to IBIPs; c) a credit institution which provides investment advice; d) an investment firm which provides investment advice; e) an AIFM which provides investment advice in accordance with point (b)(i) of Art. 6 (4) of Directive 2011/61/EU; or f) a UCITS management company which provides investment advice in accordance with point (b)(i) of Art. 6 (3) of Directive 2009/65/EC.

Investment advice

Investment advice as defined in point (4) of Art. 4 (1) of Directive 2014/65/EU.

Insurance advice

Insurance advice as defined in in point (15) of Art. 2 (1) of Directive 2016/97/EU.

Sustainability factors

Environmental, social and employee matters, respect for human rights, anti-corruption and and anti-bribery matters.

Sustainable investment

Means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

Financial market participant

Means: a) an insurance undertaking which makes available an insurance-based investment product (IBIP); b) an investment firm which provides portfolio management; c) an institution for occupational retirement provision (IORP); d) a manufacturer of a pension product; e) an alternative investment fund manager (AIFM); f) a pan-European personal pension product (PEPP) provider; g) a manager of a qualifying venture capital fund registered in accordance with Art. 14 of Regulation (EU) No. 345/2013; h) a manager of a qualifying social entrepreneurship fund registered in accordance with Art. 15 of Regulation (EU) No. 346/2013; i) a management company of an undertaking for collective investment in transferable securities (UCITS management company); or j) a credit institution which provides portfolio management.

Principal adverse impact

Means the impacts of investment decisions and advice that result in negative effects on sustainability factors.

Financial product

Means: a) a portfolio managed under a portfolio management service as defined in Art. 4 (1) (8) of Directive 2014/65/EU; b) an alternative investment fund (AIF); c) an IBIP; d) a pension product; e) a pension scheme; f) a UCITS; or g) a PEPP.

Sustainability risk

Pursuant to the Disclosure Regulation, “sustainability risk” means an environmental, social or governance event or condition which, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.