



**GUIDELINES FOR THE GOVERNANCE OF
ENVIRONMENTAL SOCIAL AND GOVERNANCE RISKS
REGARDING LENDING OPERATIONS**

- HIGHLIGHTS -

Effective date: May 2020

INTRODUCTION AND APPLICABLE REGULATIONS

The Intesa Sanpaolo Group in line with the principles outlined in the Code of Ethics is aware of the importance of a correct and responsible allocation of resources, according to criteria of social and environmental sustainability. Therefore, it promotes a balanced development aimed at redirecting capital flows towards sustainable investments which combine return on capital with the preservation of the natural environment, health, work, the well-being of the community as a whole and the safeguarding of the system of social relations.

Intesa Sanpaolo coherently identifies ESG (Environmental, Social and Governance) sensitive sectors those sectors that present a significant ESG risk profile.

SCOPE AND GENERAL EXCLUSION CRITERIA

The purpose of these Guidelines is the definition of:

- general criteria for limiting and excluding loans in line with the definitions set out in the document;
- detailed criteria applicable to single sensitive sectors through the application of specific sector Rules.

In terms of general criteria for the evaluation of lending transactions, the Bank undertakes not to finance companies and projects that are characterised by their negative impact on:

- **UNESCO World Heritage Sites¹;**
- **wetlands²** under the **Ramsar Convention;**
- **IUCN protected areas I to VI³.**

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;
- forced or child labour practices⁴.

All the structures of the Parent Company and the Subsidiaries, that carry out short and medium/long term financing activities worldwide, are required to apply these Guidelines.

¹This is a list of sites officially recognised by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The sites are selected on the basis of cultural, historical, scientific or some other form of relevance, and are legally protected by international treaties (<http://whc.unesco.org/en/list>).

²This is a Convention of international importance that provides the framework for the conservation and prudent use of wetlands and their resources. Nearly 90% of the member states of the United Nations, from all geographical regions of the world, have acceded to the Convention by becoming "contracting parties". A key commitment of the Contracting Parties is to identify and place suitable wetlands on the list of wetlands of international importance, also known as the Ramsar list (<http://www.ramsar.org/sites-countries/the-ramsar-sites>).

³This is a list of protected areas (i.e. "a clearly defined, recognised, dedicated and managed geographical area, through legal instruments or other effective means, to achieve long-term nature protection with associated ecosystemic services and cultural values"), which have been identified and classified (Class I to VI) by the International Union for Conservation of Nature (IUCN), a union of members consisting solely of governmental and civil society organisations.

The categories are defined as follows (<https://www.protectedplanet.net/>):

- I Strict protection [Ia) Strict nature reserve and Ib) Wilderness]
- II Conservation and protection of ecosystems (e.g. National Park)
- III Conservation of natural features (i.e. natural monument)
- IV Conservation through active management (e.g. Habitat/species management area)
- V Landscape/seascape conservation and restoration (e.g. protected landscape/seascape)
- VI Sustainable use of natural resources (e.g. protected area of managed resources)

⁴ See the Group's General Principles of Governance "Human Rights Principles".

ESG SENSITIVE SECTORS

Intesa Sanpaolo identifies the following sectors of activity as sensitive in terms of ESG (Environmental, Social and Governance) profile:

- Defence
- Coal mining
- Oil and gas
- Mining sector (other than coal)
- Forestry and use of forest areas
- Power generation (coal, oil, gas, nuclear)⁵
- Chemical industry
- Pharmaceuticals and Biotechnology
- Tobacco
- Gambling

The assessment of ESG/reputational risk profiles related to operations in these sectors is carried out with particular attention. In addition, ESG-sensitive sectors may be subject to Rules⁶ implementing these Guidelines, which will establish specific criteria for limiting or excluding financing activities with higher ESG and reputational risk profile.

⁵ The production of electricity from nuclear energy includes the management of nuclear fuel and of nuclear waste by companies operating in this sector.

⁶ In the absence of implementing Rules, lending operations relating to a specific sensitive sector are not subject to restrictions, but may be subject to reputational clearing.