



**INFORMATION ON THE ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN THE PROVISION OF
INVESTMENT ADVISORY SERVICES OR IN INSURANCE DISTRIBUTION ADVICE**

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CONTENTS

INFORMATION ON THE ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN THE PROVISION OF INVESTMENT ADVISORY SERVICES OR IN INSURANCE DISTRIBUTION ADVICE.....	1
INTRODUCTION.....	3
REGULATORY FRAMEWORK.....	3
THE ROLE OF SUSTAINABILITY FOR THE INTESA SANPAOLO GROUP.....	3
INFORMATION ON ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN ADIVCE.....	4
GLOSSARY.....	6
Annex 1 – List and Description of Principal Adverse Impacts on Sustainability Factors (PAIs).....	8

INTRODUCTION

This document, prepared in accordance with Article 4 of Regulation 2019/2088/EU (hereinafter also the SFDR Regulation), provides information on how Intesa Sanpaolo (hereinafter also the Bank), considers Principal Adverse Impacts (hereinafter also PAIs) in its investment advisory and insurance distribution advice (hereinafter also 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;
- Delegated Regulation (EU) 2021/2178 on disclosure requirements for financial and non-financial companies supplementing Regulation (EU) 2020/852;
- 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;
- Delegated Regulation (EU) 2021/1257 of 21 April 2021 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;
- Delegated Directive (EU) 2021/1269 of 21 April 2021 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 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 broken down into 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).

INFORMATION ON ADVERSE IMPACTS ON SUSTAINABILITY FACTORS IN ADVICE

PAIs, as defined in the SFDR Regulation, refer to the effects of investment decisions and investment advice that result in negative impacts on sustainability factors. The SFDR Regulation breaks down the PAIs into mandatory and optional¹ and differentiates them into environmental or social PAIs.

For each product, financial market participants must provide disclosure on:

- any PAIs considered for the product and how they are taken into account;
- compliance with the principle of Do No Significant Harm to environmental/social objectives even in the presence of the use of PAIs.

As a financial adviser, the Bank considers the main adverse impacts on sustainability factors of investment products, including insurance-based investment products (IBIPs), on which it provides advice. In assessing negative sustainability effects, the Bank uses information provided in this regard by financial market participants.

These informations are used by the Bank within the ESG product classification. Products that exhibit sustainability features or have sustainable investment objectives are classified²:

- E "Environmental": If mandatory environmental PAIs are taken into account within its investment policy
- S "Social": If mandatory social PAIs are taken into account within its investment policy

To be rated E and/or S, good governance practices must also be followed for all the above products; these products are therefore also classified as "G-good governance".

The Bank consults with Product Companies whose products are included in the offering catalogue to understand the safeguards they have adopted in relation to sustainability issues including with reference to PAIs. In particular, the Bank takes into account:

- the evaluation of PAIs in adopted investment policies;
- the frequency of monitoring of PAIs;
- The publication of the PAI Integration Policy in accordance with industry regulations.

The Bank plans to increasingly direct and expand its offerings toward financial products that promote environmental and/or social characteristics and/or pursue sustainable investment objectives. Following the consolidation of market practices, the activation of full information flows by Product Companies,

¹ More details in relation to mandatory and optional PAIs can be found in Annex 1 "List and Description of Principal Adverse Impacts on Sustainability Factors (PAIs)" of the SFDR Regulation.

² In accordance with regulatory requirements, the ESG classification of a product, in addition to PAIs, considers as additional criteria the percentage of sustainable investment and/or alignment to the product's Taxonomy

the Bank may conduct further analysis on products considering PAIs.

For more information, see the further contents of the [Sustainability of the Intesa Sanpaolo Group](#) section.

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

Advice related to the proposition and sale of insurance products as defined in point (15) of Article 2(1)(15) of the Insurance Distribution Directive (IDD) 2016/97/EU.

DNSH

Condition that a financial product that invests even partially in an economic activity that contributes to an environmentally or socially sustainable investment objective shall not cause significant harm ("Do not significantly harm" or "DNSH") to any of the other environmental/social sustainable investment objectives

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 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 impacts of investment decisions and investment advice that could have negative impacts 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.

SFDR

It comprises the Regulatory Technical Standards (“RTS”) of the SFDR Regulation on Sustainability Reporting in the financial services sector.

Product Companies

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

Annex 1 – List and Description of Principal Adverse Impacts on Sustainability Factors (PAIs)

MANDATORY PAI INDICATORS		
Indicators applicable to Investments in investee Companies		
Climate and Other Environment-Related Indicators		
Type	PAI indicator	Metric
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. carbon footprint	Carbon footprint
	3. GHG intensity of the investee companies	GHG gas intensity of the investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
Biodiversity	5. share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total sources
	6. Energy consumption intensity per high climate impact sector.	Energy consumption expressed in GWh per million EUR of revenue of the investee companies, per high climate impact sector
Water	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Waste	8. emissions to water	Tonnes of emissions to water generated by investees companies per million EUR invested, expressed as a weighted average
	9. hazardous waste and radioactive waste radio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
Indicators for social and employee, respect for human rights, Anti-Corruption and Anti-Bribery Matters		
Social and Employee	10. violations of UN Global Compact	Share of investments in investee companies that have been involved in violations of the UNGC Principles or OECD

Matters	principles and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC Principles or the OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap on investee companies
	13. Board gender diversity	Average ratio of female to male boards members in investee companies, expressed as a percentage of all board's members
	14. Exposure to controversial weapons (antipersonnel mines, munitions, chemical weapons and biological weapons)	Share of investments in investee Companies involved in the manufacture or selling of controversial weapons
Indicators applicable to investments in Sovereign and Supranational		
Environmental	15. GHG intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles, and, where applicable, national law.
Applicable indicators in the Real Estate asset		
Fossil fuels	17. exposure to fossil fuels through real estate assets	Share of investment in real estate assets involved in the extraction, storage, transportation or manufacture of fossil fuels
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investment in energy inefficient real estate assets
OPTIONAL PAI INDICATORS		
Climate and Other Environment-Related Indicators		
Indicators applicable to Investments in investee Companies		
Type	PAI indicator	Metric
Emissions	1. emissions of inorganic	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average

	pollutants	
	2. emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average
	3. emissions of ozone depleting substances	Tonnes of ozone depleting substances equivalent per million EUR invested, expressed as a weighted average
	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Energy Performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source
Water, Waste and Material Emissions	6. water use and recycling	<ol style="list-style-type: none"> 1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenues of investee companies 2. Weighted average percentage of water recycled and reused by investee companies
	7. Investments in companies without water management policies	Share of investment in investee without water management policies
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policies
	9. Investing in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I of Regulation (EC) No 1893/2006
	10. Land degradation, desertification and soil sealing	Share of investment in investee companies the activities of which cause land degradation, desertification and soil sealing
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies
	12. Investment in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies
	13. Non-recycled waste waste	Tonnes of non-recycled waste generated by investee companies per per million EUR invested, expressed as a weighted average
	14. Natural species and protected areas	<ol style="list-style-type: none"> 1. Share of investments in investee companies whose operations affect threatened species 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, protected areas or an areas of high biodiversity value outside protected areas

	15. deforestation	Share of investments in investee companies without a policy to address deforestation
Green Securities	16. share of securities not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on legislation on environmentally sustainable bonds
Indicators applicable to investments in Sovereign and Supranational		
Green Securities	17. share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on legislation on environmentally sustainable bonds
Indicators applicable in Real Estate assets		
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by the Real Estate assets Scope 2 GHG emissions generated by the Real Estate assets Scope 3 GHG emissions generated by the Real Estate assets Total GHG emissions generated by the Real Estate assets
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square metre
Waste	20. waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract
Resource consumption	21. raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled, and biosourced materials) compared to the total weight of building materials used in new construction and major renovations
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets
Indicators on social and employee, respect for human rights, Anti-Corruption and Anti-Bribery matters		
Indicators applicable to Investments in investee Companies		
Social and Employee Matters	1. Investments in Companies without workplace accident prevention policies	Share of investments in investee Companies without workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee Companies expressed as a weighted average
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities, or illness in companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	5. Lack of grievance/complaints handling mechanisms	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters

	related to employee matters	
	6. Insufficient whistleblower protection	Share of investments entities without policies on the protection of a whistleblower
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies, expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies, expressed as a weighted average
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
Human rights policy	9. Lack of a human rights policies	Share of investments in entities without human rights policies
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings
	12. operations and suppliers at significant risk of incidents of child labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed in terms of geographic areas or type of operation
	13. operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation
	14. number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Anti-Corruption and Anti-Bribery	15. Lack of Anti-Corruption and Anti-Bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
	17. Number of convictions and amount of fines for violation of anti-	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies

	corruption and anti-bribery laws	
Indicators applicable to investments in Sovereign and Supranationals		
Social	18. average income inequality score	The distribution of income and economic inequality among the participants in a particular economy*
	19. average freedom expression SCORE	Measuring the extent to which political and civil society organizations in society can operate freely*
Human rights policy	20. average human rights performance	Measure of the average human rights performance of investee countries *
Governance	21. average corruption score	Measure of the perceived level of public sector corruption*
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions with for tax purposes
	23. average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force*
	24. average rule o law score	Measure of the level of corruption, lack of fundamental rights, and deficiencies in civil and criminal justice*

*The metrics display also includes the use of a quantitative indicator specific to the individual PAI and explained by the market participant in the "Explanation" column of the PAI Statement.