



# 2020/2021 TCFD REPORT

November 2021

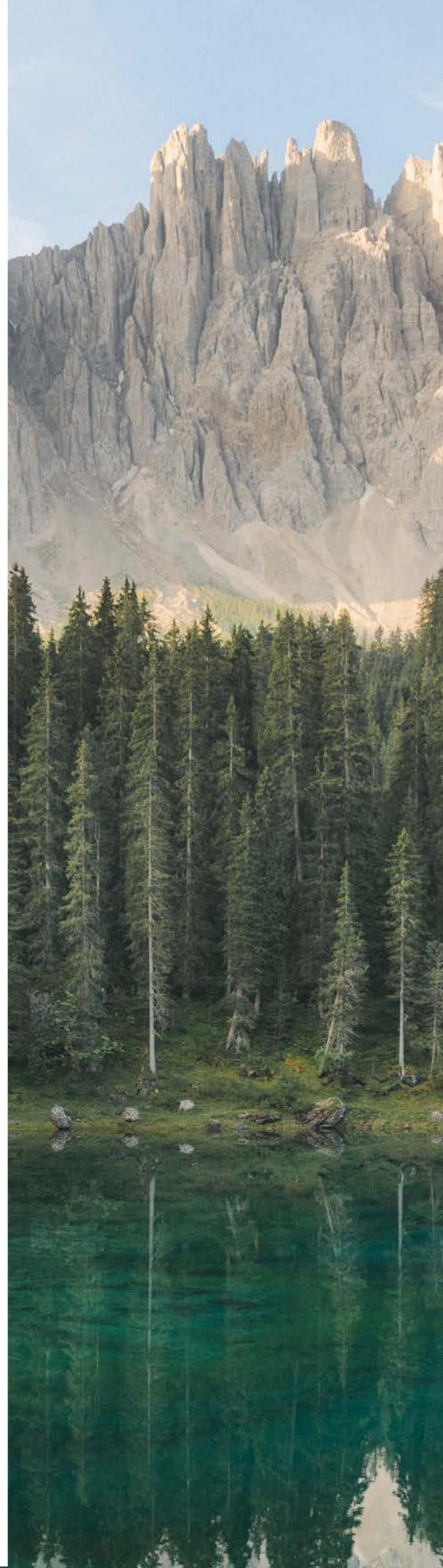


# INDEX

|                   |    |
|-------------------|----|
| Introduction      | 03 |
| Governance        | 06 |
| Strategy          | 13 |
| Risk Management   | 31 |
| Metrics & Targets | 43 |
| Contacts          | 53 |

Report drafted in accordance with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

# INTRODUCTION



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

The seriousness of the phenomenon was confirmed among others by several Intergovernmental Panel on Climate Change (IPCC) reports according to which, at the current rate of CO<sub>2</sub> emissions, the increase in the average global temperature will be above 1.5°C by 2030 (compared to pre-industrial levels), considered by experts to be the maximum safety threshold to avoid otherwise irreversible consequences. In particular the IPCC's Sixth Assessment Report provides new estimates of the chances of crossing the global warming level of 1.5°C in the next decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5°C or even 2°C will be beyond reach.

Effectively tackling the causes of climate change and adapting to its impacts therefore requires a collective effort at both the global and national level as well as a comprehensive and systemic view of the problem.

Awareness of the issues involved has led European Authorities to issue new and more stringent regulations and to require leading financial market players to set action plans to help counter climate change.

Concurrently, significant resources have recently been made available to finance the transition to a lower emissions economy. The European Union has taken clear commitments to fight climate change with the aim of reducing emissions by at least 55% by 2030 and making Europe the first climate-neutral continent by 2050. To accelerate this transition, in 2019 the European Commission presented the European Green Deal, a roadmap to sustainable economy; in early January 2020, the Green Deal investment plan was presented, aiming to mobilize at least 1 trillion euro in sustainable investments over the next decade. The EU's commitment to guaranteeing the transition to a low-carbon economy was confirmed in the Recovery and Resilience Facility which represents 90% of the 750 billion euro EU Next Generation plan (which will help European states address the economic and social impact caused by the COVID-19 pandemic). This Facility provides subsidies and loans subordinate to the presentation of National Recovery and Resilience Plans (NRRP), in which 37% of resources must be allocated to climate issues.

Intesa Sanpaolo has long backed the transition to a low-carbon economy through direct actions to mitigate its own emissions (Intesa Sanpaolo's own Climate Change Action Plan) and support its customers' initiatives and projects. It has been analyzing risks and opportunities deriving from climate change issues and developed a number of projects to ensure that climate change issues may be correctly addressed throughout the various business lines of the Group.

Intesa Sanpaolo decided, in October 2018, to support the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, and has since published detailed climate-related disclosures in its Consolidated Non-financial Statements. This first TCFD Report closely follows the formal commitment to Net Zero taken by Intesa Sanpaolo as a natural consequence to its widely recognized commitment to ESG matters, which has led to its inclusion in all the main sustainability indexes and rankings, among others the Dow Jones World and Europe Sustainability Indexes, the CDP Leadership Band and the recently launched MIB® ESG Index.<sup>[1]</sup>



## Table of Contents

| TCFD Pillar                  | TCFD Recommendation  | Contents   |
|------------------------------|--|--|
| <b>Governance</b>            | <p>Board's oversight of climate-related risks and opportunities</p> <hr/> <p>Management's role in assessing and managing climate-related risks and opportunities</p>   | <ul style="list-style-type: none"> <li>• Intesa Sanpaolo's sustainability governance: Board of Directors, Managerial Committees, Parent Company structures involved in ESG/Climate issues management</li> <li>• Remuneration</li> <li>• Staff training programs</li> <li>• The Intesa Sanpaolo Pension Fund for employees</li> </ul>   |
| <b>Strategy</b>              | <p>Climate-related risks and opportunities identified over the short, medium and long term</p> <hr/> <p>Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning</p> <hr/> <p>Resilience of the organization's strategy</p>                              | <ul style="list-style-type: none"> <li>• The framework</li> <li>• The Group's Strategy</li> <li>• The Group's commitment to domestic and international initiatives</li> <li>• Intesa Sanpaolo's strategy on identified climate-related risks and opportunities</li> <li>• Incorporation of climate risk into business and strategy               <ul style="list-style-type: none"> <li>- The ISP4ESG Program</li> <li>- The Group's own environmental footprint: the Climate Change Action Plan</li> <li>- Supplier engagement</li> <li>- Client engagement</li> <li>- The lending offer to finance Green and Circular Economy</li> <li>- A sustainable AUM offer</li> <li>- The issuance of Green bonds</li> </ul> </li> <li>• The Bank's Resilience: scenario analysis and stress test methodologies</li> </ul> |
| <b>Risk Management</b>       | <p>Organization's processes for identifying and assessing climate-related risks</p> <hr/> <p>Organization's processes for managing climate-related risks</p> <hr/> <p>Integration into Risk Management processes</p>   | <ul style="list-style-type: none"> <li>• Identification of climate-related risks</li> <li>• The management of sustainability issues in sensitive sectors</li> <li>• Climate change risk in Intesa Sanpaolo's Risk Appetite Framework</li> <li>• Physical risk in corporate rating models</li> <li>• Setting an ESG based lending approach</li> <li>• The risk clearing process</li> <li>• Climate/physical risk assessment of own assets</li> </ul>  |
| <b>Metrics &amp; Targets</b> | <p>Metrics used by the organization to assess climate-related risks and opportunities</p> <hr/> <p>Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions</p> <hr/> <p>Targets used by the organization to manage climate-related risks and opportunities and performance against targets</p> | <ul style="list-style-type: none"> <li>• The Group's own operations</li> <li>• Results from the sectoral mapping of economic activities</li> <li>• Financing the transition to a sustainable Green and Circular Economy</li> <li>• Eurizon investment product offer</li> <li>• Green bonds: use of proceeds</li> <li>• Summary of main Performance Indicators on Environment and Climate Change in 1H2021</li> </ul>   |

Our stakeholders should also refer to the 2020 Consolidated Non-financial Statement<sup>[1]</sup> and to its update as at 30 June 2021<sup>[2]</sup> for additional ESG information.

All 2020 figures reported in the TCFD report relate to the Intesa Sanpaolo Group perimeter excluding UBI, unless otherwise indicated.

# GOVERNANCE



## SUMMARY

As a consequence of its commitment to sustainability, which includes initiatives to fight climate change, Intesa Sanpaolo has endowed itself with a strong ESG Governance, which fosters the involvement of most corporate bodies and management levels.

The Board of Directors, with the support of the Risks Committee – strongly involved in the assessment and analysis of ESG and climate related matters – approves the strategic guidelines and policies on sustainability (Environmental, Social and Governance), taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders. The Group’s Code of Ethics also includes specific commitments regarding the Environment. The definition of strategic guidelines and sustainability (ESG) policies, including the initiatives to fight climate change, are submitted by the Managing Director and CEO, supported by the Steering Committee, to the Risks Committee and the Board of Directors.

In line with its commitment as a leading ESG player and with the aim of providing a strong and effective answer to sustainability matters, including the increasing challenges posed by the transition to a low carbon economy, at the end of 2019 Intesa Sanpaolo launched “ISP4ESG”, a dedicated wide ESG/Climate Program based on 4 strategic streams, one of which focused on further enhancing the Group’s Sustainability Governance. This initiative led to the creation of an ESG Control Room, active since October 2020, to support the Steering Committee, which meets at least quarterly in a dedicated “Business Plan and ESG Session”, in the identification, prioritization and implementation of ESG/Climate strategic initiatives throughout the whole Group.

Dedicated structures were moreover created or strengthened to take into account the strong acceleration in cross-cutting ESG themes, especially climate-related matters, and to allow their timely assessment and integration into the Group’s organization and processes.



The main Bodies and Structures having ESG and, more specifically, climate-related responsibilities within their remit are illustrated below.



\* 17 Sustainability Managers named within the following structures: Chief Risk Officer, Chief Lending Officer, Chief Governance Officer, Chief Operating Officer, Chief IT & Innovation Officer, Chief Cost Management Officer, Chief Institutional Affairs & Communication Officer, Chief Audit Officer, Chief Compliance Officer, DC Tutela Aziendale, ISP Innovation Center, IMI CIB; Banca dei Territori, Fideuram/Private, Insurance, Asset management, International Subsidiary Banks.

1. Detailed information on the corporate governance and remuneration systems is provided in the “Report on Corporate Governance and Ownership Structures”<sup>10</sup> and in the “Report on the remuneration policy and compensation paid”<sup>10</sup> published on the Bank’s website, to which reference should also be made.

## BOARD GOVERNANCE

### The Board of Directors

The Board of Directors, supported by The Risks Committee, approves:

- the Code of Ethics (and its updates), which describes Intesa Sanpaolo's commitment, among others, to social and environmental responsibilities, and the Code of Conduct;
- the strategic guidelines and policies on sustainability (ESG), including the social and cultural responsibility model and the actions to be undertaken to fight climate change, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders;
- the Risk Appetite Framework, which incorporates ESG risks and, in particular, climate and environmental risks;
- the Consolidated Non-Financial Statement, which

includes climate related information in line with the TCFD recommendations; from 2021, the TCFD Report.

With the support of the Nomination Committee, the Board ensures the implementation of induction plans, aimed at its members (3 induction sessions on ESG were held in 2020-2021).

The Board of Directors, supported by the Remuneration Committee, submits to the approval of the Shareholders' Meeting the Remuneration Policies, which link the variable portion of the total remuneration of the top and middle management, based on performance scorecards, to Group ESG KPIs, including climate-specific indicators.

### Risks Committee

The Risks Committee supports the Board in:

- assessing and analyzing sustainability issues (ESG) related to the Bank's activities.
- approving the strategic guidelines and policies on sustainability, including the corporate 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.

- approving the Code of Ethics, the Code of Conduct, the CNFS and the TCFD Report. It also examines the contents of the materiality matrix, which identifies the most potentially relevant issues in the area of sustainability.

Moreover, the Climate Change Action Plan, which sets CO<sub>2</sub> emission reduction targets for the Group's own emissions, was examined by the Risks Committee before approval by the CEO.

### Management Control Committee

The Management Control Committee, in liaison with the competent sustainability and internal audit departments, supervises compliance with the principles and values of the Code of Ethics; with reference to the CNFS, it oversees

compliance with the provisions laid down in Italian Legislative Decree No. 254/2016 and reports in the 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 its remit.

The Managing Director and CEO also submits the definition

of strategic guidelines and sustainability (ESG) policies including the fight against climate change to the Board of Directors.

## MANAGERIAL COMMITTEES

### Steering Committee

The Steering Committee is chaired by the Managing Director and CEO and includes the first organizational line of the Bank. It contributes to the definition of the strategic guidelines and policies related to ESG matters.

The Steering Committee meets at least quarterly in a "Business Plan and Sustainability (ESG)" session, a specific session dedicated to ESG and climate-related matters and

their inclusion in the Group's development plans.

The Steering Committee also examines the Consolidated Non-Financial Statement and the TCFD Report prior to their presentation to the Board.

3 meetings were held in 2020 and 5 in 2021 (up to end of September) dedicated to ESG matters.

### ESG Control Room

Introduced as part of the ISP4ESG Program and active since October 2020, the ESG Control Room supports the Steering Committee – Business Plan and Sustainability (ESG) session – in defining the strategic proposition relating to ESG issues. It assesses the opportunity and solidity of new sustainability related initiatives and coordinates and supervises the implementation of the most relevant ones, also thanks to a dedicated PMO structure.

It relies on the participation of representatives from the CFO

Area and the Strategic Support Head Office Department, and of the Sustainability Managers who, reporting directly to the respective Area and Division heads, guarantee the overall and integrated supervision of ESG initiatives for the relevant department and contribute to the Group's strategic proposals on these issues.

3 meetings were held in 2020 and 10 in 2021 (up to the end of September).

## PARENT COMPANY GOVERNANCE STRUCTURES INVOLVED IN ESG/CLIMATE ISSUES MANAGEMENT

Climate and environmental-related responsibilities have been integrated into management roles across the different structures of the Group and cascaded down to division and business unit level, as briefly described below.

The Chief Financial Officer and the Chief Risk Officer – and the structures within their Governance Areas - are strongly involved in the management of Climate Change and Environment matters. The CFO and the CRO report directly to the Managing Director and CEO and meet regularly with the Risks Committee. Furthermore, following the establishment of the ISP4ESG Program, the CFO and the Strategic Support Head Office Department set out the overall strategy and coordinate the main intragroup initiatives, also with reference to Climate and Environmental matters.

Within the **Chief Financial Officer Governance Area**, and in particular within the Financial Market Coverage Head Office Department, **ESG & Sustainability** supports the Top Management in defining sustainability strategies and policies, designed to generate value for all the stakeholders. It also updates the Code of Ethics and monitors its application, supported by the Internal Audit function; draws up the Consolidated Non-financial Statement and, from 2021, a dedicated TCFD Report; it also oversees the relations with the financial community and stakeholders with respect to sustainability matters and climate-related issues. Finally, it is responsible for the Group's communication and training activities on sustainability.

In 2021, a new function, **ESG Scoring**, was created within the Financial Market Coverage Head Office Department. It is in charge of developing a scoring model for the banking book - expected to be rolled out by end 2022, also taking into account the Business Units' specific needs - with the purpose of assessing the current and future positioning of corporate clients, in relation to ESG criteria including climate specific ones. The new scoring model is being developed starting from the wealth of internal data available to the Bank and will avail itself of the best external providers and of ad-hoc questionnaires should company or external data not be available.

Within the CFO's Governance Area, the **Active Credit Portfolio Steering Head Office Department** has the task of defining and monitoring Credit Strategies to guide loan origination activities of the bank's divisions towards sustainable growth in line with the Risk Appetite Framework, which has been enriched by ESG and climate specific statements and indicators.

Still within the CFO's Governance Area, the **Group Treasury Head Office Department** is involved in the origination and structuring of Group bonds related to sustainable finance (e.g., green, sustainability and social bonds) for institutional investors.

Finally, within the CFO's Governance Area, with a view to strengthening ESG data collection, new ESG responsibilities were attributed to the **Financial & ESG Performance Benchmarking** unit, in order to develop and carry out extensive ESG benchmarking to support strategy and business model analysis, while within the **Planning and Control Head Office Department** a new function was created, focused on supervision, within the Bank, of ESG data collection, consolidation and analysis processes regarding ESG reporting.

The **Strategic Support Head Office Department**, reporting directly to the CEO, defines together with the CFO Area the general ESG strategy for the Group and supports the Steering Committee in preparing a proposal for strategic ESG guidelines. The Strategic Support Head Office Department Co-Chairs, together with the CFO Area, the newly established ESG Control Room.



The **Strategic Initiatives** unit coordinates specific relevant inter-divisional and inter-functional projects ensuring the coherence and the development of synergies, in line with the Group's strategic guidelines, and is also in charge of managing the ISP4ESG Program with a dedicated PMO.

The **Chief Risk Officer** and the relevant Governance Area are strongly involved in the Bank's organizational model as concerns the Management of the broadest ESG risks and in particular Environmental and Climate Change risks. Since 2020, the CRO also provides, on a quarterly basis, updates to the Steering Committee on the loan book exposure towards climate-sensitive sectors, which is monitored by the CRO Area.

Within the CRO's Governance Area, the **Enterprise Risk Management Department** defines, among others, the Risk Appetite Framework (which includes, from 2021, a new category of "ESG and Climate Change risks"). It is also in charge of the processes to identify, assess and manage climate-related risks collaborating with other departments (among others, defining climate sensitive sector policies, running stress test activities, pilots on scenario analysis and monitoring of climate risks in ongoing processes).

Under the Enterprise Risk Management Department, the **Risk Clearing sub Department** is the competence centre for Climate Change and ESG risk management and it is in charge of the the ESG & Reputational Risk Clearing Process.

Within the CRO Governance Area, the **IMI-CIB Risk Management Head Office Department and the Banca dei Territori Risk Management Head Office Department** define the Credit Risk Appetite also with reference to ESG and climate related risks and are in charge of the development and management of Internal Rating Models.

The **Chief Lending Officer Governance Area**, with its Credit Risk Function, is in charge of the integration of ESG and climate-related risks in the credit granting process.

The **Circular Economy Department**, within the Intesa Sanpaolo Innovation Center SpA, develops and provides corporate customers with advisory services finalized to the transition to the Circular Economy, with the aim of enabling new offering platforms and new methodologies for circularity assessment; it provides specialized support to the Business Units through technical opinions issued following the analysis of lending facilities requests under the Circular Economy plafond.

As concerns the Group's environmental footprint, the **Safety and Protection Head Office Department**, which reports directly to the Managing Director and CEO, oversees, among others, for the whole Group, the compliance risk in relation to the implementation of Environmental Norms pursuant to Legislative Decree 152/2006, identifies actions, measures and proceedings required to promote the rational use of energy. The Department it is also in charge of the Environmental, Energy and Health and Safety Management System, applied in all Italian branches and buildings, certified by an international third party according to the ISO 14001, 50001 and 45001 standards and of the Group's Environmental policies. Moreover, the Department closely manages risks connected with climate change by assessing climate risks for the bank assets and promoting adaptive behaviour designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention.

Following enhancements in the new organizational chart in April 2021, **Internal Audit** has taken responsibility for the assessment of the Bank's ESG framework and will monitor the Bank's action plan related to climate and environmental risk management, also in relation to the alignment to the ECB Expectations.



The **Chief Compliance Officer Area** has updated its mission including ESG matters within the regulatory topics subject to evaluation and is working in order to enrich the Product Governance framework with additional factors to assess the ESG profile of new products and services.

Finally, through its **Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area**, Intesa Sanpaolo regularly monitors the regulatory framework also on the topic of climate change at international, European and national level; this information is disseminated within the Group through seminars, regulatory alerts, newsletters, etc. In 2020 and 2021, Intesa Sanpaolo expressed its position responding to public consultations (including climate-related consultations), drafting papers, proposing amendments both directly and through the relevant trade associations; these activities are coordinated, with the involvement of all relevant functions, by the CIAECO Governance Area.

In addition, in each Division a **Sustainability Manager** was identified, together with the supporting structures, to manage ESG matters within the perimeter of competence. The Sustainability Managers participate in the ESG Control Room.

## REMUNERATION

The Shareholders' Meeting of 28 April 2021 approved, upon proposal by the Board of Directors, the 2021 Group Remuneration Policies. These Policies provide for the application, in the context of the Group incentive systems based on performance scorecards, of the so-called "ESG Group transversal KPIs" to top and middle management, in Italy and abroad, for an overall total of approximately 2,100 resources involved.

The ESG KPIs take into account several ESG factors and areas in line with specific activities and projects carried out by the Bank, including climate-related factors.

The evaluation of the ESG KPI takes place both at Group level, with a view to recognizing the commitment of the Group as a whole, and at Governance Area / Division level, in order to enhance the areas of action of the individual Group structures. Specifically:

- at Group level, the presence of Intesa Sanpaolo in the sustainability indexes of specialized companies will be assessed;
- at Governance Area / Division level, the following will be assessed:
  - ✓ specific projects/actions in the ESG field and in specific sub-KPIs concerning climate and environmental risks, such as, for example, the increase in the disbursements of green loans and mortgages, the definition of a stress test framework on climate risk with reference to transition risk, etc.);
  - ✓ the achievement of the commitments on gender equality expressed in line with the Group Principles on Diversity & Inclusion.

The performance evaluation period (accrual period) is annual.

A weight of 15% is assigned to the ESG transversal KPI, which is raised to 20% for the CFO and the Head of the Strategic Support Head Office Department.



## Focus: the 2021 incentive system for the Managing Director and CEO

|                               |   |   |            |   |                       |             |   |                 |     |
|-------------------------------|---|---|------------|---|-----------------------|-------------|---|-----------------|-----|
| <b>Group Objectives</b>       | <table border="0"> <tr> <td>Net income</td> <td>20%</td> </tr> <tr> <td>Operating income / RWA</td> <td>10%</td> </tr> <tr> <td>Cost income</td> <td>20%</td> </tr> <tr> <td>Gross NPL ratio</td> <td>20%</td> </tr> </table>   | Net income  | 20%        | Operating income / RWA  | 10%                   | Cost income | 20%   | Gross NPL ratio | 20% |
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| Cost income                   | 20%   |   |            |   |                       |             |   |                 |     |
| Gross NPL ratio               | 20%   |   |            |   |                       |             |   |                 |     |
| <b>Qualitative evaluation</b> | <table border="0"> <tr> <td data-bbox="473 649 772 1187"> <b>ESG</b> </td> <td data-bbox="781 649 885 1187"> <b>15%</b> </td> <td data-bbox="894 649 1598 1187"> <ul style="list-style-type: none"> <li>▶ <b>Presence and position</b> in the sustainability indexes of specialised companies</li> <li>▶ <b>Achievement</b> of commitments on <b>gender equity</b></li> <li>▶ Group initiatives in the <b>ESG</b> area:               <ul style="list-style-type: none"> <li>• Support to the <b>green economy</b> and the <b>circular economy</b>:                   <ul style="list-style-type: none"> <li>- YoY increase in Loans to Customers relating to Green/Transition Loans, Circular Economy Loans and Green Mortgages</li> <li>- Reduction of the overall plafonds/lines towards the carbon energy sector compared to 31.12.2020</li> </ul> </li> <li>▶ <b>Sustainable Finance growth</b>: YoY increase in S-Loans</li> <li>▶ <b>Growth of Sustainable Investments</b>: increase in the masses of ESG products managed</li> <li>▶ <b>Youth and Work Program</b></li> <li>▶ Enhancement of <b>art and culture</b></li> </ul> </li> </ul> </td> </tr> <tr> <td data-bbox="473 1199 772 1321"> <b>Digitalisation</b> </td> <td data-bbox="781 1199 885 1321"> <b>15%</b> </td> <td data-bbox="894 1199 1598 1321"> <ul style="list-style-type: none"> <li>▶ Acceleration of the <b>digital transformation</b></li> <li>▶ Expansion of <b>sales channels and methods</b> of digital interactions to support the Group's distribution strategy set out in the 2018-2021 Business Plan</li> </ul> </td> </tr> </table> | <b>ESG</b>  | <b>15%</b> | <ul style="list-style-type: none"> <li>▶ <b>Presence and position</b> in the sustainability indexes of specialised companies</li> <li>▶ <b>Achievement</b> of commitments on <b>gender equity</b></li> <li>▶ Group initiatives in the <b>ESG</b> area:               <ul style="list-style-type: none"> <li>• Support to the <b>green economy</b> and the <b>circular economy</b>:                   <ul style="list-style-type: none"> <li>- YoY increase in Loans to Customers relating to Green/Transition Loans, Circular Economy Loans and Green Mortgages</li> <li>- Reduction of the overall plafonds/lines towards the carbon energy sector compared to 31.12.2020</li> </ul> </li> <li>▶ <b>Sustainable Finance growth</b>: YoY increase in S-Loans</li> <li>▶ <b>Growth of Sustainable Investments</b>: increase in the masses of ESG products managed</li> <li>▶ <b>Youth and Work Program</b></li> <li>▶ Enhancement of <b>art and culture</b></li> </ul> </li> </ul> | <b>Digitalisation</b> | <b>15%</b>  | <ul style="list-style-type: none"> <li>▶ Acceleration of the <b>digital transformation</b></li> <li>▶ Expansion of <b>sales channels and methods</b> of digital interactions to support the Group's distribution strategy set out in the 2018-2021 Business Plan</li> </ul> |                 |     |
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## STAFF TRAINING TO INCREASE AWARENESS ON ESG AND CLIMATE CHANGE

The total number of ESG training participants in the first six months of 2021 was approximately 65,300 in the Italian perimeter. Specifically, as regards the environment, as at 30.6.2021 the Group can count on 54 learning objects made available to employees through multimedia platforms, used, over the 1.1.2021-30.6.2021 period, by a total of 30,900 employees for a total of 2,500 hours.

These include learning objects dedicated to the Circular Economy, Green Bonds and the Challenge of climate change. Additional courses are available, dedicated to environmental protection.

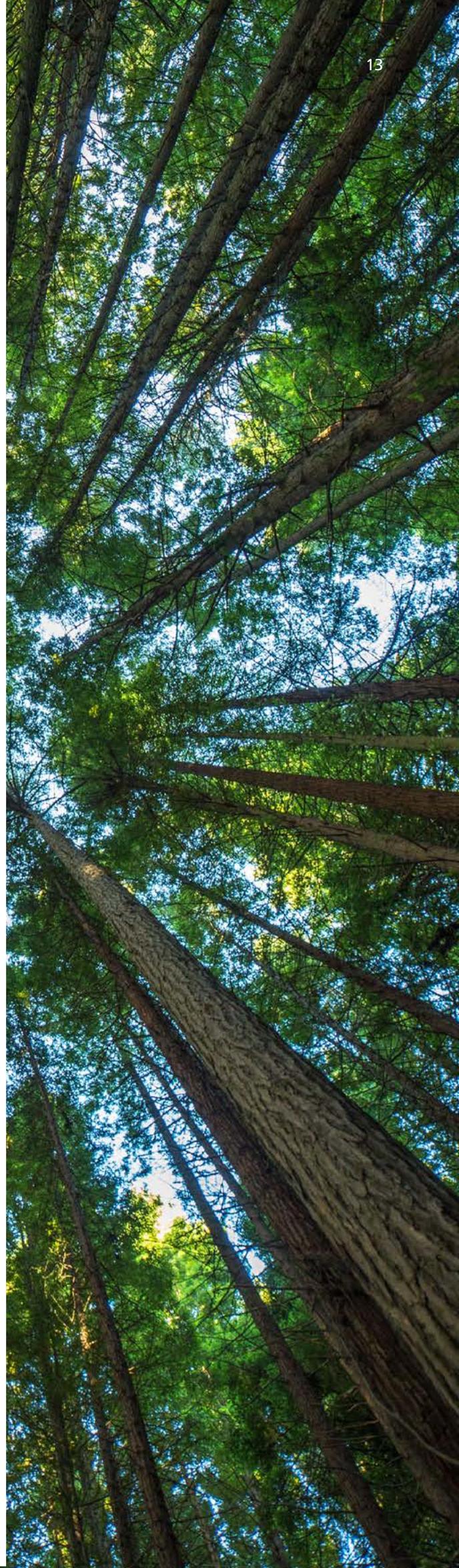
Specific courses are compulsory for staff directly involved in the application of Environmental and Energy Management Systems (about 5,300 resources as at 30.6.2021); these courses are also available to other employees with a view to disseminating good practices.

In 2021, to offer all employees basic training on all ESG areas, the **new ISP4ESG Training** project was launched, including a first collection dedicated to the Environment. As at 30.6.2021, 11,890 colleagues viewed at least one learning object, for a total of 7,900 hours of training.

## THE INTESA SANPAOLO PENSION FUND FOR EMPLOYEES

The Intesa Sanpaolo Pension Fund, dedicated to its employees, launched in 2019 a specific retirement scheme characterized by strict ESG criteria and focused on climate change issues, which was activated in 2020. At the end of 2020 it had already gathered more than 60 million euro, which rose to over 88 in June 2021.

# STRATEGY



## THE FRAMEWORK

### CODE OF ETHICS (ABSTRACT)<sup>[1]</sup>

"Principles of conduct regarding the environment.

#### Listening and Dialogue

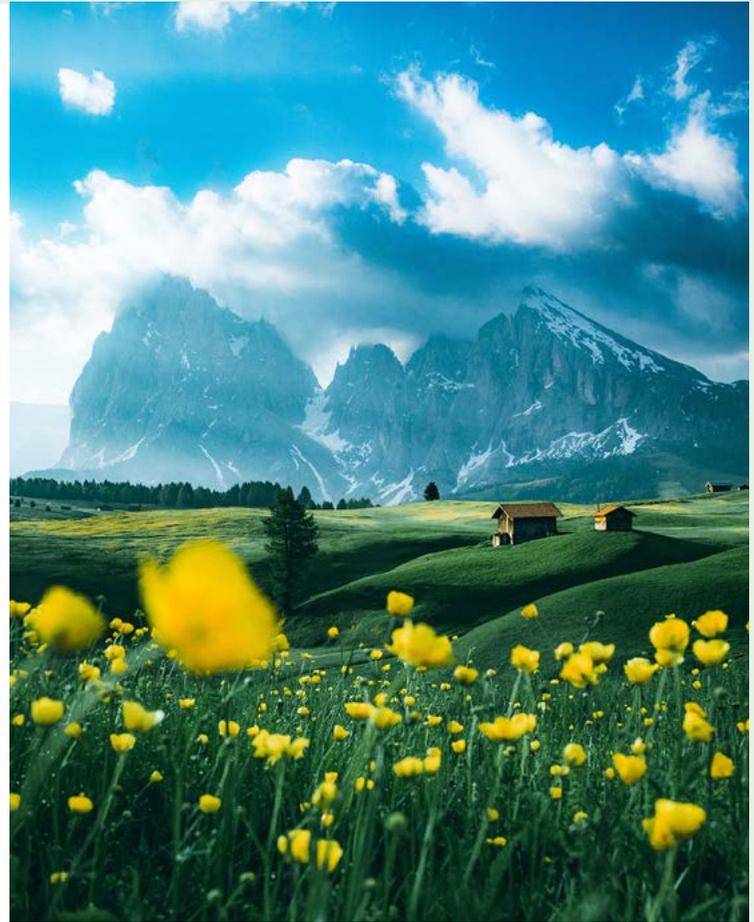
Environmental protection is one of the key elements of our commitment to fulfil our responsibilities. One of the areas of our social responsibility policy is the refusal to waste resources and the commitment to pay attention to the environmental consequences of our decisions. We believe that a large banking Group such as Intesa Sanpaolo has significant influence in terms of environmental sustainability, particularly in the social and environmental context in which it carries out its operations, both in the short-term and long-term. This influence is attributable to the consumption of resources and the generation of emissions and waste directly connected to its business activities (direct impact), as well as activities and behaviours which it does not control directly but which have been carried out by third parties, i.e. customers and suppliers, with whom we deal (indirect impact).

We therefore:

- guarantee complete and extensive compliance with legislative provisions regarding the environment;
- continuously seek new and effective solutions for the environment, even through the offer of specific products and services to customers and solutions for our suppliers;
- undertake to disseminate best practices regarding environmental responsibility, through the implementation of international principles, such as the UNEP Declaration, the UN Global Compact and the Equator Principles, to which we have adhered;
- are open to dialogue and exchange with all those who represent the "voice" of the environment;
- are responsible for making our environmental statistics accessible to the public through several channels.

#### Responsible and Efficient Use of Resources

- We pursue the conscientious consumption of the resources we need to carry out our business by implementing an environmental management system and actively improving the energy efficiency of our activities;
- we endeavour to improve the environment continuously, also by monitoring environmental data and stimulating the awareness of the people who work in the Group.



#### Environmental and Social Responsibility Along The Supply Chain

- We recognize that our responsibility to the environment and society extends along the entire supply chain and therefore we take care to direct the policies of our suppliers and subcontractors towards environmental protection and the respect of human and workers' rights;
- we value suppliers who base their business on environmental and social sustainability and who adopt the measures and instruments needed to minimise the negative impacts caused by their activities;
- we undertake to make our suppliers sensitive to adopting a responsible attitude that favours awareness of the environmental, social and ethical risks and opportunities deriving from their activities."

### ENVIRONMENTAL POLICIES<sup>[1]</sup>

The Group has established a number of Environmental policies which set out the Group's commitments and rule specific environment-related matters (Rules for the environmental and energy policy, Rules on Green Banking procurement, Rules governing the organization of communication events and training courses).

## THE GROUP'S STRATEGY

Intesa Sanpaolo is aware that a large banking group has a significant influence in terms of environmental and social sustainability, both in the short and long term. In fact, as concerns climate change, in addition to directly managing its own environmental footprint, Intesa Sanpaolo can exert a strong influence on activities and behaviors that it cannot directly control, in particular those of customers and suppliers, and help the transition to a low carbon economy.

Intesa Sanpaolo has a diversified business model – with revenues from financing, investment, insurance underwriting and asset management activities – and serves the various sectors of the economy both at the national and international level. This diversification increases the breadth of analysis and action to be taken with respect to climate related risks, but on the other hand helps to take advantage of a wider range of climate-related opportunities.

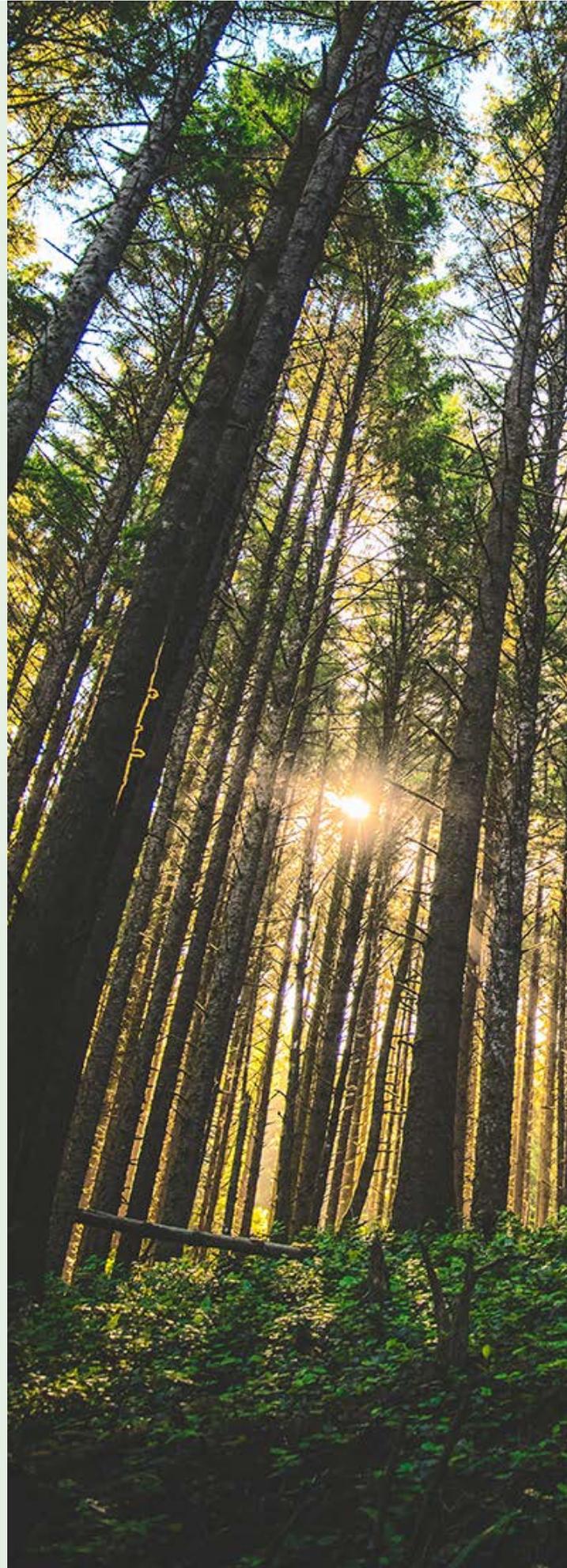
Starting from 2020 and again in 2021, new European legislation was published, with a strong and intensified focus on climate change. A precise strategy going forward on climate related matters was set by the Group, also as an answer to the ECB's Expectations on Climate change published in November 2020.

Stakeholders' interest increased and in the 2020 materiality matrix<sup>1</sup> the topic "Transition to a sustainable, green and circular economy" became particularly relevant compared to 2019. Investor interest is enhanced and increasingly focused on risks and opportunities deriving from climate strategies, not only as drivers of financial impacts, but also as indicators of a new way of running the business, more attentive to the world we live in.

The monitoring and reduction of own emissions has long been the subject of dedicated Plans within the Group, leading to significant results. As concerns the Group's indirect impacts on the environment, Intesa Sanpaolo's climate strategy is strongly oriented towards the promotion of sustainable financial instruments to support the transition to a low-carbon economy model. In fact, the integration of climate considerations into the provision of the different financial services can have a significant impact and strongly contribute to the fight against climate change. This strategy also includes actions to support the production system from an environmental perspective (over the NRRP time horizon i.e. up to 2026, Intesa Sanpaolo will make available 76 billion euro – out of a total of over 400 billion euro – for new green, circular and climate transition financing).

The "climate change" strategy is part of the ISP4ESG internal Program launched in 2019; its coordination and implementation is headed by the newly established ESG Control Room.

As from October 2021, Intesa Sanpaolo has committed to align emissions (own emissions, lending and asset management) to an ambition level of Net Zero by 2050.



<sup>1</sup> For more details please refer to the CNFS pages 47-49.

## THE GROUP'S VOLUNTARY COMMITMENT TO DOMESTIC AND INTERNATIONAL INITIATIVES AND PARTNERSHIPS SHOWS LONG TERM AND GROWING INVOLVEMENT AND COLLABORATION WITH PUBLIC AND PRIVATE BODIES ON CLIMATE RELATED MATTERS

Intesa Sanpaolo's participation in a series of domestic and international initiatives is on-going and reflects the Group's long-term strategic attention to environmental and climate-related issues.

Intesa Sanpaolo participates in the UN Global Compact and is an active member of the community of businesses that support the UN Sustainable Development Goals. Among others, it adheres to the United Nations Environment Programme Finance Initiative (UNEP-FI), taking part in the UNEP FI TCFD Banking Pilot Project, Phase II and nowadays Phase III; it complies with the Equator Principles since 2007 and in 2019 it signed the Principles for Responsible Banking (PRB). More recently, Intesa Sanpaolo became the first Italian Bank to join, in March 2021, the Climate Investment Platform; in May 2021 it joined the European Clean Hydrogen Alliance.

Through its subsidiaries, it adheres to the UN Principles for Responsible Investment (PRI) in asset management and the Principles for Sustainable Insurance (PSI) in the insurance sector.

In October 2021, Intesa Sanpaolo announced its adhesion to Net Zero and joined the Net Zero Banking Alliance; in November 2021 Eurizon Capital SGR, Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland) joined the Net Zero Asset Management Initiative.

### Recent Commitments

November 2021

#### NET ZERO ASSET MANAGERS INITIATIVE

#### NET ZERO ASSET MANAGERS INITIATIVE<sup>[i]</sup>

It is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investing aligned with net zero emissions by 2050 or sooner. **Eurizon Capital SGR, Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland) join the NZAMI in November 2021.**

October 2021



#### NET-ZERO BANKING ALLIANCE<sup>[i]</sup>

The industry-led, UN-convened Net-Zero Banking Alliance brings together banks which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050. Combining near-term action with accountability, this ambitious commitment sees banks setting an intermediate target for 2030 or sooner, using robust, science-based guidelines. **Intesa Sanpaolo joins the Net Zero banking Alliance in October 2021**

May 2021



#### EUROPEAN CLEAN HYDROGEN ALLIANCE<sup>[i]</sup>

The European Clean Hydrogen Alliance aims at an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the alliance, the EU wants to build its global leadership in this domain, to support the EU's commitment to reach carbon neutrality by 2050. **Intesa Sanpaolo is a member since May 2021.**

March 2021



#### CLIMATE INVESTMENT PLATFORM<sup>[i]</sup>

The Climate Investment Platform (CIP) is a global initiative, announced on the occasion of the UN Secretary General's Climate Action Summit in September 2019, by the International Renewable Energy Agency (IRENA), the United Nations Development Programme (UNDP) and Sustainable Energy for All (SE4All), in co-operation with the Green Climate Fund (GCF). The CIP is an inclusive partnership welcoming all stakeholders, from governments and international organisations to the private sector, to scale up climate action and translate ambitious national climate targets into concrete investments on the ground. Working collectively and together with all interested partners, the CIP aims to mobilise investments at the necessary scale to achieve meaningful progress towards climate objectives. The CIP will initially focus on energy transition, with the ultimate goal of accelerating investments in renewable energy and enabling the realisation of the ambitious Nationally Determined Contributions (NDCs). **On 11 March 2021 - Intesa Sanpaolo became the first Italian bank to join the Climate Investment Platform (CIP).**

## Previous commitments

|                |  |   |
|----------------|--|---|
| December 2019  |  <p>UN environment programme   finance initiative</p> <p>Principles for Sustainable Insurance</p> | <p><b>UNEP FINANCE INITIATIVE – PRINCIPLES FOR SUSTAINABLE INSURANCE – PSI<sup>[i]</sup></b></p> <p>UNEP FI Programme for the insurance industry, with the aim of addressing the risks and opportunities related to environmental, social and governance issues. <b>The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Intesa Sanpaolo Vita.</b></p>   |
| September 2019 |  <p>UN environment programme   finance initiative</p> <p>Principles for Responsible Banking</p>   | <p><b>UNEP FINANCE INITIATIVE – PRINCIPLES FOR RESPONSIBLE BANKING – PRB<sup>[i]</sup></b></p> <p>UNEP FI Programme that intends to bring the banking sector closer to the UN Sustainable Development Goals and the 2015 Paris Agreement on Climate.</p>  |
| October 2018   |  <p>TCFD   TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p>                                | <p><b>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES – TCFD<sup>[i]</sup></b></p> <p>Established in December 2015 by the Financial Stability Board (FSB), the Task Force published eleven recommendations in June 2017 to promote transparent reporting of risks and opportunities linked to climate change by companies. Intesa Sanpaolo supports the Recommendations of the TCFD since October 2018. <b>Since 2019, Intesa Sanpaolo publishes climate related information within its CNFS. In 2021 it published its first TCFD Report.</b></p> |
| 2015           | <p>Signatory of:</p>  <p>PRI   Principles for Responsible Investment</p>                        | <p><b>PRINCIPLES FOR RESPONSIBLE INVESTMENT – PRI<sup>[i]</sup></b></p> <p>Principles on the integration of ESG criteria on investments, the result of the partnership between UNEP FI and the Global Compact. <b>The Intesa Sanpaolo Group subscribes to the Principles as a signatory through Eurizon Capital SGR, the Group's Pension Fund, and, from March 2021, Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland).</b></p>  |
| 2007           |  <p>EQUATOR PRINCIPLES</p>  | <p><b>EQUATOR PRINCIPLES<sup>[i]</sup></b></p> <p>Guidelines for social and environmental risk assessment and management in projects, based on criteria recommended by the International Finance Corporation, a World Bank organisation.</p>  |
| 2007           | <p>WE SUPPORT</p>  <p>UN GLOBAL COMPACT</p>   | <p><b>GLOBAL COMPACT<sup>[i]</sup></b></p> <p>A UN initiative that promotes corporate social responsibility through the adoption of ten fundamental principles relating to human rights, labour rights, the environment and combating corruption.</p>   |
| 2007           |  <p>UN environment programme   finance initiative</p>   | <p><b>UNEP FINANCE INITIATIVE<sup>[i]</sup></b></p> <p>The UN Environmental Programme that promotes dialogue among financial institutions on economic performance, environmental protection and sustainable development.</p>  |
| 2004           |  <p>CDP   DISCLOSURE INSIGHT ACTION</p>   | <p><b>CDP<sup>[i]</sup></b></p> <p>Independent non-profit organisation which provides companies and countries with a global system of information on climate change. Joining CDP fosters the dissemination of information on greenhouse gas emissions and the management of risks and opportunities associated with climate change. <b>The Intesa Sanpaolo Group adheres through its subsidiary Eurizon Capital SGR as investor signatory.</b></p>  |

## Partnerships

December 2015



### ELLEN MACARTHUR FOUNDATION<sup>[i]</sup>

The foundation is one of the main international promoters of the systemic transition towards the Circular Economy. **Intesa Sanpaolo is the Strategic Partner of the Foundation, with which it has renewed the collaboration agreement for the three-year period 2019-2021.**

2007



Forum per la  
Finanza Sostenibile

### FORUM FOR SUSTAINABLE FINANCE<sup>[i]</sup>

Multi-stakeholder association with the objective of spreading the culture and supporting the development of sustainable finance. It is the Italian representative of the EuroSIF (European Sustainable Investment Forum).

## Other

February 2021



### ENERGY EFFICIENT MORTGAGES LABEL<sup>[i]</sup>

#### The Objectives

Regulatory alignment.

To maximise regulatory alignment with the main legal and policy developments such as the EU Taxonomy, Mortgage Credit Directive, CRR or equivalents at international level.

#### Improve awareness of EE

To establish the benchmark for Energy Efficient Mortgages (EEM) for a global audience (following the lead of the Covered Bond Label).

#### Asset Resilience

To provide more information on the portfolios of energy efficient loans as assets to be included in green covered bonds.

To provide better evaluation of financial performance relative to inefficient alternatives.

To improve the tracking of EEM performance.

#### Transparency

To allow easier access to energy efficiency financing, green bond markets, better tracking of EEM performance and to provide greater transparency regarding climate risks and portfolio resilience. To adopt disclosure best practices (Harmonised Disclosure Template).

December 2019



### ENERGY EFFICIENT MORTGAGES ACTION PLAN<sup>[i]</sup>

The EeMAP Initiative aims to create a standardised “energy efficient mortgage”, according to which building owners are incentivised to improve the energy efficiency of their buildings or acquire an already energy efficient property by way of preferential financing conditions linked to the mortgage.

2019



### RES4AFRICA FOUNDATION – RENEWABLE SOLUTIONS FOR AFRICA<sup>[i]</sup>

The Foundation pursues aims of general public interest, namely the promotion of the use of renewable energy sources, the dissemination of energy efficiency measures, and the setting up of a framework enabling investments in renewables in the countries of the South and East Mediterranean, as well as of Sub-Saharan Africa. The Foundation will also further: a) the deployment of all renewables, both on a large scale and through distributed generation, with a view to covering local energy requirements, and b) the dissemination of the skills and expertise needed for the efficient integration of renewables and for the development of solutions targeted towards energy efficiency.

**Intesa Sanpaolo was a Founding Member of the Foundation and since June 2020 it is member of its Executive Committee.**

2017



### ALLEANZA PER L'ECONOMIA CIRCOLARE (ALLIANCE FOR THE CIRCULAR ECONOMY)<sup>[i]</sup>

The Alliance regroups 18 large Italian companies active in different sectors, with a total turnover of over 139 billion euro. The aim is to promote circular economy as a priority for action and an excellence to be developed to exit a period of crisis while respecting the environment and making the economy more competitive and efficient, minimizing the consumption of resources. The Alliance collects and disseminates knowledge; it involves people, associations, interest groups; it addresses the government and Europe.

## INTESA SANPAOLO'S STRATEGY ON IDENTIFIED CLIMATE-RELATED RISKS AND OPPORTUNITIES

Intesa Sanpaolo's climate strategy is based on a clear awareness of climate change risks and opportunities

The TCFD Technical Supplement defines climate-related risks as follows:

- Physical risks: Risks associated with physical impacts from climate change that could affect carbon assets and operating companies. These impacts may include "acute" physical damage from variations in weather patterns (such as severe storms, floods, and drought) and "chronic" impacts such as sea level rise, and desertification.
- Transition risks: Risks related to the transition to a lower-carbon economy. The risks can be grouped into four categories: policy and legal risk; technological risk; market risk (e.g., consumer preferences); and

reputational risk.

The range of risks and opportunities related to climate change are identified and analyzed by Intesa Sanpaolo's CFO and the CRO Areas with the support and involvement of the various Governance Areas and Divisions, as relevant, with the aim of incorporating them into the ordinary processes of risk assessment and monitoring (which leads to climate risk management, in the form of mitigation and adaptation) and credit strategies. This is also reflected in the Group's commercial offering.

The potential impacts, the related time horizon (short term up to 2 years, medium term from 2 to 5 years and long term over 5 years) and the actions taken for each potential risk observed are identified annually, with reference to both indirect and direct risks.

### Indirect risks related to climate change

| Potential risks  | Timeframe*                 | Potential impacts  | Actions  |
|--|----------------------------|--|--|
| <b>Transition</b><br>Changes in public policies<br>Technological changes<br>Changes in customer/<br>consumer preferences                                     | Short/medium/<br>long term | LOANS<br>Reduction of business<br>or increase in costs for<br>customer companies with<br>possible consequences<br>on creditworthiness and<br>solvency<br>ASSET MANAGEMENT<br>Consequences of climate<br>change on companies<br>in the portfolio with<br>consequent reduction in<br>the value of assets under<br>management | LOANS<br>Assessment of ESG and climate risks on loans in<br>sensitive sectors<br>Inclusion of environmental risks when<br>assessing creditworthiness<br>Implementation of self-regulation policies for<br>the assessment and management of the socio-<br>environmental risk of loans in sensitive sectors<br>Energy transition support through funding to<br>the Green Economy and Circular Economy<br>ASSET MANAGEMENT<br>Assessment and control of ESG risks in the<br>investment portfolios |
| <b>Transition</b><br>Changes in public policies<br>Technological changes<br>Changes in customer/<br>consumer preferences                                     | Short/medium/<br>long term | Reputational impact,<br>negative perception<br>from stakeholders and<br>in particular from SRI<br>investors due to nil or<br>inadequate management<br>of such risks<br>Possible exclusion from<br>sustainability (ESG) indexes<br>or a worse ESG position or<br>lower rating   | Inclusion of environmental risks when<br>assessing creditworthiness<br>Implementation of self-regulation policies for<br>the assessment and management of the socio-<br>environmental risk of loans in sensitive sectors<br>Stakeholder engagement initiatives<br>Participation in international working groups<br>on climate change issues  |
| <b>Transition</b><br>Changes in environmental<br>regulations<br>Introduction of new<br>greenhouse gas emission<br>limits or new related<br>reporting systems | Short/medium<br>term       | Financial implications of<br>environmental regulations<br>and<br>emission limits and/or taxes<br>imposed on customers<br>operating in certain<br>economic sectors  | Offering dedicated financial solutions and<br>specialist advisory services for customers in<br>the field of renewable energies and energy<br>efficiency<br>Participation in working groups and initiatives<br>relating to climate change<br>Active collaboration with policy makers<br>to highlight the need for stable and clear<br>environmental regulations   |
| <b>Transition</b><br>Introduction of regulation<br>on climate risks for the<br>financial sector  | Short/ medium<br>term      | Reduction of Group<br>revenues deriving from<br>excessive exposure to<br>more vulnerable sectors to<br>climate risk  | Inclusion of climate risk in risk management<br>systems<br>Rebalancing of portfolios<br>Supply of products and services connected with<br>transition   |

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

| Potential risks  | Timeframe*                 | Potential impacts  | Actions  |
|--|----------------------------|--|--|
| <b>Transition</b><br>Changes in customer/<br>consumer preferences                    | Short/medium<br>term       | Reduction in Group<br>revenues due to the<br>increased competition<br>generated by the growing<br>demand for ESG products<br>and the fall in demand for<br>non-ESG services/products | Supply of Green and ESG products and services<br>Green and ESG bond issues<br>Support to the Circular Economy  |
| <b>Physical</b><br>Extreme weather events<br>(floods, heavy snowfall,<br>whirlwinds) | Short/medium/<br>long term | Financial implications<br>for corporate and retail<br>customers damaged by<br>extreme weather events,<br>with possible consequences<br>on their creditworthiness<br>and solvency     | New subsidised loans intended to restore<br>damaged structures<br>Suspension or moratorium of repayments of<br>loans issued to damaged customers<br>Implementation of a credit plafond for the<br>reconstruction of damaged properties in case<br>of disaster events |

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

## Direct risks related to climate change

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

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

## SUSTAINABILITY AND CLIMATE MATTERS AS TRANSVERSAL DRIVERS: THE ISP4ESG PROGRAM

The ISP4ESG Program was launched in 2019 to consolidate the Group's leadership in sustainability. This project, to be considered as a wide-ranging and high-impact initiative, involves all the different Group structures and aims to integrate ESG and Climate related logics into the Bank's business model and strategy.

Following a diagnostic phase, whose outcome was the mapping of approximately 300 initiatives on sustainability under way in the Group, 4 main streams were identified:

1. ESG Governance
2. Sustainable lending
3. Sustainable Investments
4. Corporate Center, Supply Chain and Enabling Factors.

Especially as concerns climate related matters, the drafting of the action plan on climate change in relation to the 13 Expectations set out by the ECB in its "Guide on climate-related and environmental risks" published in November 2020 was coordinated within the ISP4ESG Program; the monitoring of progress is made through quarterly reviews in the ESG Control Room.

Significant activities were launched and completed in 2020 and 2021, among others:

- In terms of Governance, the ESG Control Room was set up in October 2020 to support the Steering Committee, with the task of coordinating the numerous ESG and climate related initiatives under way in the Group and coherently evaluating new opportunities and cross-cutting projects within the ESG scope. Concurrently, the Sustainability Managers were appointed, reporting directly to the Area and Division heads, to guarantee an overall and integrated supervision of ESG initiatives for the relevant departments and to contribute to the Group's strategic proposition on these topics. (Please also refer to the "Governance" Chapter).
- An extensive project for the mapping of economic activities within the Group's loan portfolio in terms of ESG and specifically climate risk sensitive sectors, was launched in 2020 and completed in 2021. This mapping is a fundamental step for, among others, dynamically orienting the loan portfolio towards more sustainable exposures, identifying new business opportunities and responding to regulatory requests (e.g. EU Taxonomy).
- The Sustainable Investments stream of activities was launched at end 2020, in order to develop new methodologies and common guidelines and tools at Group level aimed at further incorporating ESG factors in the offer of investment products, including in relation to new regulatory provisions. (e.g. Regulation EU 2088/2019).
- Lastly, the ISP4ESG Program, in its "corporate centre" stream, aims at disseminating the ESG culture both among Group employees and externally, especially among its customers, with new and enhanced initiatives especially on climate-related topics.

In 2021, the ISP4ESG Program analyzed and supported the Group's Commitment to Net Zero, which was taken in October. Within the ISP4ESG Program, and in relation to the Net Zero Commitment, Intesa Sanpaolo has recently performed a preliminary pilot on the top client exposures for higher emitting sectors, running a target setting exercise under different scenario analysis.



## THE GROUP'S OWN ENVIRONMENTAL FOOTPRINT: THE CLIMATE CHANGE ACTION PLAN

As regards direct impacts, the Intesa Sanpaolo Group's strategy is set out in its own Environmental Plan – the Climate Change Action Plan (CCAP) – which identifies mid and long-term objectives for reducing CO<sub>2</sub> emissions and increasing energy consumption and production from renewable sources. The current CCAP was approved by the CEO in 2017, following review by the Risks Committee. Previous specific action plans covered the 2009-2013 period and the 2013-2016 period respectively.

The scope of the plans, firstly limited to Italy, has gradually increased with the inclusion of various International Subsidiary Banks.

As concerns mid-term objectives, goals for 2022 include a reduction of 37% in the Group's absolute emissions connected with energy consumption (direct and indirect) compared with 2012, the reference year.

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

- an increase in the use of renewable energy sources, from 76% at the end of 2012 to 81% by the end of 2022. In 2020 electricity consumption from renewable sources exceeded 84%;
- the maintenance of electricity production levels from photovoltaic energy, taking account of the restrictions and characteristics of the real estate assets. The self-production of energy from renewable sources comes mainly from the photovoltaic plants in Italy, 9 of which with a capacity under 20 kWp and 5 of large size, and from two plants in Slovenia. In 2020 the Intesa Sanpaolo Group self-produced 1,082 MWh of energy, saving around 215,000 euro on the purchase of electricity and avoiding 527 tonnes of CO<sub>2</sub> emissions. In the Group companies in Italy, around 99% of energy purchased comes from renewable sources.

Finally, in accordance with the international climate change agreements, the CCAP sets long-term targets for 2037 as a continuation of the mid-term goals for 2022; the aim is to reduce the Group's direct and indirect emissions (Market-based) by 43% compared to 2012.

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

(Please also refer to the "Metrics" Chapter for further details).

The CCAP will be reviewed in the Business Plan to be published in 2022.

To pursue the control of its environmental footprint, Intesa Sanpaolo, the first Bank in Italy, adopted an Integrated Management System that complies with international standards ISO 45001 (Occupational Health and Safety), ISO 14001 (Environment) and ISO 50001 (Energy). The certification scope, for the three schemes, has been extended over the years to include 100% of branches and buildings in Italy. The System continuously monitors the company's goals and is subject to internal checks to assess the degree to which performance levels meet with expectations. The ongoing suitability of the measures adopted over time is guaranteed by a system of controls on three levels which involves conducting checks on a sample of branches and buildings and on the activities carried out at headquarters. While the first two levels consist of controls performed by internal company functions, the third level is entrusted to an international third party that certifies the conformity of the System and issues the certification.

## SUPPLIER ENGAGEMENT

Risks and opportunities arising from climate change influence Intesa Sanpaolo's supply chain strategy: purchasing and partnership decisions aim to minimize climate risks and maximize related opportunities. In compliance with its Code of Ethics, Intesa Sanpaolo constantly monitors the suppliers' management approach to sustainability issues, including environmental issues, through the Suppliers' Gate, which centralizes sourcing, regulatory monitoring, supplier qualification and monitoring and adaptation of contractual standards. The selection of suppliers takes place during the process of registration to the Gate by means of an assessment (updated at least once a year) including analyses of the suppliers' business ethics, respect for human labour rights, environment and climate change. If the result of this assessment is positive, the suppliers are registered in the Group Suppliers' Register and can be invited to the procurement events. The supplier's qualification process allows the obtainment of a supplier's rating monitored over time, and to have an updated screening of the suppliers, for the duration of the contractual relationship.

## FOSTERING OUR CUSTOMERS' TRANSITION TO A SUSTAINABLE, GREEN AND CIRCULAR ECONOMY

### CLIENT ENGAGEMENT

#### Research and reports

To foster client awareness and engagement, the Intesa Sanpaolo Research Department (also in cooperation with specialized external organisations), develops study and research projects in the wider environmental field, which are available on the website of the Group. Among others, in 2021 the 7th Report on Bioeconomy in Europe and the Report on energy transition – Technologies for renewable energy - were published; in 2020 papers published included the Report on the local public transport businesses, in collaboration with ASSTRA, which also tackles the issue of congestion and pollution and the need to modernize with a view to sustainability; the 98th edition of the Report analyzing industrial sectors (collaboration with Prometeia) with a focus on the green transition of Italian industry compared with that of its main European Competitors.

In addition, a number of studies are published by SRM (Studi e Ricerche per il Mezzogiorno), a Group research centre with the mission of disseminating economic knowledge and culture, with a particular focus on the development of southern Italy, Maritime Economy and Energy.

A recent White Paper published in July 2021 on “The circular economy as a de-risking strategy and driver of superior risk-adjusted returns” - the result of a collaboration between the Bocconi University, the Ellen MacArthur Foundation and Intesa Sanpaolo - is of particular interest, considering that it covers a topic particularly central to the Group's strategy.

#### An updated and focused Training Offer for customers

The dissemination of the culture of sustainability and in particular raising awareness on the topics of climate change and environmental protection is a commitment of the Group also vis a vis its customers, through **Intesa Sanpaolo Formazione**, the Group company that designs training courses for companies, schools and non-profit organizations on innovation issues such as digital transformation, artificial intelligence, industry 4.0, circular economy, sustainability, ESG, internationalization.

A portal fully dedicated to developing awareness and training in ESG matters, the new **ESG4IMPACT** portal, was developed and launched in September 2021, substituting and enriching previous digital offers.

Through the portal it is possible:

- to access the Skills4Capital platform, where training contents may be subscribed to, including courses focusing on social and environmental matters (934 subscriptions were active as at 30 June 2021);
- to take advantage of Higher Education courses, One-to-One mentoring and multi-company workshops designed in collaboration with the best resources in the academic world;
- to access news and success stories on sustainability and ESG topics;
- to find the main initiatives that the Group dedicates to sustainability issues with social, environmental and governance impact.

#### Surveys among customers to assess climate-change awareness and needs

The Group's commercial divisions are directly engaged in involving customers with regard to ESG and sustainability issues.

The Banca dei Territori Division is currently carrying out a **survey among client SMEs** on the subject of climate change, so as to trace their profile in terms of level of exposure / sensitivity to the issue and understand their future prospects and key needs. The results of the survey will also allow the activation of initiatives aimed at increasing the awareness of companies through webinars dedicated to ESG topics and will provide useful information for the creation of a Sustainability Lab, as an accelerator of sustainable transformation.

The IMI CIB Division, dedicated to corporate customers, has an ongoing structured listening initiative - **ESG Survey** - aimed at profiling customers in relation to their needs related to sustainability issues; this allows the implementation of targeted commercial initiatives and the organization of periodic and on-demand webinars for the understanding and development of the business under an ESG perspective. The division also set up the IMI CIB ESG Academy initiative, in order to develop training activities to support the commercial network in dealing with customers on ESG issues.

## GREEN AND CIRCULAR ECONOMY: THE LENDING OFFER

Intesa Sanpaolo's strategy is focused on an active support to its customers in the transition towards a low carbon economy, promoting renewable energy, energy efficiency and the circular economy model and encouraging customers to reduce their environmental footprint through the offer of dedicated loan products and services within innovative financial solutions.

In 2020, within the context of the European Green Deal, Intesa Sanpaolo made available 50 billion euro, increased to 60 billion euro following the merger with UBI Banca, to be disbursed over the coming years, to finance new long-term lending dedicated to the Green and Circular Economy.

More recently, in June 2021, concurrently with the launch of the National Recovery and Resilience Plan for Italy, Intesa Sanpaolo announced the availability of a total amount of over 400 billion euro in terms of new long term financing over the 2021-2026 period, split over 6 main pillars substantially reflecting those of the NRRP; among these, the existing plafond dedicated to the Green and Circular Economy and to ecological transition was increased to 76 billion euro (approx. 28% of the total). In addition, 16 billion euro are to be destined, over the same period, to the new financing of Green Mortgages (approx. 4% of the total).

### NRRP Missions

|           |  |   |
|-----------|--|---|
| <b>M1</b> | <b>Digitalization</b><br>innovation, competitiveness and culture | <p><b>Italia domani</b><br/>RECOVERY AND RESILIENCE PLAN<br/>#NEXTGENERATIONITALIA</p> <p><b>Green revolution and ecological transition</b></p> <ul style="list-style-type: none"> <li>Waste recycling enhancement &gt;&gt;&gt; <ul style="list-style-type: none"> <li>+55% electric material</li> <li>+85% paper</li> <li>+65% plastic materials</li> <li>+100% textile material</li> </ul> </li> <li>Reduction in drinking water leakage on water networks</li> <li>An additional 50,000 more efficient private and public buildings for a total of 20 million square metres</li> <li>Support for research on the use of hydrogen in industry and transport</li> </ul> <p>MEF Ministero dell'Economia e delle Finanze</p> |
| <b>M2</b> | <b>Green revolution</b><br>and ecological transition             |   |
| <b>M3</b> | <b>Infrastructure</b><br>for sustainable mobility                |   |
| <b>M4</b> | <b>Instruction and research</b>                                  |   |
| <b>M5</b> | <b>Inclusion and cohesion</b>                                    |   |
| <b>M6</b> | <b>Health</b>  |   |

Intesa Sanpaolo's lending offer includes:

1. A credit plafond of up to 6 billion euro to finance **Circular Economy** projects, with the commitment to offer the best credit access terms (such as pricing) to businesses that adopt the circular model in innovative ways, ensuring financial support for investments to facilitate the redesign of the industrial system with a regenerative approach towards natural capital. The objective is to generate a virtuous cycle in the use of resources, overcoming the linear model which involves extraction, production, sale and waste. The activity is considered of primary importance for the Group and is indicated as a strategic pillar within the 2018-2021 Business Plan.

Access to the Circular economy Plafond is assessed against a set of **five eligibility criteria** developed in partnership with the **Ellen MacArthur Foundation** and **three additional criteria** related to green projects.

## Eligibility criteria



Solutions that extend the product-life of goods and/or materials



Utilization of renewable/recycled resources



Increase in efficiency and effectiveness of resources' consumption



Products that can be fully recycled or composted



Innovative technologies to enable circular business models



Production and transmission of renewable energy



Energy efficiency of production processes and buildings



Sustainable management of natural resources and soil, biodiversity

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

In 2020, the Plafond was extended to support businesses investing in green projects in the area of renewable energy production, energy efficiency and sustainable farming and biodiversity, and, up to 1Q2021, to support the Green Mortgages requested by customers for the purchase of new high energy-efficient houses (class B upwards) or the refurbishment of houses with consequent improvement of the energy class.

In 2018, Intesa Sanpaolo in partnership with the Cariplo Foundation, launched the 1st Circular Economy Lab with the aim of supporting the transformation of the Italian economic system and accelerating the transition to the circular economy. Its activities are designed to generate value for Intesa Sanpaolo's business customers through the promotion and spread of the Circular Economy culture at national and international level (events and networking platforms with the involvement of external stakeholders and partners); innovative training programs for businesses on circular economy matters; the acceleration of the economic transformation through Circular Economy advisory services for SMEs and Corporate customers.

2. A plafond of up to 2 billion euro for **S-Loans** which represent an innovative new solution to finance **SMEs** sustainable growth projects, associating their economic and financial decisions with their environmental and social impacts and assisting them on the path to structural change.

Through precise agreements taken with the Bank, the customer defines annual objectives on at least 2 ESG KPIs, certified in the customer's financial statements, chosen among a selection proposed by the Bank. If the objectives are respected, the customer is granted a reduced interest rate for the following year. In 2020, 71.7% of businesses accessing S-Loan facilities chose an "Environment" KPI.

The first S-Loan "ESG" was launched in 2020 and provided for a choice of 2 KPIs in two different ESG areas from a selection of six KPIs available. It was followed by S-Loan "Diversity" to encourage gender equality.

In July 2021, a new S-Loan "Climate Change" was introduced, totally focused on environmental sustainability, as the KPIs to be monitored must be chosen among climate-related indicators only.

The loan can be assisted by a SACE (the Italian Export Credit Agency) guarantee on up to 80% of its amount, with a maximum limit of 15 million euro over a maximum of 20 years, for projects such as: mitigation and prevention of climate change, reduction of polluting activities, protection of water and marine resources, protection and restoration of biodiversity and ecosystems and circular economy. The guarantee is intended for companies with turnover up to 500 million euro.

As from April 2021, if the E-S-G objectives are achieved, the S-Loan financing mechanism is activated, including both a premium for the company in terms of the cost of financing and a donation from Intesa Sanpaolo to support charitable projects in which the financed company can also participate.

## S-Loan KPI

### S-Loan ESG - 6 KPI

Initiatives on the 3 ESG areas to improve the sustainability profile

E



- Procurement of **electricity** from **renewable sources or bioenergy**
- Introduction of a **“Green Procurement Policy”** on purchasing, transport and energy

S



- **Community support** activities on the basis of a multi-year program
- Development of customer and / or supplier **engagement programs on sustainability issues**

G



- **Training activities for employees on sustainability issues**
- Development of **employee welfare** increase programs

### S-Loan Climate Change - 6 KPI

Improvement objectives focused on environmental sustainability

- Procurement of **electricity** from **renewable sources or bioenergy**
- Introduction of a **“Green Procurement Policy”** on purchasing, transport and energy
- Achievement of **Carbon Neutrality**
- Upgrading of a portion of the company's real estate assets to **green building standards**
- Introduction of **new vehicles with reduced environmental impact** into the company fleet
- Introduction of **initiatives for the protection and restoration of ecosystems**

The S-Loan formula has been widely appreciated by Intesa Sanpaolo's customer base, and a significant acceleration of loans granted was registered in 2021. (Please also refer to the “Metrics” Chapter for further details).

### 3. Other products and services<sup>2</sup>

In addition to Circular and S-Loans, the Group offers a wide range of products to all customer segments.

As concerns **retail** customers, the Bank supports green projects through the granting of mortgages and loans for environmental purposes.

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

Also, following the environmental disasters and extraordinary weather events that affected Italy in 2020 and in 2021, the Intesa Sanpaolo Group continued to provide support to households and businesses (including agricultural companies, strongly penalized by exceptional weather events), through the activation of dedicated credit lines, new subsidized loans for redeveloping damaged structures and suspensions of payments on outstanding loans.

Among insurance products, a specific insurance policy focuses on protection against natural disasters, providing coverage for the damage caused by atmospheric events such as floods and cloudbursts. The coverage will reimburse up to 80% of the customer's property value.

In addition to the S-Loan formula, Intesa Sanpaolo supports **businesses** in their investment plans in the sectors of renewable energy and energy efficiency projects with short, medium and long-term loans. A specific product was recently launched which may be customised and adapt to various segments: the

<sup>2</sup>. Please also refer to the CNFS for a full description of loans and financing available.

Renewable Energy sector (photovoltaic, wind energy, hydroelectric energy, residual gas from purification processes); Biogas, for the production of electricity; Biomethane, for the production of biomethane for transport; Energy Efficiency measures, for energy efficiency investments in buildings, plants and processes. This loan may count on the support of Intesa Sanpaolo’s Medium Long term/Leasing Specialists and the Energy & Utilities Desk.

The **IMI Corporate & Investment Banking Division (IMI CIB)** continues to pursue its commitment to sustainability, promoting innovative financial solutions that respond to the growing need for products more in line with ESG principles and assisting businesses with sustainable strategic plans and investments for the transition towards a green and circular economy. Since 2018 IMI CIB has developed customised Green and Sustainability linked financing solutions, both loans and hedging instruments, dedicated to Corporates that link their operations to sustainability indicators and KPIs through an ad hoc bonus-malus clause which provides for a margin discount/burden according to target achievement. The range of financial products also includes Circular Economy Loans and placements that permit the use of the Bank’s dedicated credit lines as well as Project Finance dedicated to the world of renewable energies (wind, photovoltaic, biomass, hydroelectric).

Finally, to help the direct financing efforts of Corporates in the Debt issuance market, the IMI CIB Division participated as bookrunner in 12 Green, Social and SDG-linked bonds in the Euro market in 2020 and in 18 Green, Social, SDG-linked and transition bonds in the Euro market in 1H2021.

## ADDRESSING CUSTOMER INVESTMENT NEEDS: EURIZON’S SUSTAINABLE AUM OFFER

Eurizon’s commitment to ESG and SRI themes is long standing and started in 1996, when it became the first asset manager in Italy to set up ethical funds.



As of 30 June 2021, Eurizon’s offer included 155 funds classified as Art. 8 and Art. 9 under Regulation (EU) 2019/2088 (“SFDR”) – therefore promoting, among others, environmental or social features, or having sustainable investment objectives - corresponding to almost 100 billion euro of assets, or 45% of the funds’ masses.

As concerns specifically the impact of these funds on SDGs, the following percentage of alignment of the funds’ assets under management was reported at end June 2020, taking into account the fact that each investee can contribute to more than one SDG<sup>1</sup>:



In 2018 Eurizon was the first Italian asset management company to establish a Green Bond fund (Eurizon Fund – Absolute Green Bonds) through Eurizon Capital SA. The fund invests in the international bond markets, financing sustainable projects and selecting bonds based on the Green Bonds Principles (GBP) as well as on proprietary green assessment that contribute to the pursuit of the UN SDGs.

Environmental impacts are reported by Eurizon in the Global Impact Report and in the Green Bonds Impact report relating to the Eurizon Fund – Absolute Green Bonds (Please also refer to the “Metrics” Chapter for further details).

<sup>1</sup>Please also refer to the methodological notes in the Global Impact Report<sup>[1]</sup>

## FINANCING THE TRANSITION: THE ISSUANCE OF GREEN BONDS AND THE NEW GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

In line with its long-standing commitment to environmental matters, in **June 2017** Intesa Sanpaolo was the first Italian bank to issue a 500 million euro Green Bond connected with environmental sustainability projects, and more specifically to renewable energy.

This bond was followed in **November 2019** by the issuance of the first 750 million euro Green Bond focused on the Circular Economy to support loans granted by the Bank under the Circular Economy Plafond.

Also, UBI Banca (merged into Intesa Sanpaolo in April 2021) issued its first 500 million euro Green Bond in **April 2019**, which focused on renewable energy, especially (around 90%) solar and wind.

In March 2020 the Intesa Sanpaolo Group was the winner of the 2020 Environmental Finance Bond Awards for its issuing of a Green Bond focused on the Circular Economy. UNEP FI also recognized Intesa Sanpaolo’s commitment to spreading the values of the Circular Economy in its report “Financing Circularity: Demystifying Finance for the Circular Economy”, published in October 2020, the paper specifically mentions the Green Bond focused on the Circular Economy.

In early 2021, Intesa Sanpaolo published a new Green, Social and Sustainability Bond Framework, (aligned to the ICMA Green Bond Principles - 2018, ICMA Sustainability Bond Guidelines - 2018 and ICMA Social Bond Principles - 2020) which sets a list of Eligible Green, Circular Economy and Social loan Categories to which the proceeds of issuances may be allocated.

Specifically, the Green Eligible Categories may be summarized as follows (in-depth details are available on the website of the Group at the following link<sup>[1]</sup>):

### Green Eligible Categories

| Renewable Energy  | Energy Efficiency   | Green Buildings  | Environmentally sustainable management of living natural resources and land-use, biodiversity  | Circular Economy   |
|---|---|--|--|--|
| <p>Production, transmission, infrastructure and associated assets, such as: Solar, Wind, Bio energy/Biomass and Hydro energy generation</p>  | <p>Infrastructure, associated assets, technology and services that contribute towards reduced energy usage and/or increased energy efficiency</p>  | <p>Low-carbon buildings and refurbished buildings with a minimum 30% energy saving improvement (or at least a two step improvement in EPC label)</p>  | <p>Sustainable agriculture, sustainable forestry (afforestation, reforestation, conservation) and urban greening</p>  | <p>Various technologies, solution, products and services aimed at increasing resource efficiency and enabling circular economy business models</p>  |

In **March 2021**, Intesa Sanpaolo issued a new 7-year Green Bond for a nominal value of 1.25 billion euro under the new framework. The “use of proceeds” of this bond includes green mortgages granted for the construction or the purchase of energy-efficient properties (EPC Energy Performance Certificates energy classification A and B).

## THE BANK'S RESILIENCE – SCENARIO ANALYSIS AND STRESS TEST METHODOLOGIES

Scenario analysis and stress test exercises are necessary to assess the resilience of the Bank and of its counterparties, analyzing how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time.

Intesa Sanpaolo has been working to develop in-depth knowledge of the issues involved, to collect the necessary data and to minimize assumptions and the use of proxies that could influence the output of the analysis. To this end the Bank has been testing different methodologies and analyzing new regulatory requirements, with particular focus on the underlying assumptions (e.g., reference scenarios), data sources (e.g., GHG emissions) and modelling techniques.

A number of pilot projects were carried out, either in relation to the participation of the Bank to external work groups and internal to the Bank itself.

As concerns external initiatives, starting from 2019 Intesa Sanpaolo participated in the TCFD Banking Sector Pilot - Phase II which was completed in 2020. The pilot project involved 39 international banks, coordinated by UNEP FI, with the aim of improving methods for the assessment of risks related to climate change, also through long-term scenario analyses, and improving their disclosure, developing tools, frameworks and papers that enabled participants to analyse each of the TCFD recommendations in depth.

During the pilot project, Intesa Sanpaolo's interfunctional Working Group (CRO Area, CFO Area, IMI Corporate & Investment Banking Division) focused on defining a taxonomy of sectors that are most sensitive to climate change risk and then developed a scenario analysis exercise, both for physical and transition risk, for a portion of the Corporate credit portfolio, in accordance with the TCFD approach (impact of climate change on the performance of the counterparty and consequently on credit risk). The scenario analysis (physical and transition risk) performed involved the Oil & Gas and Power & Utilities sectors and adopted a "top-down" approach, focusing on the general factors and characteristics of the reference sector, with the integration of "bottom-up" elements related to the specific features of the credit clientele in the reference portfolio at individual borrower level. The results of this exercise were used to draft two case studies which were published in two different papers.

The first case study was published in the paper "Charting a New Climate" - Intesa Sanpaolo case study - Physical climate risk measurement - the UNEP FI Phase I Excel tool applied to Energy and Oil & Gas companies<sup>[1]</sup>. The aim of the case study was to estimate the financial impact of physical climate change risk on this portfolio, which required translating climate risk data into a change in the probability of default (PD).

A second case study, this time on transition risk, was published in the paper "Pathway to Paris" - Case study 3: Intesa Sanpaolo<sup>[2]</sup>. In this case study Intesa Sanpaolo estimated the impact on a portion of its portfolio, referring to the Oil & Gas sector in the EU, with the aim of comparing the differences between orderly and disorderly transition scenarios, assessing the "climate adjusted" probability of defaults (PDs) and proposing next steps to improve the analysis.

In 2021 Intesa Sanpaolo is continuing its experience with UNEP FI through the participation in the TCFD banking pilot phase III that started in January 2021. It includes nearly 50 banks and investors who are exploring ways to add depth, granularity, and nuance to their climate risk assessments, consolidate best practices in climate risk management, and standardize climate disclosures



across the industry. Among others, this pilot will go deeper in exploring climate stress testing (with a specific module), the integration of physical and transition risk assessments, and sector-specific risks and opportunities. Intesa Sanpaolo expects to publish its related case study, which will concentrate on retail mortgages, within the next few months.

Finally, as part of the EBA pilot sensitivity exercise on climate risk, whose findings were published in May 2021, a first exercise to apply the EU Taxonomy was performed on the credit portfolio which included corporate counterparties domiciled in the European Union. The exercise involved the voluntary participation of 29 banks and enabled the EBA to perform an initial climate change risk (transition risk) sensitivity analysis and produce among others, first aggregated estimates – albeit with a number of assumptions – of the Green Asset Ratio<sup>[1]</sup>.

Other internal pilot initiatives were completed in 2020 both as concerns scenario analysis and stress test methodologies, particularly with regard to the Large Corporate and SMEs portfolios.

In an initial phase, the “Proof of Concept Climate Stress Large Corporates” focused on 85 counterparties (to be extended to 100-150 counterparties) and involved a bottom up approach estimating direct impacts on counterparties’ financial performances of both physical and transition risks, using a forward-looking approach on 3 selected industries (Oil & Gas, Power Generation, and Automotive). Climate stressed scenarios were built through a 2030, 2040 and 2050 timeframe considering different climate scenarios applied to physical and transition risks, reflecting more extreme events (i.e., RCP 4.5 and 8.5<sup>[1]</sup> for physical, Hot House World and 2°C Orderly Transition for transition).

One of the aim of calculating financial impacts at counterparty level regards the integration into the current Credit Risk Appetite Framework (CRA), potentially through an “overall climate notching” that will be combined with the Bank credit strategies. In parallel, to evaluate Intesa Sanpaolo’s readiness on climate change matters in line with the ECB 13 final Expectations released in November 2020, internal activities have been run to crystalize gaps against expectations and to create a complete roadmap also in view of the next business plan.

During the second phase, attention was focused on SMEs in the “Proof of Concept Climate Change SMEs”, and involved a top down approach for Intesa Sanpaolo’s credit portfolio (excluding Foreign Subsidiaries) on the sectors more exposed to transition risk. The main objective of the project was to build a model that would allow the calculation of a risk score at the level of a single counterparty, also by leveraging an interview campaign based on a sample of companies, in order to represent a picture of the SMEs portfolio risk.

Benefits of the project activities in the short and medium term are linked to the enrichment of the information set functional to the incoming ECB stress test, the compilation of the new PILLAR III templates (2022-2024) and the setup of credit policy drivers that can be used to measure the distance to a carbon free loan portfolio.

In 2021 Intesa Sanpaolo developed a specific Action Plan, submitted in May to the ECB, in order to implement the ECB’s expectations on Climate and Environmental risks and also to be ready for the ECB 2022 climate stress test.

A wider scenario analysis is therefore being developed, also building on the insights gained and methodologies developed in the context of the pilot projects with UNEP FI, the EBA pilot sensitivity exercise on climate risk and internal initiatives.



# RISK MANAGEMENT



## IDENTIFICATION OF CLIMATE-RELATED RISKS

Intesa Sanpaolo believes that climate-change risks are cross cutting drivers of existing risks. They affect, with different levels of relevance and intensity, the existing risk categories already envisaged in the risk management framework of the Group (i.e. credit risk, operational risk, reputational risk, market risk and liquidity risk).

In fact, as specifically set out in the Taxonomy attached to the Group's Integrated Internal Control System regulation, the following risks are liable to be impacted by ESG risks - defined as "risks deriving from potential negative impacts, direct or indirect, on the environment, people and communities and more generally on all stakeholders, or deriving from the governance of the company. Climate change risk also belongs to the category of ESG risks, understood as a risk deriving from climate change caused by the accumulation of greenhouse gases in the atmosphere and which can be detailed into transition risk (the financial risk that could derive from the process of adjustment towards a low-carbon economy) and in physical risk related to the environmental impacts of climate change (e.g. sea level rise following average temperatures increase or extreme climatic events such as floods and droughts)".

| Risk Family       | Risk  | Definition  |
|-------------------|---|---|
| Credit risk       | Individual counterparties credit risk; Concentration risk; Country risk; Credit risk from defaulted exposures; Residual risk from CRM; Risk from securitizations issued and banking book  | Risk that an unexpected change in the creditworthiness, in the value of guarantees provided, or in the margins used in the event of insolvency by a counterparty, generates an unexpected change in the value of the bank's credit position |
| Market risk       | Generic and specific position risk; Issuer specific risk; Counterparty risk in OTC derivatives; Trading book securitizations risk; Valuation risk   | Risk of losses deriving from trading in financial instruments on the markets  |
| Liquidity risk    |   | Risk that the Bank may not be able to meet its payment commitments due to the inability both to find funds on the market (funding liquidity risk) and to sell its assets (market liquidity risk)  |
| Operational risk  | Conduct risk; Compliance risk; Financial crimes risk; Legal risk; Tax risk; IT risk (or technological risk); Cyber risk; Business continuity risk; Physical security risk; Third party risk; Data quality risk; Employer risk; Fraud risk; Process risk | Risk of suffering losses resulting from the inadequacy or malfunction of procedures, human resources and internal systems, or from external events  |
| Reputational risk |   | Current or prospective risk of a decline in profits or capital resulting from a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or supervisory authorities                               |



The potential impacts of climate-related risks are assessed within the risk management framework by the risk identification process of the Group. An initial representation is set out below, with reference to both indirect and direct risks (please also refer to the Strategy chapter).

|                     | Physical   | Transition  |
|---------------------|--|---|
|                     | <ul style="list-style-type: none"> <li>Acute weather events: extreme weather events (e.g. floods, landslides, heavy snowfall, whirlwinds)</li> <li>Chronic weather patterns: increase or reduction in average temperatures</li> </ul>  | <ul style="list-style-type: none"> <li>Changes in environmental regulations or/and standards (e.g. Introduction of new greenhouse gas emission limits or new related reporting systems)</li> <li>Increase in the cost of raw materials</li> <li>Technological changes</li> <li>Changes in customer/ consumer preferences</li> </ul> |
| <b>CREDIT</b>       | <p>The probabilities of default (PD) and loss given default (LGD) of exposures within sectors or geographies vulnerable to physical risk may be impacted, for example, through lower collateral valuations in real estate portfolios as a result of increased risk. Technological changes or new regulation may trigger disruption in production or business models and/or substantial increase in adaptation costs and lower corporate profitability.</p> |   |
| <b>REPUTATIONAL</b> | <p>Negative perception from stakeholders, among which customers, and in particular from SRI investors due to nil or inadequate management of such risks. Possible exclusion from sustainability (ESG) indexes or a worse ESG position or lower rating.</p>   |   |
| <b>OPERATIONAL</b>  | <p>Impact on own premises and properties, own operations, supplier chains and disruption of service to customers. Impact on financials due to litigation risks linked to the sale of bank products or to customers lawsuits/complaints related to the bank's exposures to controversial sectors.</p>   |   |
| <b>MARKET</b>       | <p>Severe physical events may cause shifts in market expectations and possible sudden repricing, higher volatility and losses in asset values on some markets. Transition risk drivers may generate an abrupt repricing of securities and derivatives, for example for products associated with industries affected by asset stranding.</p>  |   |
| <b>LIQUIDITY</b>    | <p>Direct Impact in the event of clients withdrawing money from their accounts in order to finance damage repairs. An abrupt repricing of securities, for instance due to asset stranding, may reduce the value of banks' high quality liquid assets, thereby affecting liquidity buffers.</p>   |   |

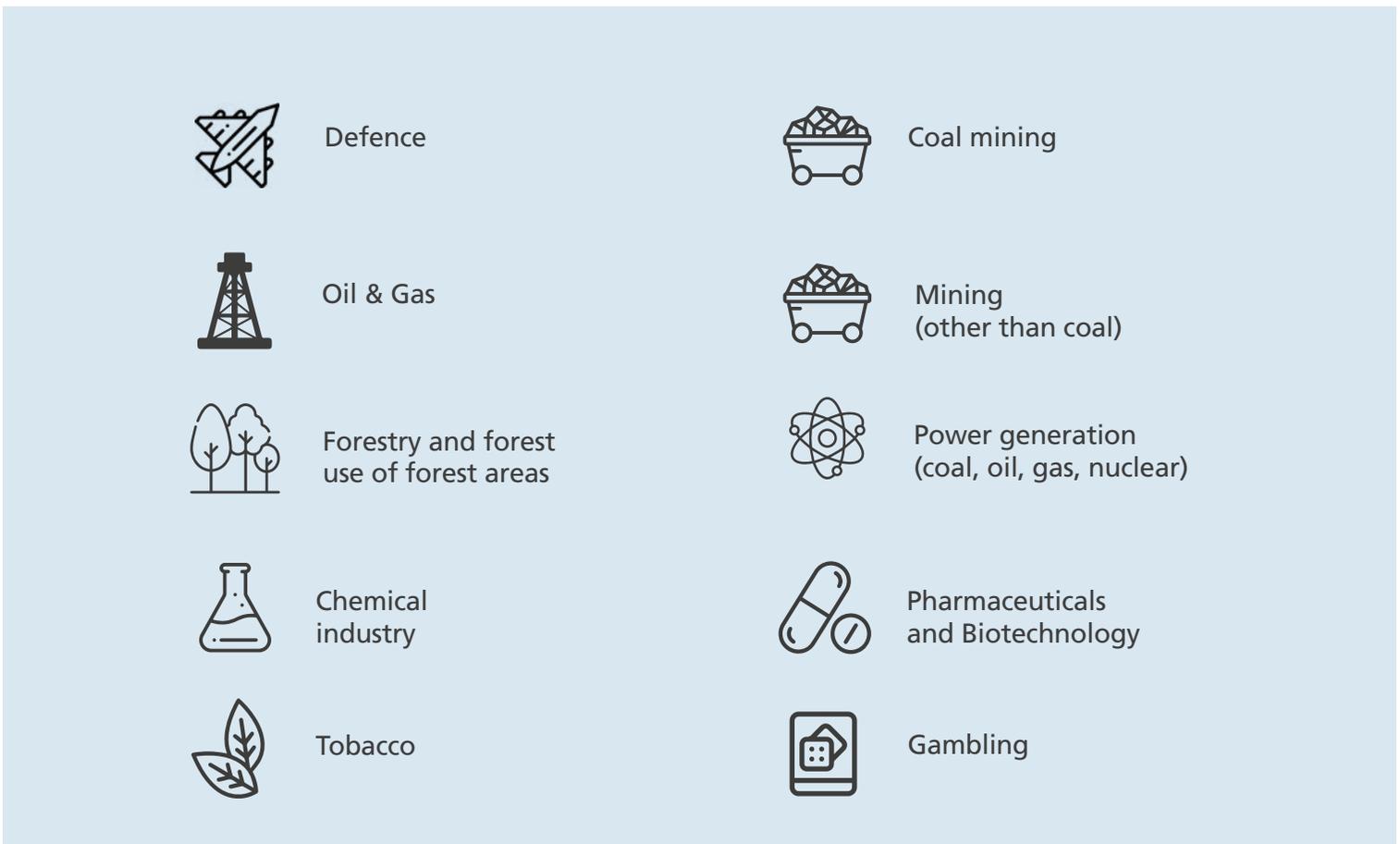
## THE MANAGEMENT OF SUSTAINABILITY ISSUES IN SENSITIVE SECTORS

The Intesa Sanpaolo Group is aware of the importance of the correct and responsible allocation of resources, on the basis of social and environmental sustainability criteria. It monitors ESG risks associated with the activities of customer companies and pays particular attention to sustainability issues related to sensitive sectors, among which climate change and the environment.

In 2020, Intesa Sanpaolo published the "Guidelines for the governance of environmental, social and governance risks in lending activities"<sup>[1]</sup>. The purpose of these Guidelines is the definition of 1) a list of "sensitive sectors" 2) general criteria for limiting and excluding loans in line with the definitions set out in the document; 3) detailed criteria applicable to single sensitive sectors through the application of specific sector Rules.

### 1. Definition of "sensitive sectors"

The Guidelines set out the following sensitive sectors to be monitored from an E-S-G point of view:



## 2. General criteria

The general criteria set out within the Guidelines state that the Bank undertakes not to finance companies and projects that are characterized by their negative impact on:

- UNESCO World Heritage Sites<sup>1</sup><sup>[i]</sup>;
- wetlands under the Ramsar Convention<sup>[i]</sup>;
- IUCN protected areas I to VI s<sup>[i]</sup>.

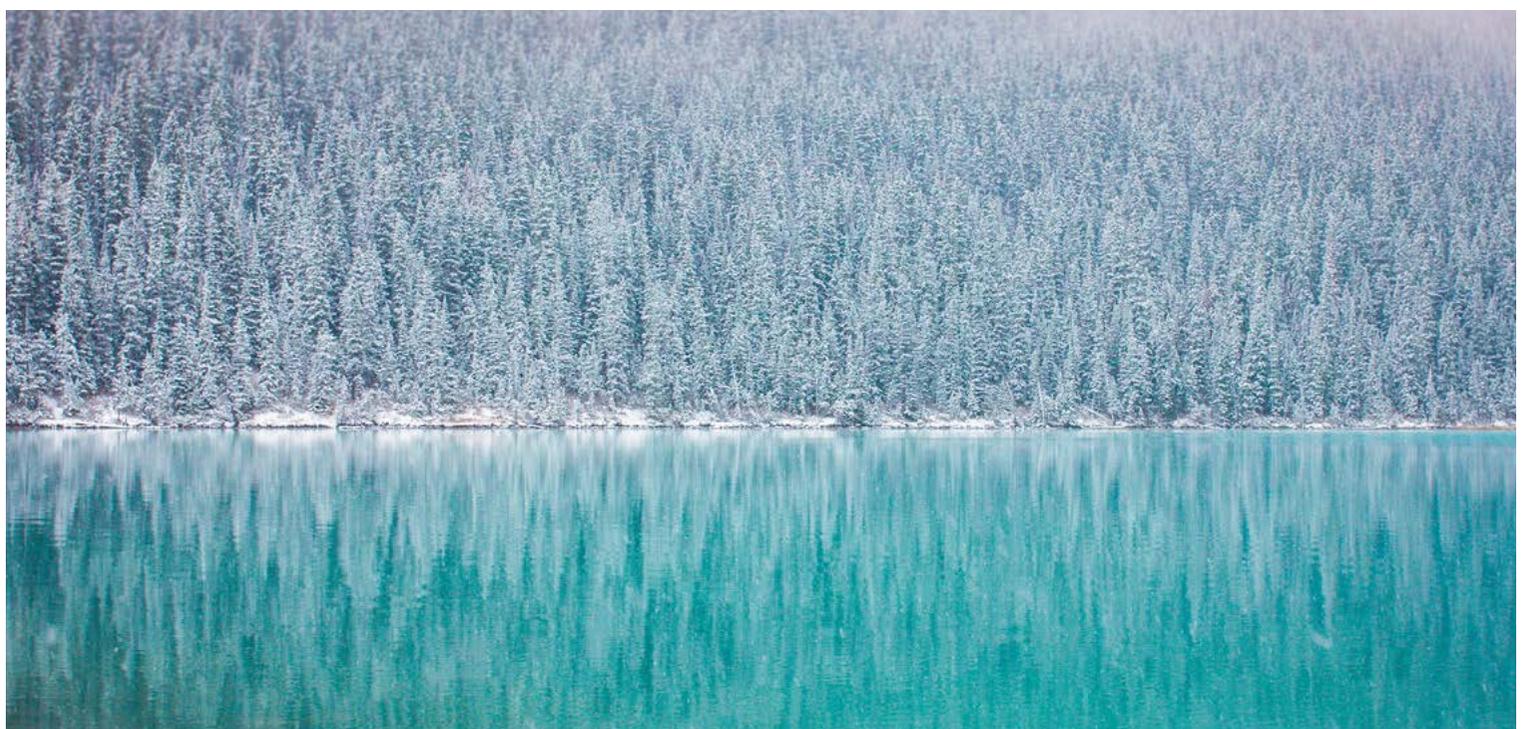
In addition, the Bank undertakes not to finance companies and projects if these are located in areas of active armed conflict, or if evidence emerges, such as legal proceedings brought by the competent authorities, relating to human rights violations and forced or child labour practices.

## 3. Coal and Unconventional Oil and Gas policies<sup>[i]</sup>

The Guidelines also provide for the definition of specific sector rules. In July 2021 Intesa Sanpaolo released the updated "Rules for lending operations in the coal sector" including stricter criteria and limitations that apply to new coal fired power plants and mines. In particular Intesa Sanpaolo will not provide financial products and services to projects aimed at the construction or expansion of new coal mines or the purchase of companies operating in the coal mining sector and at the construction of new coal-fired power plants, the purchase or expansion of those that are already in operation. The Group also undertakes to phase out by 2025 the share of financial services to counterparties in the coal mining sector. Other limits and rules were set for general financing to coal mining and coal power companies.

At the same time, a new policy "Rules for lending operations in the unconventional Oil & Gas sector" was issued including limitations and restrictions for unconventional resources such as Shale oil and gas and those resources extracted in fragile ecosystems in geographical areas such as the Arctic region and the Amazon. Namely the policy prohibits the financing of projects aimed at the development, construction and expansion of exploration and extraction activities relating to unconventional resources and the related transport infrastructures. In addition, the Group undertakes to terminate its exposure linked to unconventional Oil & Gas resources by 2030.

As stated in both policies, the Group intends to keep supporting its customers in the transition to a low-carbon economy, including through financing aimed at renewable energy production.



## CLIMATE CHANGE RISK IN INTESA SANPAOLO'S RISK APPETITE FRAMEWORK (RAF)

The RAF represents the overall framework within which the management of corporate risks is developed.

In 2021, a new section was introduced, defining ESG and Climate Change risks, formalized in a high level statement as well as a second level statement. In particular, with reference to ESG & Climate Change risks, "the Group recognizes the strategic importance of ESG factors and the urgency of curbing climate change. It is therefore committed to include the impact of climate-related 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. This includes controlling how ESG and climate change impact existing risks (credit, operational, reputational, market and liquidity risk) and implementing high ethical and environmental standards in internal processes, in products and services offered to customers and in the selection of counterparties and suppliers".

The RAF includes a dedicated section on "ESG & Climate change Risks" where:

1. credit exposure limits were introduced in 2021 with reference to the Coal Mining and Oil&Gas sectors;
2. a list of controversial names, often responsible for operations classified as "dodgy deals"<sup>1</sup>, was defined
3. the quarterly monitoring of the Group credit exposure towards the business sectors most exposed to Climate Change risk was set up, based on a first ESG/climate taxonomy developed within the ISP4ESG Program.

The Credit Risk Appetite<sup>2</sup> framework had already been enhanced in 2020 through the implementation of new risk/resilience climate & environmental factors related to energy class and environmental certifications. In 2021, new risk/resilience drivers were introduced, anticipating the Corporate Model Change, already submitted for approval to the ECB:

- For large corporate counterparties, ESG and SGS (Sustainable Goods and Services) scores were introduced using data available from an external provider and leading to a potential notch up / down of the position class of risk;
- For other corporate counterparties (turnover lower than 500 million euro), where provider data were not available or significant, credit scores were determined on the basis of answers to a qualitative questionnaire and environmental certifications.

As climate risks impact CRA scores, they can consequently determine impacts on price for customer lending transactions.

1. Transactions/projects interested by NGO campaigns

2. The Credit Risk Appetite is an indicator used in the credit origination phase, based on the rating and a number of risk and resilience factors aimed at evaluating the long-term risk of the counterparty



## PHYSICAL RISK IN CORPORATE RATING MODELS

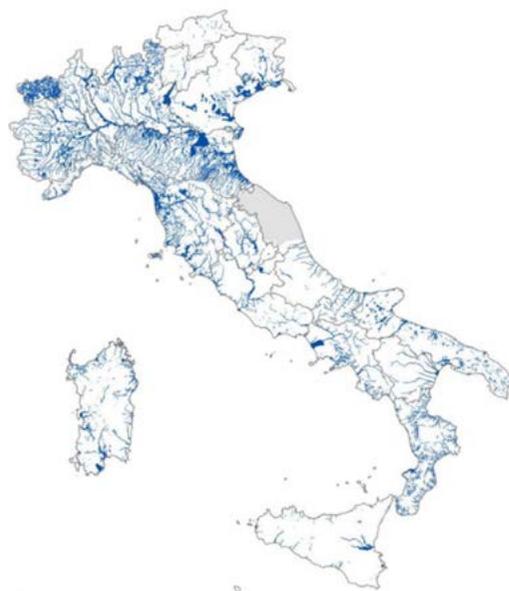
The importance of physical risk has been carefully analysed by Intesa Sanpaolo, especially as Italy is considered to be one of the Mediterranean countries most exposed to the effects of climate change. Intesa Sanpaolo has therefore developed an ad hoc CAT RISK module for the measurement of physical climate risk related to domestic counterparties with a corporate turnover < 500 million euro, assessing the risk of natural calamities potentially affecting corporate plants and equipment. The module investigates the degree of riskiness of the Italian territory at municipality level. The percentage of the area at high CAT risk is transformed and normalized 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.

| Area       | Variable   |
|------------|--|
| Fires      | % surface annually affected by forest fires at regional level  |
| Earthquake | Peak ground acceleration (PGA) equal to the maximum ground acceleration that occurred during an earthquake at municipality level |
| Flood      | % surface with a high flood risk at municipality level   |

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). The exposure to CAT risk is calculated automatically; on top, a questionnaire investigates the presence of insurance against catastrophic risks, which, if present, can neutralise the impact of CAT risk. The CAT risk module is part of the above mentioned Corporate model change.

Map representing hydraulic hazard (in blue high risk).



Map representing seismic classification.



Map representing the total surface hit by fire (between 2009 and 2016).



## SETTING AN ESG BASED LENDING APPROACH

In order to ensure that climate-related and environmental risks are considered at all relevant stages of the credit process, the Bank is currently developing a holistic, comprehensive and dynamic approach for integrating ESG/Climate metrics in the credit framework. In particular, the Bank is progressively implementing dedicated tools in order to set up a process that would incentivize lending to counterparties with a strong ESG/Climate performance or which have started a transition toward more sustainable business models, while disincentivizing lending to the ones with high ESG/Climate risk.

### 1. Materiality assessment and sectoral mapping of the lending portfolio

In 2021 a first sectoral mapping of business activities from an ESG/Climate point of view was completed. This mapping is fundamental in determining which sectors to engage in, disengage from or support in their transition, as one of the drivers of the overall lending strategy.

The sectoral mapping was based on a classification of the loan portfolio by NACE (Statistical classification of economic activities in the European Community) code; about 55 sectors and 185 microsectors were analysed. In order to identify those sectors and microsectors more impacted by climate change and E-S-G risks, a financial materiality assessment was performed, in line with the TCFD approach. An ESG Sectoral Assessment was effected top down 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 scores and an overall ESG score (obtained by weighting the single E-S-G scores, according to the sensitivity of each sector to these factors).

#### Key drivers considered for the determination of E-S-G risk levels within the ESG Sectoral Assessment

|                      |  |
|----------------------|--|
| <b>Environmental</b> | <p>Major focus is on Climate-Transition risk as it is deemed to drive financial risk across most relevant industries.</p> <p>Other drivers in the E scoring.</p> <ul style="list-style-type: none"> <li>• Climate change (i.e., Physical Risks)</li> <li>• Waste and pollution (e.g., waste disposal)</li> <li>• Natural capital (e.g., impact on biodiversity)</li> <li>• Water management (e.g., water-related risk, availability, water efficiency)</li> </ul>  |
| <b>Social</b>        | <p>Addresses the management of relationships with company's human capital and external stakeholders, such as workers, customers, local communities, and the government. It includes:</p> <ul style="list-style-type: none"> <li>• Human rights, incl. protection of vulnerable groups</li> <li>• Labor conditions and human development</li> <li>• Access, safety and quality of product and services, incl. affordability</li> <li>• Responsible marketing (e.g., non-discriminatory advertising)</li> </ul>  |
| <b>Governance</b>    | <p>Refers to the risks resulting from the management of common practices or business model-specific issues in potential conflict with the interest of broader stakeholder groups (e.g., community, customers), which may create a potential liability (e.g., removal of a license to operate). This includes:</p> <ul style="list-style-type: none"> <li>• Business ethics (e.g., industry ethical standards, unfair pricing, corruption)</li> <li>• Regulatory compliance and political influence (e.g., lobbying)</li> <li>• Data security (e.g., data protection in cyber attacks)</li> <li>• Risk management (e.g., Health and Safety, disaster management)</li> </ul> |

The assessment was based on publicly available analysis (eg. by rating agencies), research papers and evidence from the Group's direct experience in external working groups (UNEP FI) and other public available information (i.e. Eurostat sectoral GHG emissions).

Based on the risk scores attributed, it was possible to define High ESG risk microsectors and Climate sensitive microsectors (please also refer to the Metrics Chapter). This analysis is dynamic and will be subject to further enhancements in order to widen the sources of information and to refine the calculation model.

The ESG Sectoral scoring constitutes one of the methodological drivers for the identification of specific credit portfolio strategies (engagement, selective engagement, disengagement, etc...) represented by a color-code clustering (blue, orange, red, yellow and white).

The sectorial mapping is expected to become part of the ESG Credit Framework (e.g. within CRA, Credit strategies, credit underwriting, enabling a sectorial ESG/Climate strategy), and of the process of compliance with EBA Loan Origination and Monitoring Guidelines.

## Sector Strategy

## Classification criteria by sector/microsector

|               |  |   |
|---------------|--|---|
| <b>Blue</b>   | Positive engagement                            | sectors/microsectors with a net positive contribution to transition or positive impact in terms of ESG factors (also considering EU Taxonomy on sustainable activities)   |
| <b>White</b>  | Neutral  | sectors/microsectors where the ESG assessment does not identify prevailing material ESG/climate risks and where the assessment must be carried out by counterpart/transaction                                       |
| <b>Yellow</b> | Transition selective engagement                | sectors/microsectors with material ESG and climate risks but where transition is deemed possible<br>an additional classification according to reputational risk has to be effected in the loan underwriting process |
| <b>Orange</b> | Prevalent disengagement through credit process | sectors/microsectors with ESG/climate risks considered relevant   |
| <b>Red</b>    | Disengagement through policy                   | sectors/microsectors with material ESG/climate risks leading to disengagement/exclusion on the basis of company policies  |

## 2. ESG Scoring by counterpart

Following up to the **sectoral mapping**, Intesa Sanpaolo is currently working on the development of a broad **ESG Score at counterpart level for non-financial corporates**, which also includes separate modules for measuring transition and physical risk. The score will support a number of decision-making processes, in particular credit underwriting and credit strategies.

The aim is to holistically assess the ESG performance of corporate clients, adopting the same approach across the entire portfolio, from large listed clients to small and medium enterprises. The score leverages on external and internal data and covers the most important markers of ESG risks and opportunities across the three sustainability dimensions, including (but not limited to):

- carbon footprint, physical and transition risk, water consumption, biodiversity protection, etc. (E dimension);
- labour conditions and standards, occupational health and safety, human capital development, diversity and inclusion, etc. (S dimension);
- ownership and control, board structure, audit/tax/risk management, business ethics, etc. (G dimension).

The project is well under way and is expected to be completed in 2022 and resulting scores will be fully integrated into the Group's IT systems.

Both the ESG sectoral scoring and the score at counterpart level are to be included in the Credit Underwriting Framework, guiding the Risk Clearing Process.

## THE RISK CLEARING PROCESS

As part of the Reputational Risk Management processes, specifically as concerns credit transactions, the ESG & Reputational Risk Clearing, carried out by the Enterprise Risk Management Department, aims at the identification and assessment of potential reputational and ESG risks associated with:

- Most Significant Transactions (MST)
- Financing transactions subject to Equator Principles regulation
- Credit transactions (beyond specific thresholds) of the IMI Corporate and Investment Banking and International Subsidiary Banks Divisions falling within the decision-making autonomies of the Parent Company.

The ESG & Reputational Risk Clearing process provides for a first level assessment aimed at identifying ESG and reputational issues on counterparties, projects and transactions. Once these issues are identified, a second level assessment is carried out, which assigns a risk level (from low to very high) included in a “risk assessment” released by the Enterprise Risk Management Department to the relevant decision-making body. In 2020, around 104 loan transactions with corporate clients were cleared, 70% of which were classified with a low or medium-low level of ESG and Reputational risk.

The “Guidelines for the governance of environmental, social and governance risks regarding lending operations” define as sensitive sectors the following:

### Counterparties/Transactions subject to ESG & Reputational Risk Clearing

| ESG Sector                                  | Counterparties/projects at risk  |
|---|--|
| Defence                                     | Companies/projects producing components and equipment for the defence industry, including military aircraft and weapons  |
| Coal mining                                 | Companies/projects involved in coal mining exploration and extraction  |
| Oil & Gas                                   | Companies/projects for exploration, drilling, production, refining of fossil fuels (excluding coal), including oil/gas pipeline operators                      |
| Mining sector (other than coal)             | Companies/projects for the exploration and extraction of copper, diamonds, gold, precious stones and other minerals  |
| Forestry and use of forest areas            | Companies/projects that own and manage forests and plantations (e.g. oil palms)  |
| Power generation (coal, oil, gas, nuclear*) | Companies/projects for the production of electricity through the combustion of fossil fuels such as coal, oil, gas and nuclear energy                          |
| Chemical industry                           | Companies/projects for chemical production   |
| Pharmaceuticals and Biotechnology           | Companies/projects carrying our research and/or manufacturing of drugs (for human or veterinary medicine) or biological substances for pharmaceutical purposes |
| Tobacco                                     | Companies/projects for tobacco production, processing and marketing  |
| Gambling                                    | Companies/projects providing gambling and casino service   |

\* The Production of electricity from nuclear energy includes the management of nuclear power and waste by companies operating in the sector.

## 1. Focus on Most Significant Transactions (MST)

Within the defined sensitive sectors, a reinforced process is provided for Most Significant Transactions, intended as transactions of particular importance, of the proprietary type or with individual customers or counterparties or that potentially have a significant impact on the overall risk profile and/or on the specific risks of the Group as defined in the RAF. In 2020, a specific category was introduced within MST with reference to transactions with counterparties operating in sectors/countries attributable to a "grey/black list", which are subject within the MST process to a preventive risk assessment by the Chief Risk Officer which includes the ESG and Reputational Risk Clearing assessment.

## 2. Focus on the Equator principles

The Equator Principles are international guidelines, for all countries and all industrial sectors, applicable to the financing of infrastructure and industrial projects (e.g. energy plants, petrochemical plants, mines, infrastructures in transport and telecommunications) that by their nature may have negative effects on people and the environment. They are applied on a voluntary basis by the signatory financial institutions - the Equator Principles Financial Institutions ("EPFI") -. These, in their capacity as lenders and consultants, cooperate with their customers to identify, assess and manage the environmental and social risks and impacts in a structured and continuous manner; this cooperation aims to promote a sustainable environmental and social conduct, and may lead to obtaining better results from a financial, environmental and social standpoint.

Intesa Sanpaolo has adopted the Equator principles since 2007 and fully integrated them in its credit policies, setting strict procedures within its "Rules concerning the Equator Principles".

The Bank has also actively participated in the review process of the new "EP IV" standards, which extended the scope of their application to refinancing loans and acquisition loans and lowered the threshold for project-related corporate loans to 50 million USD. The new standards came into force in October 2020.

Equator Principles transactions are subject to the ESG and Reputational Risk clearing process in which a specific evaluation is related to environmental and social risks of financed projects.

In 2020, a total of 10 loans subject to screening according to the Equator Principles reached financial close (a total of 367 since 2007) for an overall granted value of 1,182 million euro, of which 2 in category A<sup>3</sup>, 4 in category B and 3 in category C.

In 1H2021, 8 loans relating to energy and infrastructure projects reached financial close, for a value of 422 million euro, of which 7 in category B and 1 in Category C.

In 2020, the amount of granted credit subject to Equator Principles screening came to 78.4% of the total granted credit for project finance transactions. The table below shows the number of projects that reached financial close in 2018, 2019 and 2020 (a breakdown of loans screened according to the EP principles by project finance category (A, B, C), sector, region, type of country is available in the 2020 CNFS on page 209 and in the 1H2021 CNFS on page 28).

### Projects screened according to Equator Principles

#### Intesa Sanpaolo Group (excluding UBI Banca Group)

| Project subject to Equator Principles screening | 2018 | 2019 | 2020  |
|---|------|------|-------|
| Number  | 20   | 11   | 10    |
| Amount granted (millions of euro)               | 993  | 825  | 1,182 |

Finally, within the scope of the ESG and Reputational Risk Clearing process, assessments also cover supply agreements and outsourcing initiatives and partnerships.

3. Category A (high risk) - projects with potential adverse environmental or social impacts that are significant, irreversible or unprecedented - Category B (medium risk) - projects with potential adverse environmental or social impacts that are limited, few in number, generally site-specific, largely reversible and readily addressed through mitigation measures - Category C (low risk) - projects with minimal or no adverse environmental or social impacts.

## CLIMATE/PHYSICAL RISK ASSESSMENT OF OWN ASSETS

Intesa Sanpaolo is committed to analyze and contain physical risk on its own properties and to take immediate action in the event of environmental disasters. More specifically, Intesa Sanpaolo conducts assessments on hydrogeological risk (defined as acute physical risk) concerning its owned buildings both as a preventive measure and also following certain events with the aim to ensure that buildings meet all the requested safety standards. Based on the information provided by the Italian Institute for Environmental Protection and Research (ISPRA), 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 assessment of flooding, the benchmark is based on the level of danger (from P1 to P4) associated with a floodable area and depends on the probability that the area can be flooded. With regard to landslides, the benchmark 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. Intesa Sanpaolo performs daily analysis of mentioned physical risks and implements actions that take account of the effects of critical events connected with natural phenomena deriving from climate change, making it possible to manage them, also applying different potential risk scenarios indicated in the Emergency Plans, in order to mitigate and reduce their potential damage.

Out of over 1,000 Intesa Sanpaolo's premises subject to hydrogeological risk, 30 premises have been defined as most exposed. For these, specific inspections have been performed and specific actions undertaken to allow for the mitigation of those risks.

In addition, two important initiatives were completed in 2020. The first regards the performance of inspections on a sample of properties in areas of greater hydrogeological risk. 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.

The second initiative regards the vulnerability assessment of 14 Venice branches affected by the "high water" emergency caused by the rising sea level. The specific risk for each branch was analysed and procedures to manage the emergency identified. High tide bulletins are checked periodically in order to provide the competent structures with advanced warning and enable them to activate the procedures outlined in the specific Emergency Plans.

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 calamitous events, the EMOC (Emergency Management Operations Centre) of the Business Continuity Management Department is also activated, which monitors the situation, assesses the temporary closure of buildings and initiates any other actions.



# METRICS & TARGETS



This chapter sets out metrics and targets related to initiatives described in the Strategy and in the Risk Management Sections. Reference should therefore be made to those sections for further details on single initiatives.

Moreover, figures for 1H2020 and 2020 refer, unless otherwise stated, to the Intesa Sanpaolo perimeter (excluding UBI). 1H2021 figures refer to the new Intesa Sanpaolo perimeter which includes UBI, merged into Intesa Sanpaolo on 12 April 2021.

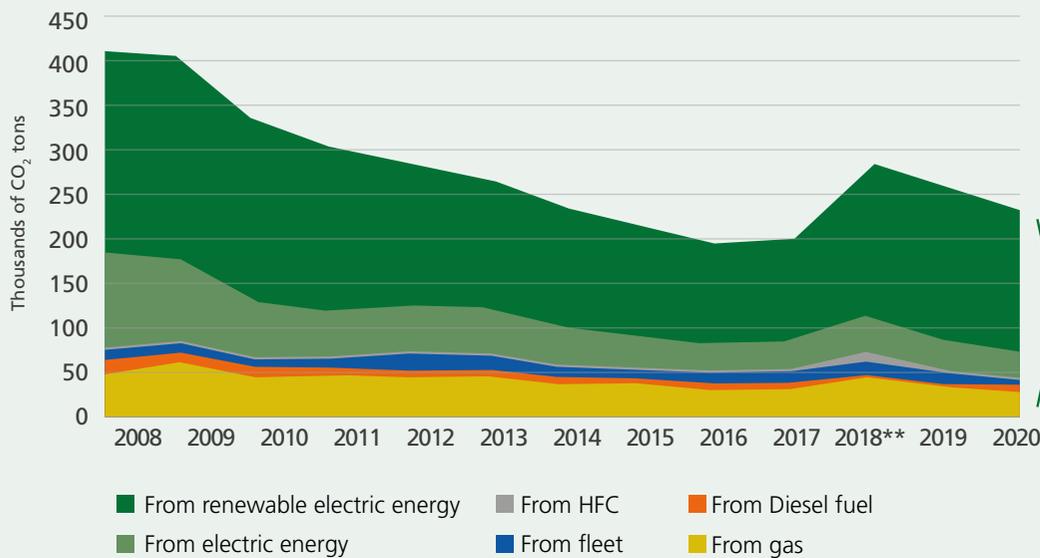
## OWN OPERATIONS

As a result of the medium-long term plans implemented since 2008, major reductions in electricity and thermal energy consumption and in the resulting emissions were achieved by the Group, with a drop of -59.7% in Scope1 + Scope2 Market-based\* emissions in 2020 compared to 2008.

Trend in GHG emissions (Scope1 + Scope2 Market-based\*) from 2008 to 2020



Emissions avoided from 2008 to 2020

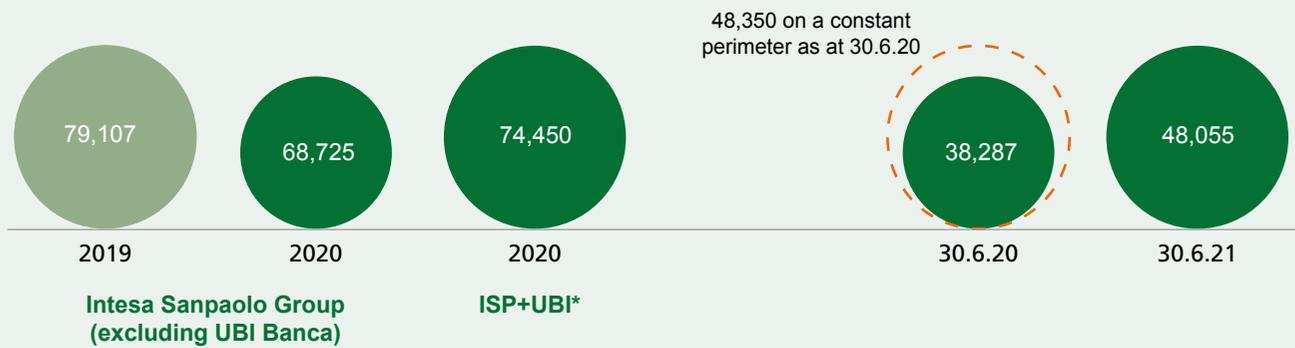


\* Market based: for purchased electricity, the Scope 2 data consider the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions.

\*\*The increase in emissions recorded in 2018 is mainly due to a wider reporting perimeter.

## FOCUS ON 2019, 2020 AND 1H2021 GHG EMISSIONS AND ENERGY FROM RENEWABLE SOURCES

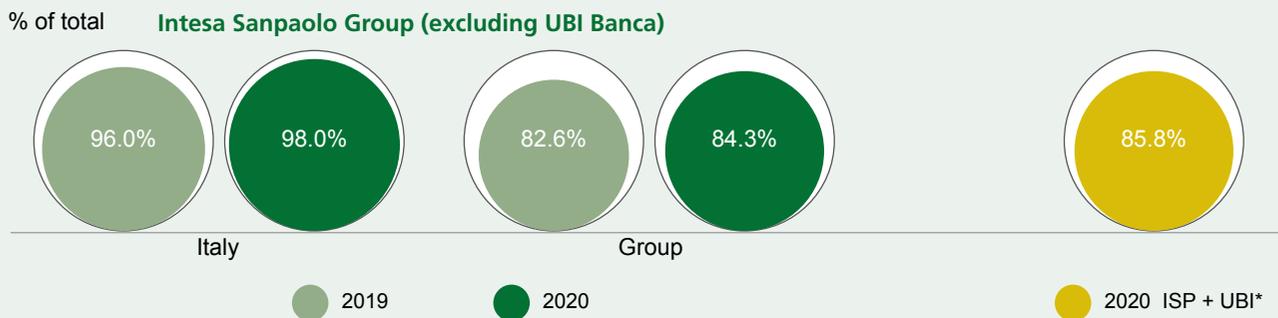
### Greenhouse gas emissions Total Tons of CO<sub>2</sub> (Scope1+ Scope2 Market based)



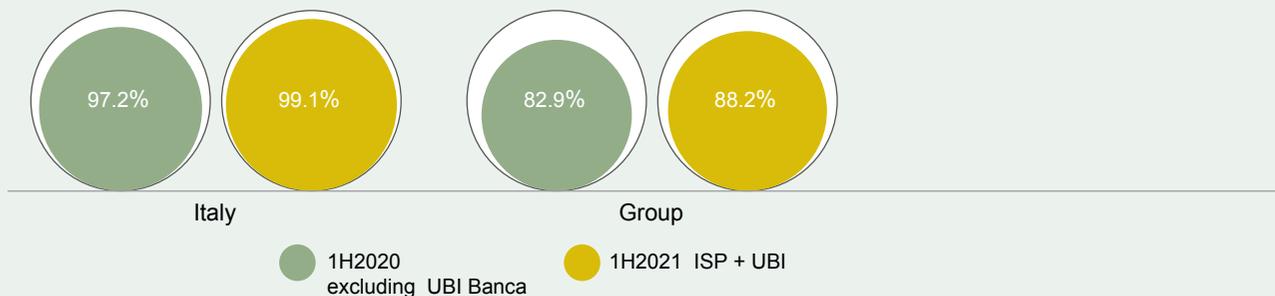
\*UBI is included since its consolidation in ISP, i.e. for the last 5 months of 2020

The increase in CO<sub>2</sub> emissions is mainly due to the change in scope following the integration of UBI Banca into the Intesa Sanpaolo Group. Considering an estimate of the ISP+UBI data of 1H20, a drop in emissions of approximately 0.6% can be observed.

### Energy from renewable sources % renewable electricity consumption vs total



\*UBI is included since its consolidation in ISP, i.e. for the last 5 months of 2020



The purchase of energy from renewable sources, despite the limitations due to the national legislation of some countries, continues to be one of the main aspects of environmental sustainability on which the Intesa Sanpaolo Group intends to continue its commitment. The figure for 1H21 shows a percentage of consumption from renewable energy higher than 88%, increasing versus 2020.

## THE 2017 CLIMATE CHANGE ACTION PLAN

The table shows targets and main achievements in 2020 compared to the 2012 reference year. The Climate Change Action Plan will be reviewed in the new Business Plan to be published in 2022.

| Scope Base                 | Year | % of emission in scope | Base year emission covered by target (tCo <sub>2</sub> eq) | Target year | % reduction from base year (*) | 2020 result with unchanged emission factors |
|----------------------------|------|------------------------|--|-------------|--------------------------------|---|
| Scope 1+2 (Market based)** | 2012 | 100%                   | 113,533  | 2022        | -37%                           | -43%  |
| Scope 1+2 (Market based)** | 2012 | 100%                   | 113,533  | 2037        | -43%                           | -43%  |
| Scope 3 Paper              | 2012 | 100%                   | 16,608   | 2022        | -26%                           | -48%  |
| Scope 3 Business Travel    | 2012 | 67% (Trains, flights)  | 9,920  | 2022        | -34%                           | -88%  |

| Renewable sources                                   | Base year | Renewable electricity base year (100%) | Target year | Target renewable electricity % | Result 2020 % renewable electricity |
|---|-----------|--|-------------|--------------------------------|-------------------------------------|
| Renewable electricity consumption                   | 2012      | 76.1%                                  | 2022        | 81.3%                          | 84.3%                               |
| Production of renewable energy (photovoltaic power) | 2012      | 0.07%                                  | 2022        | 0.30%                          | 0.28%                               |
| Purchasing of electricity from renewable sources    | 2012      | 77.7%                                  | 2022        | 89.0%                          | 85.1%                               |

\* The targets are net of the change in emission factors.

\*\* Market based: for purchased electricity, the Scope 2 data consider the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions.

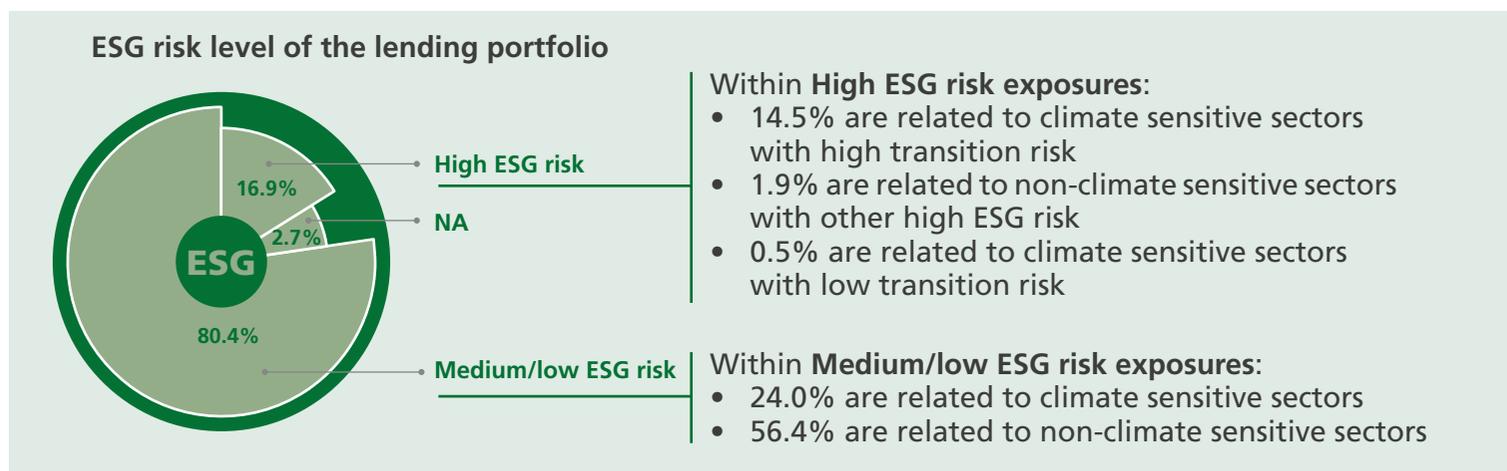


## RESULTS FROM THE SECTORAL MAPPING OF ECONOMIC ACTIVITIES FROM AN ESG POINT OF VIEW

The aim of the assessment carried out on the lending portfolio was to provide an evaluation of the potential materiality of ESG risk factors within each sector and microsector, identified mainly on the basis of the NACE classification. The analysis has substantially taken into consideration the lending portfolio, net of retail exposures, for cash and endorsement loans. The perimeter includes legal entities belonging to the Banca dei Territori Division, IMI CIB Division and International subsidiaries.

The materiality of ESG risks was defined through the attribution of a risk score to each sector and microsector as described in the Risk Management chapter.

A first exercise to associate sectoral assessment scores to lending portfolio exposures was effected, subject to progressive enhancement. Based on the scope of this exercise (lending perimeter, methodological choices, selected database) some microsectors were classified as High ESG risk and Climate sensitive; as at 30 June 2021, within the High ESG Risk exposures, 14.5% were related to climate sensitive sectors with high transition risk, 0.5% to climate sensitive sectors with low transition risk while within medium/low ESG risk exposures 24% referred to climate sensitive sectors.



The exposure of the lending portfolio to transition risks was also analysed according to the CPRS\* approach which maps the NACE economic activities into categories which are relevant for climate transition risk. This approach was used in the 2020 EBA pilot exercise on climate change risk.

Based on this classification, total exposures to CPRS 1-6 sectors (fossil fuel, utility, energy intensive, buildings, transportation, agriculture) of the lending portfolio in scope (net of sovereign exposure) are very much in line with results achieved from the internal sectoral mapping model.



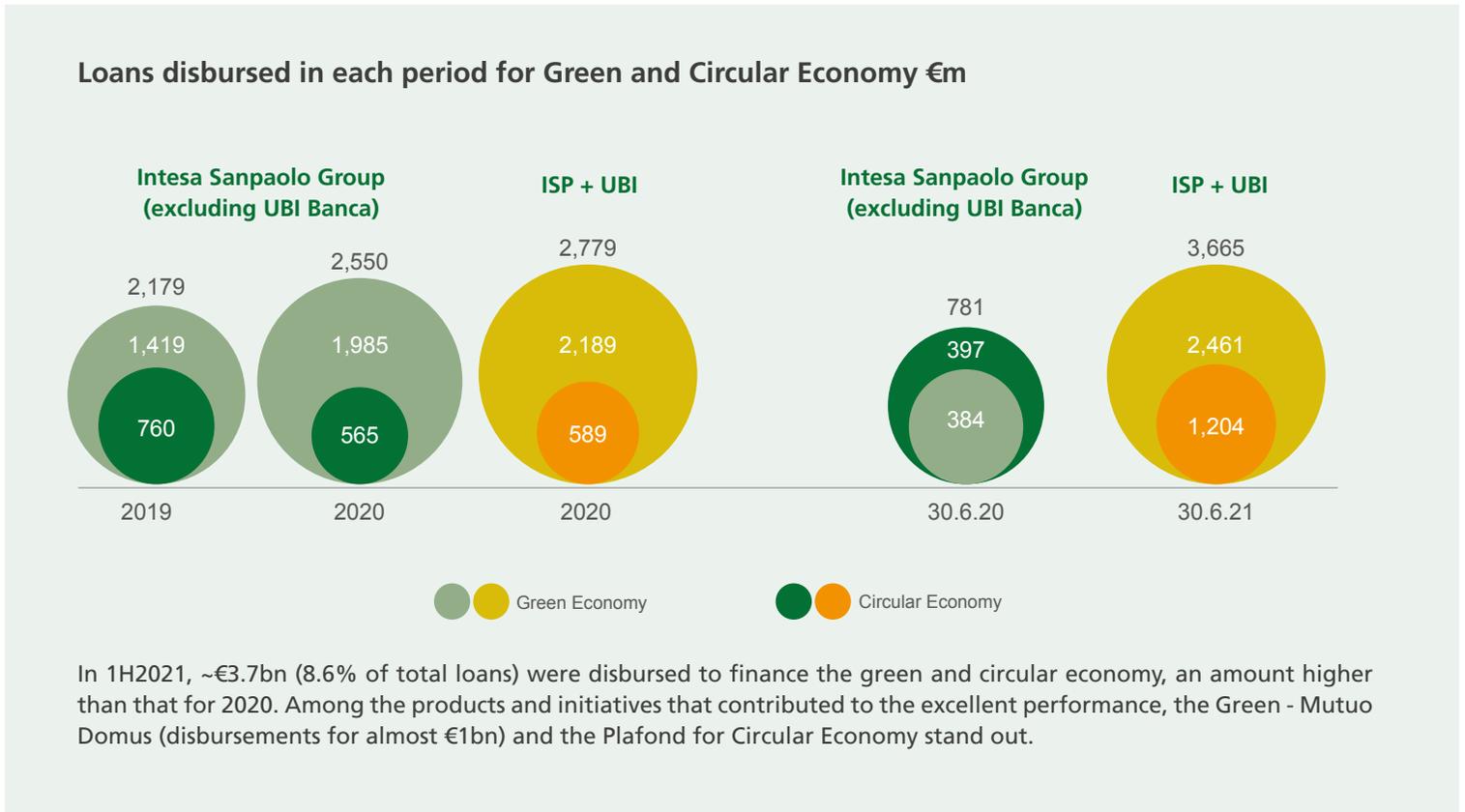
\*The Climate Policy Relevant Sectors (CPRS) is a classification of economic activities to assess transition risk, developed in Battiston et al. (2017) and refined over the years.

The CPRS methodology is fully compatible with the EU Taxonomy for the sustainable activities.

CPRS provide a standardized and actionable classification of activities (at the NACE Rev2, 4-digit level1) whose revenues could be affected positively or negatively in a disorderly low-carbon transition, based on their energy technology (e.g. based on fossil fuel or renewable energy). For this reason, the CPRS classification is regarded as a reference for climate financial risk assessment and has been used by several international financial institutions to assess investors' exposure to climate transition risk.

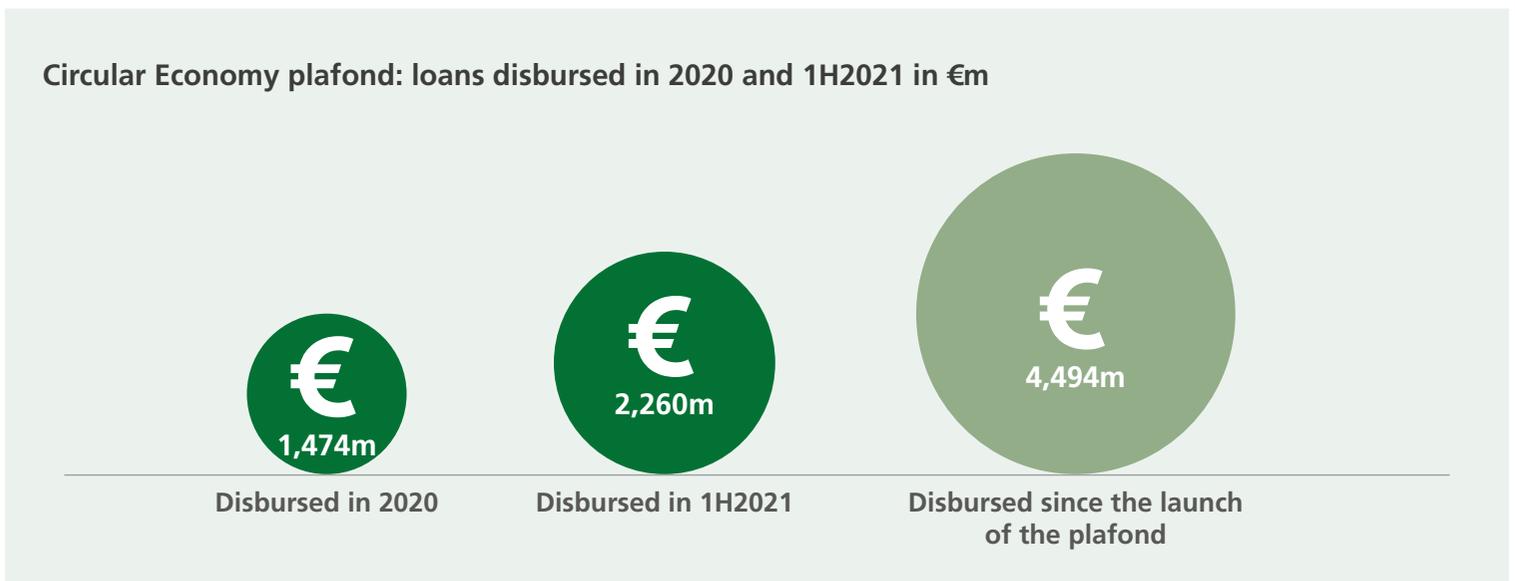
In simple terms, CPRS are economic activities that could be affected, either positively or negatively (including "stranded assets") in a disorderly low-carbon transition. As such, they allow to consider the economic and financial risk stemming from the (mis)alignment to the climate and decarbonization targets of firms and sectors (recorded at the NACE 4-digit level) that contribute to the Gross Value Added (GVA). CPRS include fossil fuel, utility, energy intensive, buildings, transportation, agriculture, identified considering (i) the direct and indirect contribution to GHG emissions; (ii) their relevance for climate policy implementation (i.e. their costs sensitivity to climate policy change, e.g. the EU carbon leakage directive 2003/87/EC); (iii) their role in the energy value chain.

## FINANCING THE TRANSITION TO A SUSTAINABLE, GREEN AND CIRCULAR ECONOMY\*



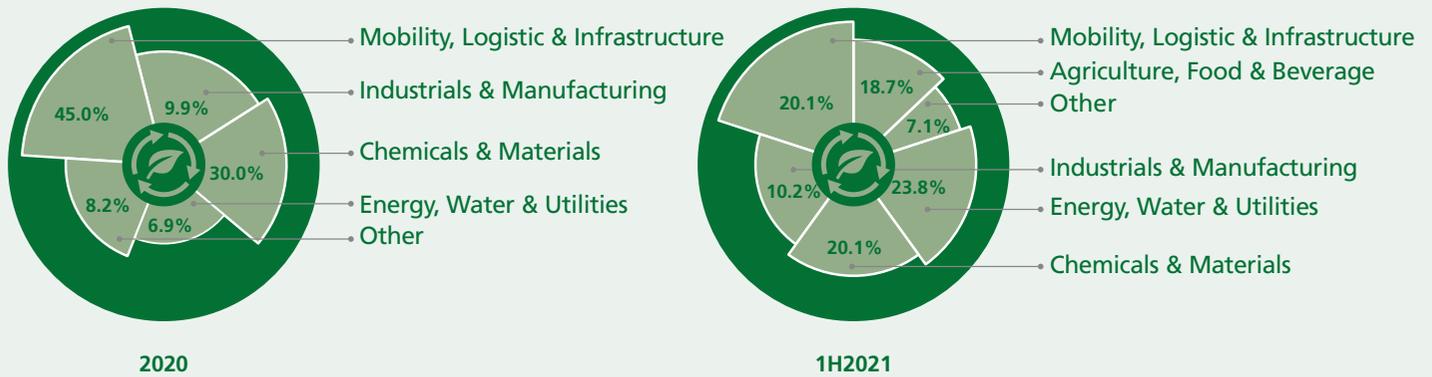
### 1. Focus on the Circular Economy plafond launched in 2018

The Group's commitment to the Circular Economy, was confirmed in the 2018 – 2021 Business Plan with the creation of a dedicated plafond of 5 billion euro, raised to 6 in 2020 considering UBI Banca. Disbursements under the plafond grew year on year and saw a specific acceleration in 2021; as at the end of June 2021, new lending granted to customers reached 4.5 billion euro out of a plafond of 6 billion euro.



\*Since 2020, the Plafond was extended to support businesses investing in green projects in the area of renewable energy production, energy efficiency and sustainable farming and biodiversity, and, until 1Q21, to support the Green Mortgages requested by customers for the purchase of new high energy efficiency houses (class B upwards) or the refurbishment of houses with consequent improvement of the energy class.

**Circular Economy plafond projects: % amounts disbursed by sector in 2020 and 1H2021**



**2. Focus on S-Loans for SMEs**

The launch of the new S-loan range, an innovative solution developed to support the ESG transition of companies, was very well received. The first “ESG” S-Loan was launched in 2020; in April 2021 the offer was expanded with S-Loan Diversity, which promotes equality of gender and female empowerment; in July 2021 the S-Loan Climate Change, focusing on the environment, was presented in partnership with Sace.

A plafond of 2 billion was allocated to the project. As at July 2021, 780 million euro had already been disbursed, with a very positive trend in origination registered in 1H2021 when over 80% of the total was disbursed.

**S-Loans for SMEs**



## EURIZON INVESTMENT PRODUCT OFFER

The Group confirmed its leadership in sustainable investments with an overall market share of approx. 30% in Italy. As of 30 June 2021, Eurizon offers a range of 155 funds, with total assets managed of approx. 100 billion euro, which promote, among others, environmental and social characteristics or have sustainable investment objectives as defined in Article 8 and Article 9 of Regulation (EU) 2088/2019 (including Pramerica, the UBI Banca Asset Management company which was merged into Eurizon at the beginning of July 2021).

According to the most recent Global Impact Report and specifically as concerns environmental impacts, the investments made by Eurizon's Ethical and ESG funds have helped achieve the following results as at 30 June 2021<sup>1</sup>:

### June 2021



#### POLLUTION REDUCTION

**1,753,278** tonnes of CO<sub>2</sub> emissions saved; **12,347,027** CO<sub>2</sub> saved expressed in numbers of car trips from Milan to Rome.



#### WATER SAVINGS

**169,899,397,250** litres of water saved;  
**67,960** Water saved as measured in Olympic size swimming pools.



#### WASTE MANAGEMENT

**97%** percentage of companies that implement major programs for the management and reduction of waste;  
**+11%** compared to the Mainstreet Partners composite index.

In the bond universe, Eurizon launched the first green product (Eurizon Fund – Absolute Green Bonds) managed by an Italian asset management company through Eurizon Capital SA. The sub-fund invests in the international bond markets, financing sustainable projects and selecting bonds based on the Green Bonds Principles (GBP), as well as on proprietary green assessment, that contribute to the pursuit of the UN SDGs.

**From 1 July 2020 to 30 June 2021 Eurizon Fund - Absolute Green Bonds has invested in 507 Green and thematic bonds. The investments made by Eurizon Fund - Absolute Green Bonds contributed to the achievement of the following environmental and social impact results:<sup>2</sup>**



The plants financed for the production of renewable energy have a generation capacity of **622 Megawatt**.  
Equal to **1,945,039** solar panels installed on homes.



The energy production deriving from these plants is equal to **1,499,918 Megawatt/hour**.  
Equal to the energy consumed by **416,664 European citizens** in a year.



Investments in production plants and production processes have allowed **359,693,199** litres of water  
Equal to **144** olympic swimming pools.



Investment in sustainable infrastructure (real estate and transport) have contributed to energy saving of **175,322 Megawatt/hour**.  
Enough to make **1,885,185 trips** between Milan and Rome with an electric car.



Overall annual emissions were reduced by **1,274,275** tons of CO<sub>2</sub>.  
Equivalent to the amount absorbed by **6,075** square kilometres of forest in a year.



The employment created by the total portfolio is equal to **15** jobs.



Funding for waste management projects has led to the recycling of **14,472** tons of waste.  
Equal to **2,894,451** recycled garbage cans. Equal to the annual waste production of 28,829 people.

<sup>1</sup>Impact metrics and SDG alignment are analyzed on 18 billion euro AUM (over total AUM of 28.7 billion euro). Please refer to the methodological notes in the Global Impact Report<sup>[1]</sup>

<sup>2</sup>Please also refer to the methodological notes in the Green Bond Impact Report<sup>[1]</sup>

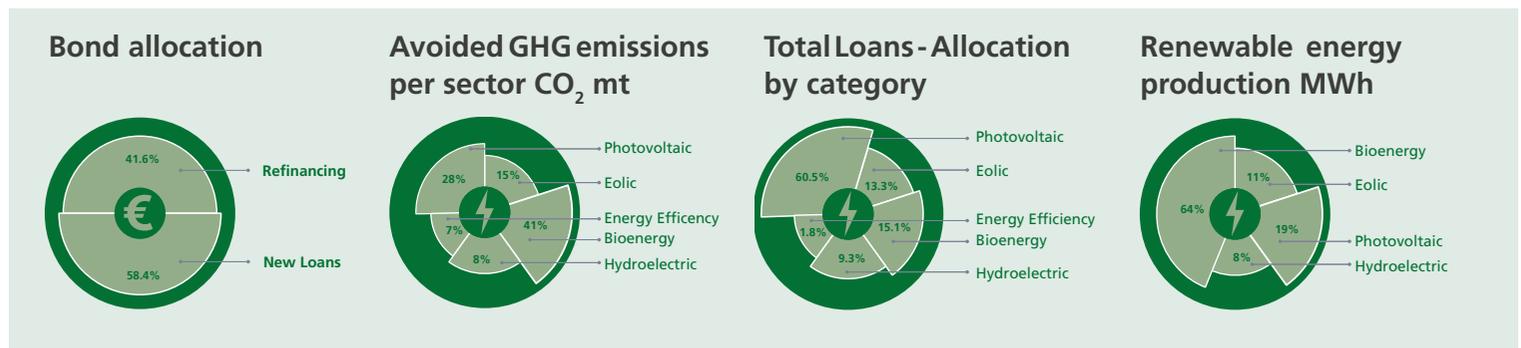
## GREEN BONDS: USE OF PROCEEDS

In 2017, Intesa Sanpaolo was the first Italian bank to issue a 500 million euro Green Bond connected with environmental sustainability projects. In November 2019 and March 2021 other two bonds were issued with a value of 750 million euro and 1.25 billion euro respectively.

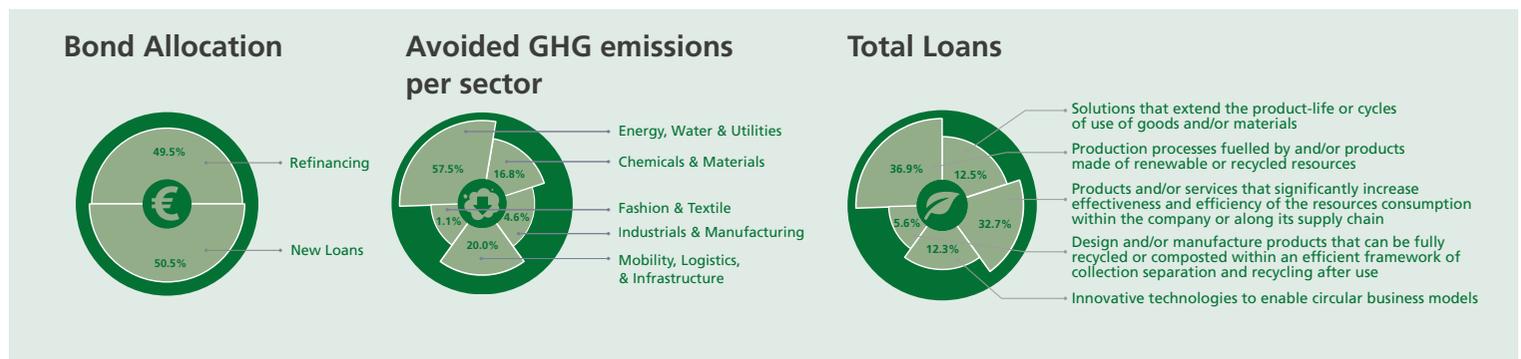
In 2020 the Bank published reports on the use of the proceeds from the 2017 and 2019 Green Bonds, which resulted in respectively 460,000 and 255,000 tonnes of CO<sub>2</sub> emissions avoided annually.

In addition, UBI Banca issued, in April 2019, a 500 million euro Green Bond to finance renewable energy projects, mainly solar and wind, which resulted, according to the relevant 2020 Report, in 334,000 tonnes of CO<sub>2</sub> emissions avoided annually<sup>[1]</sup>.

### a) The 2017 Intesa Sanpaolo Green Bond focused on renewable energy: €500 million Senior Unsecured due 2022



### b) The November 2019 Intesa Sanpaolo Green Bond focused on Circular Economy: €750 million Senior Unsecured due 2024



### c) The April 2019 UBI Banca Green Bond focused on renewable energy: €500 million Senior Unsecured due 2024



## SUMMARY OF MAIN PERFORMANCE INDICATORS ON ENVIRONMENT AND CLIMATE CHANGE IN 1H2021

| Macro-issue   | Projects/ Indicators                                  | Actions/Results as at 30 June 2021  | Plan Objectives for 2021<br>Cumulative value 2018-2021  |
|---|---|---|---|
| Transition to a sustainable, Green and Circular Economy | Loans and services for the Green and Circular Economy | <ul style="list-style-type: none"> <li>Loans disbursed for the Green and Circular Economy: around 3.7bn euro disbursed equal to 8.6% of total loans (1.9% in 1H20)</li> <li>Circular Economy credit plafond: ~2.3bn euro disbursed in 1H21 (~4.5bn euro disbursed since launch of credit line)</li> </ul>   | <ul style="list-style-type: none"> <li>Supporting the Green Economy</li> <li>6bn euro in credit for companies adopting the circular model using innovative methods</li> <li>Launch of a specific investment fund dedicated to the Circular Economy</li> </ul> |
|   | ESG-Linked loans for SMEs: S-Loan                     | <ul style="list-style-type: none"> <li>In July 2020, ISP allocated a plafond of 2bn euro (~780m euro granted since launch, of which ~650m euro in 1H21) for S-Loans dedicated to SMEs to finance projects aimed at improving the sustainability profile</li> <li>In April 2021 the offer was expanded with S-Loan Diversity and in July 2021 with S-Loan Climate Change. All S-Loans benefit from a subsidized rate, subject to annual monitoring of 2 ESG KPIs, to be reported in the debtor's financial statements. The new S-Loan Climate Change product, launched to mitigate the impact of climate change, can benefit from an 80% green SACE guarantee</li> </ul> | <ul style="list-style-type: none"> <li>Supporting the sustainable economy</li> </ul>  |
|   | Green Bond  | <ul style="list-style-type: none"> <li>Issued in March 2021 a Green Bond for 1.25bn euro focused on green mortgages granted for the construction or purchase of buildings with energy efficiency of class A or B and for building refurbishment leading to at least two steps of energetic improvement</li> </ul>   | <ul style="list-style-type: none"> <li>Supporting the Green Economy</li> </ul>  |
| Direct environmental impacts                            | Greenhouse gas emissions                              | <ul style="list-style-type: none"> <li>Scope1 + 2 Market-based(*): 48,055 tCO<sub>2</sub>eq (+25.5% vs 1H20; -0.6% on a constant perimeter considering an estimate of ISP + UBI data of 1H20)</li> <li>0.011 tCO<sub>2</sub> eq/m<sup>2</sup></li> <li>0.474 tCO<sub>2</sub> eq/employee</li> <li>The trend of increasing CO<sub>2</sub> emissions appears to be attributable, for the most part, to the change in perimeter due to the integration of the UBI Group into the Intesa Sanpaolo Group</li> </ul>  | <ul style="list-style-type: none"> <li>Containment of CO<sub>2</sub> emissions</li> </ul>   |
|   | Energy consumption                                    | <ul style="list-style-type: none"> <li>Electricity: 218,356 MWh</li> <li>Thermal energy: 168,556 MWh</li> <li>Renewable electricity consumption vs total consumed: 88.2% (82.9% in 1H20)</li> <li>Purchase of electricity from renewable sources on the total purchased: 88.4% (84.3% in 1H20)</li> <li>Electricity produced from renewable sources: 719 MWh (+22.8% vs 1H20)</li> </ul>  | <ul style="list-style-type: none"> <li>Containment of energy consumption</li> <li>Increase in the use of renewable energy sources</li> <li>Maintenance of electricity production levels from photovoltaic energy</li> </ul>                                   |
|   | Responsible management of resources                   | <ul style="list-style-type: none"> <li>Paper purchased: 3,274 t</li> <li>Environmentally-friendly paper purchased (including recycled paper) vs total: 76.6%</li> </ul>   | <ul style="list-style-type: none"> <li>Responsible use of resources</li> </ul>  |

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

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