POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS IN THE PROVISION OF INVESTMENT ADVICE OR IN INSURANCE DISTRIBUTION ADVICE

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INTRODUCTION

The purpose of this document, prepared in accordance with Article 3 of Regulation 2019/2088/EU (hereinafter also "SFDR Regulation"), is to outline Intesa Sanpaolo's (hereinafter also "Bank") policy with respect to the integration of sustainability risks in the investment advice and insurance distribution advice (hereinafter also "Advice").

In particular, this document applies to the company's activities and processes of issuer selection, financial product catalogue definition and Advice.

REGULATORY FRAMEWORK

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

With a view to fostering sustainable investments, the European Parliament issued the SFDR Regulation in late 2019, the aim of which is to identify and standardize disclosure to end investors on:

- the integration of sustainability risks
- the consideration of adverse sustainability impacts
- the promotion of environmental or social characteristics and sustainable investments,

placing specific transparency obligations on financial market participants and financial advisers, recipients of the "SFDR Regulation", including by publishing the policies adopted in this regard on their official websites.

Investor's growing interest, their greater awareness of the importance of sustainability issues, as well as the evolution of the regulatory framework have favoured an ever wider diffusion of financial products promoting environmental/social characteristics or with sustainable investment objectives. To promote the support of clients' sustainability preferences in current investment processes and in the provision of Advice, the reference regulatory framework has been expanded by European legislators with the following regulations:

- Regulation (EU) 2020/852 (hereafter also the Taxonomy Regulation) on establishing a framework to encourage sustainable investment and amending Regulation (EU) 2019/2088 by establishing a unified classification system (so-called taxonomy) for environmentally sustainable activities;
- Commission Delegated Regulation (EU) 2021/2178 on disclosure requirements for financial and non-financial companies supplementing Regulation (EU) 2020/852;
- Commission Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms;
- Commission Delegated Regulation (EU) 2021/1257 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products;
- Commission Delegated Directive (EU) 2021/1269 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations.

THE ROLE OF SUSTAINABILITY FOR THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group (hereinafter also "Group") outlined its commitment to strengthening its leadership in Corporate Social Responsibility, aiming to become a reference model in terms of environmental and social sustainability. Through the establishment of a dedicated central structure, the Group pursues the objective of carrying out the timely monitoring of projects, initiatives and quantitative performance indicators in the sustainability field and of fully informing the market and all stakeholders of the results achieved in the course of year, also demonstrating the constant and effective focus of Group's people on sustainability issues.

The Intesa Sanpaolo Group has also put in place specific processes and responsibilities aimed at understanding and managing sustainability risks to ensure long-term stability and business continuity, extending the benefits to its stakeholders. The Group's approach to sustainability can be declined in the following pillars:

- support for social needs, with contributions in the form of investments and donations
- strong focus on financial inclusion through social credit
- continued commitment to culture
- promotion of innovation
- strong focus on climate and environmental initiatives with the goal of allocating economic resources to the community and green transition, as well as to support people in need.

The Group is also pursuing the goal of zeroing its net emissions by 2030 and by 2050 for its loan and investment portfolios, asset management, and insurance business. Commitment to the zero emission goal is evidenced by membership in the last quarter of 2021 in the Net Zero Banking Alliance (NZBA), the Net Zero Asset Managers Initiative (NZAMI), as well as the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA).

INTEGRATION OF SUSTAINABILITY RISKS INTO THE INTERNAL REGULATORY FRAMEWORK

The Intesa Sanpaolo Group, in line with its commitment to sustainable economic development and in accordance with the principles set out in its Code of Ethics, aware of the importance of allocating resources in accordance with social and environmental sustainability criteria for long-term value creation, has set up an internal regulatory framework in relation to the governance of environmental, social and governance risks, (hereinafter also ESG risks).

The Group's "Guidelines for the governance of group environmental, social and governance (esg) risks" fall within this framework and outline:

- the general principles underlying the ESG risk steering and management process;
- the duties and responsibilities of the corporate functions and control bodies involved in the ESG and reputational risk governance process;
- the ESG risk management model;
- ESG risk governance macro-processes;
- the procedures to steer and coordinate Banks and Group Companies.

Specifically, with regard to investment policies and services rendered to clients, the Group's "Guidelines for Environmental, Social and Governance (ESG) Risk Governance" commit the Group to:

- integrating ESG factors into investment analysis and decision-making, criteria for the selection of issuers, and investment management, including in relation to specific benchmarks;
- progressively expanding the monitoring of financial assets in terms of ESG performance as well as the extension of its proposal of sustainable financial products;
- promoting thematic and impact investments, through which the Group can play an active role in helping to mitigate environmental or social problems such as the challenges of climate change, resource depletion, economic and social inequalities;

- making client information clear and understandable by informing clients about financial products with sustainable characteristics or investment objectives;
- offering clients an advisory service that takes into account the sustainability characteristics of financial products and, as part of the client profiling process, collecting information on any investment preferences regarding sustainability.

In connection with the decision-making process of selecting Product Companies, the Bank provides for an analysis of counterparties with respect to sustainability risk and compliance with relevant regulations. In this regard, the Bank has analysed the degree of compliance and the incorporation of sustainability issues by Product Companies whose products may be included in its offering catalogue and examined the safeguards adopted by them in relation to the following issues:

- ESG principles/codes: Compliance with national and global ESG principles and/or codes (UN PRI, Codes of Conduct);
- Corporate Governance: Implementation of a regulatory framework dedicated to sustainability issues, including any dedicated internal units;
- availability on their websites of the mandatory documentation required by the SFDR Regulation such as sustainability risk integration policies;
- procedures for managing Principal Adverse Impacts (PAIs) on sustainability factors, frequency of their monitoring, and publication of the relevant Policy on its websites;
- range of sustainable products available in the catalogue and procedures to supplement the relevant pre-contractual disclosure documents;
- other initiatives: such as organising internal ESG training events or targeting intermediaries/distributors.

This analysis is carried out during the on-boarding phase of the Product Company with which a new distribution or brokerage agreement is to be signed, and the outcomes are formalised as part of internal supply governance processes.

In the process of selecting and monitoring products being marketed, the Bank adopts specific ESG indicators—provided by specialized infoproviders—to assess the sustainability risk of these products. These indicators assess the extent to which risks on environmental, social, and governance factors may affect the value of the investment. The Bank, following the analysis of these indicators, reserves the right to suspend the marketing of products with excessively high levels of sustainability risk. In any case, for products characterised by high sustainability risk, the Bank shall provide a disclosure to the client prior to the conclusion of the transaction.

With a view to strengthening sustainability risks monitoring, the Bank also plans to increasingly direct and expand its offerings toward financial products that promote environmental and/or social characteristics or pursue sustainable investment objectives.

As part of the offering governance processes for the expansion of the product catalogue in the provision of Advice , the Bank also defines the pre-contractual and contractual documentation as the issuer or examines that prepared by the Product Companies and any supporting commercial documentation including on the elements that are relevant to sustainability.

To foster greater client awareness about their investment choices, the Bank discloses the outcome of the suitability assessment of investment consistency also with the sustainability preferences expressed in the Profiling Questionnaire[1].

Eventually, the Bank has developed a series of mandatory training initiatives aimed at enhancing the understanding and knowledge of sustainability themes by its business staff network, thereby enriching the support provided to clients in the provision of Advice.

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

[1] For more details in relation to the consistency check, please refer to the document "Sintesi del modello della banca per la valutazione di adeguatezza" available at the Branch and in the reserved section of the Bank's website.

GLOSSARY

Some terms used for the purpose of correct understanding of this document are described below.

Financial advisor

This refers to:

(a) an insurance intermediary which provides insurance advice with IBIPs;

(a) an insurance company undertaking which provides insurance advice with regard to IBIPs;

c) a credit institution which provides investment advice;

d) an investment firm which provides investment advice;

e) an AIFM which provides investment advice in accordance with Art. 6 (4) (b) (i) of Directive 2011/61/EU;

f) a UCITS management company which provides investment advice in accordance with Art. 6 (3) (b) (i) of Directive 2009/65/EC.

Investment advice

Investment advice as defined in point (4) of Art. 4 (1) of Directive 2014/65/EU (Markets in Financial Instruments Directive - MiFID II).

Advice on insurance distribution

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

Sustainability factors

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

Sustainable investment

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

Net Zero

Long-term pathway with the goal of achieving "net zero emissions" by 2050. This goal is in line with the target set by the Paris Agreement to limit global warming to 1.5°C by the end of the century.

Financial market participant

This refers to:

a) an insurance undertaking which makes an insurance investment product (IBIP) available;

b) an investment firm which provides portfolio management services;

c) an institution for occupational retirement provision (IORP);

d) a manufacturer r of a pension product;

e) an alternative investment fund manager (AIFM);

f) a provider of a pan-European personal pension products (PEPP);

g) a manager of a qualifying venture capital fund registered in accordance with Art. 14 of Regulation (EU) No. 345/2013;

h) a manager of a qualifying social entrepreneurship fund registered in accordance with Art. 15 of Regulation (EU) No. 346/2013;
i) a management company of an undertaking for collective investment in transferable securities (UCITS management company);
j) a credit institution which provides portfolio management services.

Principal Adverse Impacts or PAIs)
PAIs are the so-called "negative external factors" of economic activities, i.e., the effects of investment decisions and investment advice that could have negative effects on sustainability factors. PAIs are listed in the SFDR Regulation and are differentiated into environmental PAIs and social PAIs dividing into mandatory and optional.

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

Sustainability risk
Sustainability risk means an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential negative impact on the value of the investment.

Product companies
Asset Manager Companies and Insurance Companies that, as Financial market participant, produce and issue financial products placed or distributed by the Bank.