



Environment  
and climate change



# Environment and climate change

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## WHY THESE ISSUES ARE RELEVANT

Climate change is an extremely important phenomenon that is posing one of humanity's crucial challenges for the twenty-first century. A constant increase in temperatures due to the growing concentration of greenhouse gases in the atmosphere will lead to - and is already bringing about - consequences and repercussions not only for the planet's ecosystem, but also at a social and environmental level for present and future generations. The seriousness of the phenomenon was confirmed by reports of the Intergovernmental Panel on Climate Change (IPCC) - which, in 2018, highlighted that at the current rates of CO<sub>2</sub> emissions, the increase in the average global temperature by 2030 will be over 1.5°C (compared to pre-industrial levels), considered by experts to be the maximum safety threshold to avoid otherwise irreversible consequences. Effectively tackling the causes of climate change and adapting to its impacts therefore requires a collective effort and a comprehensive and systemic view of the problem. 2019 was an eventful year in terms of acute awareness of climate-environmental issues. Millions of people, especially young people, took the streets and squares the world over asking for greater efforts to protect the environment and their future.

In continuity with the European Commission's Action Plan for financing sustainable growth, in order to accelerate the transition towards a low-carbon economy and the management of risks deriving from climate change, the new Commission, which took office in December 2019, presented a European Green Deal, a 1,000 billion euro investment plan for the coming 10 years. The Commission's growth strategy is aimed at eliminating, through specific measures, net-zero greenhouse gas emissions by 2050 (carbon neutrality).

Awareness of the potential consequences of climate change on the financial sector and vice versa has facilitated international cooperation, with contributions from representatives of civil society, industry, the academic world and institutions at international level. In this regard, the following are worthy of mention: the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Network for Greening the Financial System (NGFS), the global network of central banks and supervisory authorities, involved in the mobilisation of capital towards low-carbon investments and, more broadly, towards sustainable economic development.

Intesa Sanpaolo is backing the transition to a low-carbon economy through its actions to mitigate its direct emissions and with its support for green initiatives and projects.

This commitment was reaffirmed in the 2018-2021 Business Plan, with objectives concerning support to the production system with an environmental perspective, with a specific credit plafond of up to 5 billion euro, aimed at companies which adopt the circular model. Furthermore, in January 2020, in the context of the European Green Deal, Intesa Sanpaolo stated its willingness to make available 50 billion euro loans in the coming years in Italy. As regards direct impacts, the Intesa Sanpaolo Group Environmental Plan - Climate Change Action Plan - identifies mid and long-term objectives for reducing CO<sub>2</sub> emissions and increasing energy consumption and production from renewable sources.

## PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-theme	Project/Indicator	2019 Actions/Results	2021 Objectives
Direct environmental impacts	Greenhouse gas emissions*	<ul style="list-style-type: none"> <li>Scope 1 + 2 Market-based**: 79,107 tCO<sub>2</sub>eq</li> <li>-21.4% vs 2018</li> <li>-53.6% vs 2008</li> <li>0.022 tCO<sub>2</sub>eq/m<sup>2</sup>: -17.6% vs 2018</li> <li>0.831 tCO<sub>2</sub>eq/staff member: -20.8% vs 2018</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: 442,596 MWh</li> <li>Thermal energy: 196,804 MWh</li> <li>Renewable electricity consumption vs total: 82.6%</li> <li>Electricity produced from renewable sources: 1,119 MWh</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: 6,175 t</li> <li>Environmentally-friendly paper purchased (including recycled paper) vs total: 85.4%</li> <li>Paper saved: ~2,500 t</li> <li>Toners used: 114 t</li> <li>Remanufactured toners used vs total: 60.7%</li> <li>Water: 1.7 million m<sup>3</sup></li> <li>Waste: 4,290 t</li> <li>Business travels: 173 million km</li> <li>ISO 14001 and 50001 certified scope: 100% of Intesa Sanpaolo branches and buildings in Italy</li> <li>New Headquarters: Green Building Council LEED certification - Platinum level - in the sustainable building management category</li> </ul>	<ul style="list-style-type: none"> <li>Responsible use of resources</li> </ul>
Green 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: approximately 2.2 billion disbursed equal to 3.7% of total loans</li> <li>Of which Circular Economy: 248 projects analysed, 63 projects financed, 760 million disbursed</li> <li>Launch of the first Sustainability Bond - 750 million - focused on the Circular Economy</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the green economy</li> <li>5 billion in credit for companies that adopt the circular model using innovative methods</li> <li>Launch of a specific investment fund dedicated to the Circular Economy</li> </ul>

\* Emission factors for the calculation of CO<sub>2</sub> established by Intesa Sanpaolo, in accordance with the ABI Energia Guidelines - Linee guida sull'applicazione in Banca del GRI Standard in materia ambientale - and on the basis of the main 2019 publications (UNFCCC, IEA, IPCC, AIB, etc.).

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

## Direct environmental impacts

### COMPANY POLICIES

Intesa Sanpaolo's commitment to the environment takes the form of self-regulated environmental and energy instruments that define the strategic and operational guidelines which underpin the Group's environmental protection initiatives and its efforts to reduce its environmental footprint. The Group's Code of Ethics and the Rules for environmental and energy policy, approved by the top management, define the principles and Guidelines that regulate the environmental responsibility of the Group and the monitoring of the direct and indirect impact of its activities. With reference to the direct impacts on the environment, arising from the Bank's operations, some time ago, Intesa Sanpaolo adopted in Italy an Integrated Health and Safety, Environmental and Energy Management System, implemented in accordance with the most important reference international standards (ISO 45001, 14001 and 50001), and subject to annual certification by an independent, third-party body.

In addition, in order to translate the environmental protection commitment into concrete actions, the roles of Energy Manager and Mobility Manager were established, responsible for ensuring constant oversight in areas within their remit.

A dedicated structure – Corporate Social Responsibility (CSR) – has the task of overseeing the areas that fall under the Group's social and environmental responsibility, including the more specific issue of climate change.

The Safety and Protection Head Office Department, which reports directly to the Managing Director and CEO, is responsible for the coordination and maintenance of the Integrated Management System adopted by the Group, along with activities connected with Energy Management.

In addition, pursuant to Italian Legislative Decree 152/2006 and as amended, in 2019, the Head of the Safety and Protection Head Office Department was also appointed Environmental Officer and given broad decision-making, organisational and spending powers, including the preliminary approval of any change in the production process that may be relevant for environmental purposes.

Moreover, the Group closely manages the risks connected with climate change by promoting adaptive behaviour or conduct designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention. For a detailed analysis, reference is made to the section Management of potential risks and impacts related to climate change (see page 46).

### CLIMATE CHANGE ACTION PLAN

In accordance with the environmental responsibility commitments undertaken by the Group, since 2009 Intesa Sanpaolo has set mind to long-term goals through the creation of specific action plans. The first Intesa Sanpaolo Environmental Plan covered the 2009-2013 period, and was followed by the plan relating to 2013-2016. Both Plans set measurable goals in the areas of energy savings, economic savings and the reduction of CO<sub>2</sub> emissions. The scope of the plans, limited to Italy in the first Plan, has gradually increased with the inclusion of various International Subsidiary Banks.

In 2017, CSR, in association with the Real Estate and Logistics, Procurement and Safety and Protection Head Office Departments, the International Subsidiary Banks Division and the Chief Operating Officer and Chief IT, Digital and Innovation Officer Governance Areas, drafted a new Environmental Plan - the Climate Change Action Plan - with targets for 2022 and 2037. This Plan was reviewed by the Risks Committee and approved by the CEO. In the Plan, the Intesa Sanpaolo Group outlines its goals as regards reducing the CO<sub>2</sub> emissions associated with its activities, taking 2012 as its base year, including for the emission factors, in order to historicise the results achieved. CSR will monitor the achievement of the targets on an annual basis and the results will be analysed with the relevant competent structures. The monitoring of the Environmental Plan highlighted for 2019 a trend in line with the CO<sub>2</sub> emission reduction forecasts.

The goals for 2022 include a reduction of 37% in absolute emissions connected with energy consumption (direct and indirect) compared with 2012 (a 33% reduction was already recorded in the period 2012-2019).

The Plan also includes objectives related to consumption and energy 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;
- the maintenance of electricity production levels from photovoltaic energy (over 1,000 MWh in 2016), taking account of the restrictions and characteristics of the real estate assets.

Finally, in accordance with the international climate change agreements, long-term targets for 2037 have been set which will be monitored and possibly reviewed at 5-year intervals.

## CERTIFIED ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

Intesa Sanpaolo is the first Italian bank to have adopted an Integrated Management System in Italy 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 in 2019. The System, with particular reference to environmental and energy issues, establishes a continuous monitoring process of the targets and internal checks are carried out in order to assess the level of performance achieved compared to planned performance. In order to guarantee the continued suitability of the measures adopted over time, a system of controls has been defined on three levels, which involves conducting checks on a representative sample of branches and buildings and on the activities carried out at head office departments. The first two levels of control are performed by internal company functions, while third one is entrusted to an external body that certifies the conformity of the System and issues the certification on the scope of application. In the application of the System on such a complex scope in terms of territorial extension and heterogeneity of the sites (branch models, dimensions, plants, etc.) and with a view to continuous improvement, the collaboration between the Safety and Protection Head Office Department, responsible for the coordination of the System, with various Head Office Departments (Real Estate and Logistics, Development Policy and Learning Academy, IT) and the Banca dei Territori Division has intensified over the years. The improvement of risk monitoring and the management of the opportunities that emerged from the dialogue with the stakeholders allow the System to meet the latter's expectations, which are increasingly focused on non-financial issues, including environmental ones. The leadership exercised by the Top Management is crucial in the identification of objectives and strategies and of the necessary resources for the development and application of the System and in the definition of the internal and external communication plan - issues addressed in the annual review meeting, in which all the corporate functions involved participate.

In 2019 the certification process in compliance with the ISO 14001 standard was also extended to Intesa Sanpaolo Vita, a Group company specialised in the insurance segment. The activity involved the Milan office in 2019 and the extension to two other buildings of the Insurance Division is scheduled by 2020 in Turin and Rome.

CIB Bank (Hungary) has also maintained its premises and services certification in compliance with the ISO 50001 standard. In December 2019, the Bank passed the audit process focused on employee training, compliance with regulations, internal processes and energy management within the branches, thus obtaining the renewal of the certification.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

The mitigation and containment of CO<sub>2</sub> emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. This is done with a view to continually improving its environmental performance, which has already seen major reductions in electricity and thermal energy consumption, and in the resulting emissions for over a decade (-53.6% reduction in Scope1 + Scope2 Market-based emissions compared to 2008).

In 2019 the Intesa Sanpaolo Group confirmed its commitment to reducing its environmental footprint. After an increase in 2018 also due to the extension of the reporting scope, in 2019 the consumption of electricity and thermal energy decreased by 6.9% and 18.2% respectively.

Consequently, Scope1 + Scope2 Market-based greenhouse gas emissions also decreased by 21.4%, a reduction equal to 11.8% in the case of Scope1 + Scope2 calculated with the Location-based method.

In general, the Intesa Sanpaolo Group's greenhouse gas emissions are reported in CO<sub>2</sub> equivalent in accordance with the international GHG Protocol (Greenhouse Gas Protocol), in the form of:

- Scope1 direct emissions, relating to the use of fuel for heating and the fleet;
- Scope2 indirect emissions for centralized HVAC systems and electricity;
- Scope3 indirect emissions produced as a result of activities connected with the company but not directly controlled by it (paper, waste, office equipment, etc.).

## EFFICIENCY AND OPTIMISATION OF ENERGY CONSUMPTION

In accordance with what has been outlined above, the reduction in energy consumption in 2019 was due in part to the downsizing of some properties but above all to the continuous energy efficiency actions implemented within the Intesa Sanpaolo Group both in Italy and abroad.

Below are some of the initiatives that led to savings in 2019:

Project	Description	Forecast annual savings
Replacement of lighting systems (Italy, Egypt and Ukraine) Investment: 105,000 euro	Traditional or low energy lamps were replaced with new LED technologies in various branches and central offices	Energy saving: 312,000 kWh Economic saving: 23,000 euro Reduction in potential CO <sub>2</sub> emissions: 138 t
Replacement of HVAC systems (Italy, Albania, Slovakia, Egypt) Investment: 7,480,000 euro	The replacement of heating and air conditioning systems continued. Furthermore, in line with the regulatory obligations, in Italy 37 systems containing R22 were replaced with refrigeration units containing R410A gas	Energy saving: 1,018,000 kWh Economic saving: 191,000 euro Reduction in potential CO <sub>2</sub> emissions: 279 t
Other optimisation and energy efficiency measures (Italy and Croatia) Investment: 1,281,000 euro	Renovation work was carried out on sites with the replacement of fixtures and the improvement of the exterior insulation system, alongside energy optimisation measures	Energy saving: 1,223,000 kWh Economic saving: 261,000 euro Reduction in potential CO <sub>2</sub> emissions: 389 t

In line with the Rules of environmental sustainability for the development of sustainable branches, the site renovations or the development of new branches are carried out in accordance with criteria for the improvement of energy and management efficiency: since 2008, over 1,000 Group buildings have undergone energy certification processes.

Thanks to the measures implemented in recent years, in Italy the Group was able to claim tax deductions of around 7.7 million euro in 2014-2019, around 700,000 euro in 2019.

It should also be noted that, as evidence of sustainable building management, the Intesa Sanpaolo Skyscraper in Turin, in addition to having received the LEED Platinum certification in 2015 for the construction of the building, was awarded the Platinum level in 2019 also in the sustainable building management category. In the former case, the Green Building Council, the most authoritative international body for the eco-assessment of buildings, had rewarded the design features and technological solutions adopted during the construction of the skyscraper. This new certification (LEED Existing Buildings Operations & Maintenance - EB O&M) confirms, on the other hand, the performance achieved in the building management, in particular for those areas envisaged by the international reference standard. The energy efficiency actions, the sustainable consumption of water, the management of materials and resources, employee commuting habits and the indoor environmental conditions, allowed to reach a score well above the threshold needed to access the most prestigious level.

All the actions implemented above confirm the Group's commitment to reducing its environmental footprint whilst still respecting people's safety and comfort standards and sound property management practices. To this end, it is important to point out that an analysis of the potential risks related to climate change is also applied, aimed both at preventing possible service interruptions and avoiding extraordinary property management costs (see page 46).

## RENEWABLE ENERGY

In addition to the energy efficiency measures aimed at reducing its environmental impact, the Intesa Sanpaolo Group has committed, where possible, to producing electricity through the installation of photovoltaic plants and purchasing electricity from renewable sources. The total consumption of electricity from renewable sources reached approximately 83% of the total consumption.

The self-production of energy from renewable sources comes 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 2019 the self-production amounted to over 1,119 MWh with an economic saving generated by the non-purchase of electricity equal to approximately 195,000 euro, and a total of CO<sub>2</sub> avoided equal to 535 tonnes.



In the Group companies within Italy, the purchase of energy from renewable sources is ensured by Guarantees of Origin and covers 96% of electricity purchased.

In the International Subsidiary Banks, the situation differs, also in relation to the limits imposed by certain national regulations. Once again, this year, Intesa Sanpaolo Bank (Slovenia) has eliminated its emissions by purchasing all its energy from hydroelectric sources, while Privredna Banka Zagreb (Croatia) purchases around 60% of its electricity from renewable sources. Additionally, thanks to the national energy mix part of the electricity used by Intesa Sanpaolo Bank Albania (100%), Banca Intesa Beograd (Serbia) (27%), VÚB Banka (Slovakia) (15%) and CIB Bank (Hungary) (9%) comes from renewable sources.

## ENERGY AUDITS

Being a large company, Intesa Sanpaolo and its subsidiaries must carry out energy audits every four years on the premises where they exercise control of energy consumption, pursuant to Italian Legislative Decree 102/14. In 2019, multi-site companies, such as Intesa Sanpaolo, had to carry out the audits on a proportionate and sufficiently representative number of sites in order to define a true picture of the company's overall energy performance and to identify, in a reliable manner, the most significant areas for improvement. Energy audits were conducted in 37 sites in Italy: 17 branches and 20 properties between buildings and data centres distributed throughout the national territory. The first analyses highlight saving opportunities on a limited number of properties with simple management interventions. Possible improvements were highlighted against short and medium-term investments regarding the replacement of UPS, installation of inverters and photovoltaic plants, as well as the replacement of lighting fixtures (with LED lights).

With reference to international subsidiary companies operating in EU countries where the regulatory obligation is required to be met, in 2019 CIB Bank (Hungary) fulfilled local requests through the ISO 50001 certification, VÚB Banka (Slovakia) conducted 16 energy audits and finally Intesa Sanpaolo Bank Ireland conducted 1 energy audit.

## MOBILITY

The Mobility Management function, part of the Labour Affairs and Policies Head Office Department, is dedicated to supporting employee commuting, to improve their quality but also to promote sustainable means of transport. The goal is to translate the feedback from employees into concrete actions in order to provide a structured range of options for daily commutes and implement the actions of the Home-Work Commuting Plans.

The main goals pursued by the Intesa Sanpaolo Group are: the reduction in the use of private individual transport, as requested by the so-called Ronchi Decree, the improvement of road safety, as established by the international ISO 39001:2012 standard, and the reduction of the Group's CO<sub>2</sub> emissions.

As regards the last objective, the most significant initiatives are:

- the spread of Flexible Work and Training, which innovatively combine the management of people's private lives with the company's organisational requirements (see page 119);
- signing a union agreement on work-life balance, which also introduced measures to help people that work far away and that have specific personal needs to move closer to their residence or home;
- the Mobility Office platform which promotes the use of public transport, enabling employees to request annual season tickets directly from their workstation and also to take advantage of discounted rates with the option of paying in instalments (the service is available in certain cities - Bologna, Florence, Milan, Padua, Rome, Turin and Venice);
- company shuttle service available in Turin/Moncalieri, Milan/Assago and Padua/Sarmeola di Rubano, which have a positive impact on the environment (an estimated 540 tonnes of CO<sub>2</sub> avoided) as well as on people's quality of life; at the Bank of Alexandria (Egypt), a shuttle service to Cairo and Alexandria is available;
- development of in sharing services (car, motorbike and bike). In Italy, ALI - the Intesa Sanpaolo employees' association - has entered into agreements with the main networks in a number of cities. Bicycles owned by the Bank are available at Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia) and CIB Bank (Hungary) and as from this year also in VÚB Banka (Slovakia). Special bicycle parking spaces are available in Intesa Sanpaolo Bank Albania and Eximbank (Moldova) as well as in Privredna Banka Zagreb (Croatia), CIB Bank (Hungary) and VÚB Banka (Slovakia) where, in addition, employees can benefit from additional services (changing rooms and showers). In particular, Privredna Banka Zagreb (Croatia), on the occasion of World Environment Day, promoted the use of the bicycle as an alternative means of transport. In addition, in 2018, CIB Bank signed a contract for the use of car sharing to replace taxis, which will only use electric cars;

- management of the company fleet which, thanks to its constant renewal, is now mainly made up of Euro 6 cars. Furthermore, hybrid vehicles were included in the models proposed by the policy;
- development of remote communications for both listening activities (internal communications web focus groups managed online) and work activities, with the use of Skype for Business (instant messaging, voice over IP or online meetings) instead of business travels.

### COMPANY CARPOOLING

In a context where pollution figures, especially in large cities, are becoming increasingly worrying, the search for sustainable mobility solutions becomes a priority. Company carpooling is one of the concrete solutions that the Bank puts in place to this effect, namely a mode of transport based on several people with compatible routes and times sharing the same private car. The aim is to share the car for commutes in order to improve the quality of transfers, make savings on transport expenses, reduce traffic congestion, pollution and road accidents. The dedicated App allows supply to meet demand as regards travel, the sharing of the related expenses, the possible allocation of parking spaces, where available, and to create a network between users. The service, which initially started as a pilot project, has been available to all employees in Italy since October 2019.

Other forms of car sharing have been implemented in Intesa Sanpaolo Bank Albania, CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Pravex Bank (Ukraine), Intesa Sanpaolo Bank Romania and, starting from 2019, also in Intesa Sanpaolo Bank Slovenia, Intesa Sanpaolo Banka Bosna i Hercegovina, Privredna Banka Zagreb (Croatia) and in VÚB Banka (Slovakia).

## RESPONSIBLE MANAGEMENT OF RESOURCES

According to the Code of Ethics and the Rules for the environmental and energy policy, the Group's responsibilities include the close evaluation of the consequences of its activities on ecosystems and the reduction of its environmental footprint. For this reason, the responsible management of resources is a priority issue for the Intesa Sanpaolo Group in its attempts to mitigate its impact on the environment.

### PAPER, TONERS AND STATIONERY

In line with the provisions laid down in the Group Rules, the reduction in the use of paper continued both in absolute terms (-9.3% compared to 2018) and on a staff member basis (-8.6% compared to 2018).

In Italy, the project for paperless contracts continued: in addition to bank contracts, investment transactions and branch transactions, in 2019, it was extended to banking products and services related to pension plans and after-sales operations on POS contracts. The introduction of paperless POS contract was also accompanied by the start of the extension of dematerialised operations to contracts for legal entities. With the adoption and exclusive use of the graphometric or remote digital signature for the signing of contractual and non-contractual documentation, instead of paper documents, in all branches, the Bank offers its customers a simple and innovative customer experience that also allows to simplify and improve managers' operations through a considerable simplification of internal paper management and archiving processes and the creation of a digital document archive that facilitates the storage and retrieval of documents and ensures better filing, according to legislation in force, eliminating back office activities.

As part of the three-year programme for the digitisation of all the Group's HR systems and services, the process of dematerialisation of the letters addressed to employees (communications of merit, awards, assignments, transfers, etc.) was also started, alongside the launch, in some workstations, of the project aimed at reviewing print management processes, which involves, first and foremost, the rationalisation of the printers. In addition, in order to better protect the confidentiality and security of information, avoiding abandoned print jobs, the printing of documents through authentication was introduced.

The policies for the use of printers were reviewed in the Eurizon group, the documentation of the Boards of Directors was converted into electronic format and important investments were made to convert customer reporting into digital format. The reduced printing of the documentation in support of meetings is also promoted and a project was launched to automate the main approval workflows, with the introduction of paperless processes based on digital signature.

Further initiatives related to the graphometric signature were also launched in Siref and in Fideuram Asset Management.

The digital transformation process also continues in the branches of the International Subsidiary Banks Division



where the use of tablets, already in place for gathering signatures during transactions in Privredna Banka Zagreb (Croatia), VÚB Banka (Slovakia), Intesa Sanpaolo Bosna i Hercegovina, CIB Bank (Hungary), Intesa Sanpaolo Bank Slovenia, was extended to sales processes as well. In addition to paperless contracts, tablets are also used to simplify and improve the customer experience of clients and managers by offering processes that are fully integrated with online platforms.

All the aforementioned actions led to a saving in 2019 of around 2,500 tonnes of paper compared to the previous year, amounting to just over 4,000 tonnes of CO<sub>2</sub> avoided and an economic saving of around 4.3 million euro.

With a view to the progressive improvement of reporting in 2019, the quantities of toners used in the Group were collected and reported, distinguishing between remanufactured toners, i.e. cartridges that were refilled with toner powder from specialised centres, and traditional toners. The figure shows that 114 tonnes of toners were used in 2019 of which 60.7% were reconditioned.

Finally, with reference to eco-sustainable stationery, an awareness raising process was launched for all Group companies in the purchase of materials with low environmental impact: in 2019, approximately 41 tonnes of environmentally-friendly stationery products were purchased.

## OTHER GREEN INITIATIVES

In line with the Rules on sustainability for the purchase of office machines, the Intesa Sanpaolo Group assesses the environmental impact connected with the purchase and responsible use of the following equipment: photocopiers, printers, desktop computers, monitors, notebooks and ATMs/MTAs. In the promotion of sustainability aspects due consideration is given both to legislation and relevant compliance requirements in force, as well as to specific environmental evaluation criteria.

Furthermore, Intesa Sanpaolo introduced the Internal Carbon Pricing as an additional element to support the purchase process of office machines, thanks to a tool that evaluates GHG emissions generated by energy consumption throughout the life cycle of the equipment.

An important initiative to reduce the environmental footprint was launched in 2019 by the Insurance Division: the Plastic-free project was implemented in the Milan, Turin and Rome offices, with the aim of reducing plastic consumption. Stainless steel bottles were distributed to all employees, to be used to refill from the new water dispensers installed and plastic bottles were eliminated, replacing them with glass bottles. In addition, a gradual replacement of plastic stationery with eco-sustainable materials was started.

## WATER

The Intesa Sanpaolo Group's consumption of drinking water from aqueducts is predominantly related to sanitary purposes and, to a lesser extent, the generation of cold air for air conditioning.

In 2019, the Group's water consumption per person was around 17.9 cubic meters per staff member according to the analysis of the expenditure incurred.

The New Headquarters is an excellent example of efficient water management: also in 2019, drinking water consumption was again well below the Group average at around 6 cubic metres per staff member, partly due to the installation of low-consumption and timer taps, double-flush toilets, and the dual network for toilets using a rainwater collection system combined with (if necessary) groundwater. With a view to sustainable and efficient management of resources, the HVAC systems of the New Headquarters also use a heat exchange system with groundwater that is taken and put back into the aquifer without affecting the water quality.

## ENVIRONMENTAL MONITORING AND HAZARDOUS WASTE MANAGEMENT

The Intesa Sanpaolo Group focuses particular attention on the monitoring and management of hazardous waste for the environment, including radon and asbestos.

Radon is a gas normally present in the subsoil which can however penetrate into closed environments due, for example to the presence of cracks or the permeability of the foundations of buildings; in such cases it can accumulate and reach concentrations that are damaging to health. In line with current legislation, which for underground work spaces sets action thresholds depending on the concentration level, the Safety and Protection Head Office Department carries out campaigns for the measurement of the average annual concentration in order to protect the health of employees. Should the warning threshold be exceeded, a notification concerning the matter is issued so employees and their representatives are properly informed about the issue in question. In addition, a Qualified Radiation Protection Expert is appointed, an external consultant who assesses employees' exposure to radon through the calculation of Effective Doses and the identification of any risk mitigation measures, mandatory in the event of the exceeding of the Effective Dose threshold of 3 mSv/year. No significant risk situations were highlighted in 2019. In Italy two regions set a lower concentration limit than the national average for non-residential buildings open to the public: Puglia and Campania. In the former, the monitoring of the sites started in previous years was concluded and specific interventions were prepared by a Qualified Radiation Protection Expert for the 10 sites where the regional limit was exceeded, while in the latter, an annual monitoring campaign was launched in 2019 at all operating sites

within the regional territory.

In the same way, although the activities carried out by Intesa Sanpaolo employees do not in any way expose employees to dust and materials containing asbestos, in 2019 the Safety and Protection Head Office Department once again carried out a specific risk assessment for all workspaces. The periodic checks according to the timeframes established by law, carried out by a Qualified Expert in the Management and Control of materials containing asbestos, confirmed that there is no contamination: all of the values measured are lower than the threshold established by the laws in force and similar to those present in the external environment.

### **WASTE MANAGEMENT**

For the purposes of managing the waste produced at the Group's sites, the Italian territory was divided into a number of lots where companies specialised in waste collection, sorting and disposal activities operate. These companies are subject to an evaluation process during which the authorisations required to operate as transporters (by means of vehicles entered on the relevant register) and recipients are also acquired. The various types of special waste are managed on the basis of their specific characteristics, while for separately collected waste such as paper, plastic and glass, compliance with the provisions issued locally applies.

Similarly, in other countries, waste collection and management takes place in compliance with the reference national legislation.

In 2019, the special waste produced by the Group totalled 4,290 tonnes (45.1 kg per staff member), a slight increase compared with 2018. The increase is mainly attributable to the disposal of properties and consequently of IT equipment and archives outside Italy.

Only 6.8% of waste is disposed of in landfills, 0.5% is incinerated with energy recovery, and the remaining 92.7% is recycled or reused/recovered.

# Green Economy

## COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for environmental and energy policy, the Intesa Sanpaolo Group has always paid particular attention to the portfolio of green products and services it offers to its customers, also with the goal of contributing to combating climate change. International studies and research show that climate change may also be a business opportunity and a lever for economic growth, considering the fact that, in order to achieve the European Union's climate and energy targets for 2030, significant investments will be required as highlighted by the European Commission's Action Plan for financing sustainable growth and the European Green Deal. In January 2020, Intesa Sanpaolo stated its willingness to make available a programme for the disbursement of 50 billion euro in Italy in the coming years.

Intesa Sanpaolo is active in promoting renewable energy, energy efficiency and the circular business model by supporting their development and assisting the various customer segments, committed to reducing their environmental footprint, by promoting green products and services offered through the sales network in Italy and abroad. The Group also takes heed of the impacts generated by customers and suppliers, contributing to the spread of virtuous processes and conduct as regards the environment. In addition, particular importance is given to training and research initiatives, as well as to events on environmental issues organised by Intesa Sanpaolo and/or its partners.

## LOANS AND SERVICES FOR THE GREEN AND CIRCULAR ECONOMY

In 2019, the Group's disbursements for the Green and Circular Economy totalled approximately 2.2 billion euro, equal to 3.7% of all Group's loans.

### GREEN ECONOMY

In 2019, the Group's disbursements for the Green Economy totalled 1,419 million euro (almost 20 billion in the 2010-2019 period).

The offer involves all customer segments: retail customers (3.7%), businesses and Third Sector (13.3%), corporate & project finance (83.0%).

The Bank continued to provide loans and mortgages for environmental purposes to retail customers in 2019. These loans regarded the replacement of fixtures and high-performance boilers, the renovation of buildings from an energy efficiency perspective, the purchase of environmentally-friendly vehicles and the installation of solar and photovoltaic panels. In line with the attention to the green world, Intesa Sanpaolo participates in the EeMAP (Energy efficient Mortgages Action Plan) project, a European initiative that aims to create a standardised energy efficient mortgage, with a view to encouraging the redevelopment of buildings and the purchase of highly efficient properties through preferential financial conditions, sharing the association's criteria on green issues. In this context, initiatives dedicated to green financing will be launched in 2020 to encourage both the purchase of high energy efficiency properties and the redevelopment of the existing real estate assets. "Valorizzazione Immobiliare", an ancillary service to loans, seeks to support customers who intend to invest in their homes through energy redevelopment and restructuring works, providing free information on tax benefits and savings on energy bills, as well as to support the best loan and home protection solutions. Customers can also take advantage of discounts on the services offered by partners of the initiative which operate in the energy savings and redevelopment sectors.

Among the insurance products that aim to cover customers' insurance needs in the Family, Health and Property areas, the "XME Protezione" insurance cover, places special emphasis on protection against natural disasters, offering protection from damage caused by atmospheric events such as floods and cloudbursts. The coverage will reimburse up to 80% of the customer's property value. Over 76,000 "XME Protezione" policies with flood coverage were taken out at the end of 2019.

In the segment of motor insurance products, the "ViaggiaConMe" policy with consumption-based plan provides for a premium linked to the kilometres travelled during the year: once the defined threshold has been exceeded, the premium to be paid will be integrated based on the additional kilometres travelled. The proposed solution therefore discourages the use of vehicles, with potential positive impacts on the environment.

Lastly, following the environmental disasters and extraordinary weather events that affected Italy also in 2019,



the Intesa Sanpaolo Group continued its tangible and concrete commitment to supporting households and businesses affected with specific focus on agricultural companies which, more than others, are penalised by exceptional weather events, through the activation of dedicated credit lines, with the provision of new subsidised loans for restoring damaged structures (homes, shops, offices, artisanal workshops and businesses), suspensions of payments on outstanding loans and preferential, simplified and expedited procedures for new instruments. The interventions involved several Italian geographic areas (see page 78).

Intesa Sanpaolo has continued to support non-profit companies that wish to invest in energy efficiency projects with solutions that make it possible to save on energy costs and increase the overall sustainability of the company's activity. At the end of 2019, total loans relative to the agreement with Federesco (National Federation of ECSOs) came to 1.9 million euro. These initiatives generated savings of around 649 tonnes of oil equivalent (toe) in 2019, corresponding to around 1,397 tonnes of CO<sub>2</sub> avoided.

In 2019 Intesa Sanpaolo Group continued to disburse short, medium and long-term loans in support of projects for renewable energy and energy efficiency works for professionals and businesses.

These include the Finanziamento Energia Imprese (businesses energy loan), which is designed to support investment plans focused on the development of efficient energy production plants and diversifying energy sources and/or streamlining consumption, as well as the Finanziamento Energie Rinnovabili (renewable energy loan), created for the construction of new plants for the production of renewable energies other than photovoltaic energy, such as biomass and small-scale wind energy.

Since the beginning of 2019, the "Finanziamento Condominio" product has been restyled, providing greater flexibility, in line with tax incentives (such as Ecobonus and Sismabonus) envisaged for the restructuring of the condominium common areas, extending its duration up to 10 years. The "Finanziamento Condominio" has the aim of promoting real estate development, security, but, above all, the energy redevelopment of properties in Italy. During the year, agreements were entered into with some Energy Service Companies that provide condominiums with solutions and technical tools for energy efficiency. Once the ideal energy efficiency solution has been chosen, the condominium will be able to request a loan from Intesa Sanpaolo (up to a maximum of 80% of the investment) with beneficial conditions, a 50% reduction in application fees and the guarantee of fixed and short times for the conclusion of the appraisal. In the same context, an agreement was entered into with Anaci, the main trade association of the Condominium Administrators, with the aim, among others, of disseminating a culture of eco-sustainability, security and development of properties in Italy.

Intesa Sanpaolo, through former Mediocredito Italiano, continued to support businesses that invest in renewable energy production plants and in the energy efficiency of their production processes, providing dedicated financial solutions and specialist advisory services. During the year, loans were granted to support projects mainly in the photovoltaic, wind, hydroelectric and biomethane sectors in the amount of 115.5 million euro. All loans, overseen step by step by the specialist Energy Desk, are always preceded by an appraisal in support of the Bank's credit assessment. Customers can count on a comprehensive service that ranges from risk assessment to the structuring of the most appropriate financial solutions, and from consultancy on new technology trends to new market opportunities. The total disbursements include the contracts signed in the lease area as new Leasenergy product contracts (equal to approximately 2.5 million euro), which will result in an annual emissions saving estimated at around 1,570 tonnes of annual CO<sub>2</sub>. There are around 1,370 existing lease contracts, which have contributed to the construction of plants for the production of over 1.7 Gigawatts of energy from renewable sources.

The Corporate and Investment Banking Division and Banca IMI have strengthened their commitment to environmental sustainability, through the provision of forms of support aimed at helping large Italian and international companies in their transition projects towards a low-carbon economy and/or in projects intended to support investment plans aimed at building efficient energy production plants, diversifying energy sources and/or rationalising consumption. Various forms of financing are available, such as: Green Revolving Credit Facilities, Green Syndicated Loans, Green/Sustainable Bonds (e.g. SDG-Linked or Climate Change) and Project Finance dedicated to the world of renewable energy (wind, photovoltaic, biomass, water).

During 2019, the Corporate and Investment Banking Division participated, as a Bookrunner, in 12 Green, Social and SDG-linked Bond issues onto the Euro market, including the issue of the Intesa Sanpaolo Group Sustainability Bond, thus confirming its role among the leading players on the Italian market.

Banca IMI, acting as Global Coordinator, Bookrunner, Mandated Lead Arranger and Green Coordinator in pool with other banks, last November signed with Italo, leader in Europe in the high-speed railway transportation sector, the largest-ever Green Loan in Italy and the largest worldwide in the transportation sector. The loan, worth 1.1 billion euro, envisages bonus-award mechanisms for the company linked to sustainability principles. As part of the transaction, Banca IMI entered into a further agreement with Italo to cover the loan (ESG Linked Hedging) which will reward the virtuous conduct of the transport company, improving the conditions of the derivative if certain ESG (Environment, Social, Governance) sustainability indicators are complied with.

In order to support southern Italy agricultural companies affected by the exceptional adverse weather of November 2019, a fund of 100 million euro has been set aside for businesses that suffered damage to crops and production facilities. In February 2019, two agreements were entered into with Confartigianato-Imprese Udine and Confartigianato-Imprese Marca Trevigiana, respectively, for which the Bank allocated two credit plafonds of 100 million euro each in favour of the companies in the wood sector to finance local businesses, including the option to access the Circular Economy credit plafond that can be used, in this case, for the purpose of reforestation, regeneration of the ecosystem and timber harvesting, in order to avoid degradation. Intesa Sanpaolo also set aside a credit plafond of 50 million euro for loans dedicated to agricultural companies that wish to adopt measures against the brown marmorated stink bug in Veneto, Friuli-Venezia Giulia and Trentino-Alto Adige regions.

## CIRCULAR ECONOMY

The Circular Economy is fundamental for economic development that generates a positive environmental and social impact. The circular model is based on the redesign of industrial processes and business models to generate economic and competitive advantage for companies, with a regenerative approach towards natural capital. Its objectives include the generation of a virtuous cycle in the use of resources, overcoming the linear model which involves extraction, production, sale and waste.

The Intesa Sanpaolo Group confirmed its commitment to the Circular Economy by promoting the spread of the model, drawing on the support of the Ellen MacArthur Foundation, the main promoter of the global transition towards the Circular Economy. The 2019-2021 three-year cooperation agreement has been renewed, confirming Intesa Sanpaolo's role as Global Partner of the Foundation. Intesa Sanpaolo will continue to redefine business strategies in an innovative way, ensuring financial support for investments to facilitate the redesign of the industrial system. The activity is considered of primary importance for the Group and is indicated as a strategic pillar within the 2018-2021 Business Plan.

The transition to a Circular Economy continued, also with the contribution of the Intesa Sanpaolo Innovation Center, a Group company which oversees all the Circular Economy activities.

The Circular Economy Lab was launched in 2018 in Milan, thanks to a Framework Agreement between Intesa Sanpaolo and Fondazione Cariplo, and followed by a strategic partnership between Intesa Sanpaolo Innovation Center and Cariplo Factory, with the goal of supporting and assisting the transformation of the Italian economic system and disseminating new models of value creation in the collective interest, by accelerating the transition to the Circular Economy. The Circular Economy Lab's strategy envisages open innovation operating methodologies aimed at finding innovative solutions and technologies within the scope of the circular economy and the related activities are based on three pillars:

- promoting the dissemination of knowledge about the Circular Economy, involving national and international players;
- supporting start-ups, SMEs and Corporate entities in the adoption of circularity principles, promoting the dialogue between companies, technology suppliers and investors;
- accelerating circular transformation through Open Innovation and Circular Economy Advisory programmes.

In order to provide concrete support to companies involved in the transition process, the Intesa Sanpaolo Group, within the time-frame of the 2018-2021 Business Plan, has decided to provide a credit plafond of up to 5 billion euro, aimed at companies which adopt the circular model with innovative procedures, granting the best conditions for accessing credit. In particular, as part of the credit process, Intesa Sanpaolo Innovation Center, based on criteria connected with investments in the Circular Economy defined together with the Ellen MacArthur Foundation, is responsible for providing a technical assessment on the level of circularity of the initiatives proposed. Specifically, the eligibility criteria are as follows:

- Solutions that extend the product-life or cycles of use of goods and/or materials (application of modular design; implementation of reverse logistics programmes; reuse, repair and regeneration or reconditioning of products);
- Production processes fuelled by and/or products made of renewable or recycled resources;
- Products and/or services that significantly increase effectiveness and efficiency of the resources consumption, within the company or along its supply chain (application of principles of industrial symbiosis and realization of an integrated supply chain that makes waste streams into feedstock; closing loops and/or apply circular economy and systemic design principles; creation or promotion of a supply chain guided by circular principles);
- Design and/or manufacture products that can be fully recycled or composted within an efficient framework of collection, separation and recycling after use (compostable products, recyclable products);
- Innovative technologies that enable circular business models (Internet of Things to empower traceability services (reverse-logistic) and/or predictive maintenance; use of additive manufacturing/3D printing to increase the easy-to-repair degree and the materials efficiency; Big Data analytics, Artificial Intelligence, and Cloud Computing aiming at dematerialization services and/or marketplaces development for secondary raw materials).

Out of a total of around 250 applications reviewed since the launch of the credit plafond, 63 projects were funded for a value of around 760 million euro at the end of 2019. Numerous company projects were supported for initiatives such as 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 coloured compostable fabrics with dyes made from agricultural waste.

In order to disseminate and share these criteria within the Bank, an online training course was set up and made available to over 50,000 Group employees.

Furthermore, during 2019 several training and awareness-raising initiatives took place: 120 future managers of the Bank were trained on Circular Economy issues within the Talent Program; 400 employees took advantage of specific courses; 10 training modules were published online in "Scuola dei Capi" as well as 4 Circular Economy Podcasts; 600 students were involved in circular lectures.

During the year, the circular assessment of businesses along their value chain also continued (around 100 businesses were interviewed) through the use of the Circular Economy Standard, an instrument used to measure the level of circularity.

In 2019, with regards to start-ups (see page 86), the Start-Up Initiative continued, which selects the most promising innovative start-ups, prepares them to face the market with coaching initiatives, and introduces them to the players of the innovation ecosystem. The selection process was integrated together with the circularity criteria in the overall assessment. Two Italian start-ups in the bioeconomy and fashion sectors were awarded as Circular Economy success stories.

In the context of partnerships and collaborations, meetings of the Alleanza Italiana per l'Economia Circolare (Italian Alliance for the Circular Economy), of which Intesa Sanpaolo is the promoter, together with Enel, also continued. The Alliance comprises a number of large and medium sized 'Made in Italy' companies and, since 2017, has sought to reinforce existing collaborations and propose new projects between companies, in order to promote the transition to the Circular Economy in the various production chains, while also involving Italian and European institutions.

To spread the culture of innovation in the area of Circular Economy, the Group continued to provide support to the BioCircE Master (the first Italian Master's qualification in this area).

An implementation agreement was entered into with Bocconi University, within the scope of a three-year framework agreement, for research activities in the context of the Circular Economy in order to validate the de-risking theory of financial portfolios, both at the individual counterparty level and at the portfolio level. The Circular Economy and Finance research, which took place in 2019, began to scientifically investigate this issue by focusing on some of the opportunities offered in terms of de-risking circular assets, generating superior risk-return combinations and the ability to stabilise performance over time.

As part of the work, the 3R (Risk, Revenue, Reputation) Model was defined, a mapping of the main benefits generated for financial institutions by the Circular Economy.

As part of the European Commission initiatives, Intesa Sanpaolo has continued the activity initiated in 2017, by participating regularly in the work of the Group of Experts for the financing of the Circular Economy, contributing to the publication in 2019 of the document Accelerating the transition to the Circular Economy which defines the guidelines to improve access to financial products dedicated to the Circular Economy. Moreover, the Group participated in the consultation of the Italian Ministry of the Environment and the Protection of Land and Sea (MATTM) on indicators for the measurement of the Circular Economy and in the work of the National Observatory on Sustainable Finance promoted by the MATTM.

In addition, the Group took part in the work of 'FinanCE', a working group formed within the Ellen MacArthur Foundation network, with the aim of rethinking the financial sector to accelerate the transition to the Circular Economy, by identifying concrete measures which the public and private sectors should undertake.

## GREEN BOND

In 2017, Intesa Sanpaolo was the first Italian bank to issue a 500-million-euro Green Bond connected with environmental sustainability projects.

The commitments undertaken by Intesa Sanpaolo are defined within Guidelines (Green Bond Framework) in line with the Green Bond Principles of the ICMA (International Capital Markets Association), as verified by an external ESG research and analysis company.

In June 2019, following its annual reporting commitment, Intesa Sanpaolo published its second Green Bond Report [i] on the use of Green Bond proceeds and its associated environmental benefits. The report also includes the certification of the auditing company, the Second Party Opinion on the bond issue (Robust ESG performance) and the Moody's assessment, which obtained the highest score (GB1 Excellent).

As of 31 May 2019, the Bond proceeds, fully allocated during the first year of the issue, was used as follows: 61.3% to refinance specific loans included in the portfolio of Intesa Sanpaolo and 38.7% for the financing of new projects, selected by a dedicated working group. In total, 75 projects were financed with over 353,000 tonnes of CO<sub>2</sub>



emissions avoided annually. 64.0% of the proceeds were allocated to photovoltaic power, 12.6% to wind power, 9.3% to hydroelectric power, 12.5% to bioenergy and 1.6% to energy efficiency.

## **SUSTAINABILITY BOND**

In 2019 the new Sustainability Bond Framework was redacted ahead of the issue of the Sustainability Bond to support (new or existing) loans and projects for the Green Economy, the Circular Economy and also for social purposes. The Framework was prepared in line with the international standards drawn up by ICMA, in particular with the (2018) Green Bond Principles, the (2018) Social Bond Principles and the (2018) Sustainability Bond Guidelines.

In November 2019, Intesa Sanpaolo successfully completed the placement of the first Sustainability Bond focused on the Circular Economy, intended to support the loans granted by the Bank under the 5 billion euro credit plafond dedicated to the Circular Economy.

The 750 million euro issue, against a demand of over 3.5 billion euro, was mainly subscribed by institutional investors: Asset Managers (75%), Banks and Private banking (10%), Public Entities (10%), Insurance and Retirement Funds (4%).

Thanks to this issue, the Green Bond Ratio, the percentage of outstanding green bonds at the end of the year out of the total amount of outstanding Senior Preferred and Covered Bonds intended for institutional investors (five-year moving average), is equal to about 3.3%.

## GREEN CULTURE AND INITIATIVES

Numerous initiatives have been put in place for the dissemination of an environmental culture in respect of employees and customers (for the initiatives in the Circular Economy area, see page 139), including:

### TRAINING

The “Apprendo” multimedia platform is available for all employees in Italy: it provides training on environmental and climate change issues. The training module “La sfida del cambiamento climatico” (The climate change challenge) was provided to some 3,000 employees. The new course “Tutela ambientale e sistemi di gestione” is also available and has been completely revised in terms of content and form, which includes 20 training modules on environmental and energy issues mandatory for approximately 7,000 employees directly involved in activities related to the application of the Management System, while for the other employees a selection of training modules is available, with optional participation.

In line with the requirements for the new ISO 14001 certification, in 2019 the Insurance Division undertook to disseminate the sustainability culture also through info-training activities aimed at all the personnel of the Division and with specific activities for Specialists, Employers and Delegates. In addition, an employee engagement activity was carried out with the definition of a green questionnaire with the aim of gathering useful information to understand the level of awareness and attention to sustainability issues, particularly the environment and health and safety in the workplace.

Similarly, for the purposes of ISO 50001 standard, CIB Bank (Hungary) trained around 2,000 employees on energy issues through an online platform and the top management through ad-hoc training.

The European Regulatory & Public Affairs structure also carried out internal training initiatives to raise awareness among employees on environmental issues under discussion with European regulators.

During 2019 Intesa Sanpaolo Formazione released two new digital training platforms: Skills4Capital and Skills4Agri. The former is dedicated to SMEs as part of the collaboration between Confindustria - Piccola Industria and Intesa Sanpaolo; the latter is instead dedicated to companies in the Italian agricultural and agri-food system, the result of the agreement between Intesa Sanpaolo and Confagricoltura. By subscribing to the platforms, users can take advantage of training content and, among the courses provided, three have a special focus on environmental sustainability and climate change issues.

### PARTICIPATION IN ASSOCIATIONS AND DEBATES ON ENVIRONMENTAL SUSTAINABILITY ISSUES

The Group made an important contribution to the international debate on the topic of environmental sustainability in 2019.

With reference to the issue of direct environmental impacts, the Bank continued to participate in the working group of the Italian Banking Association (ABI) on Green Banking, which provides an insight into the processes relating to energy and environmental management in the Bank according to the main international standards. In particular, in 2019 the attention was focused on the implementation of energy audits and submission to the competent authorities.

At the European level, Intesa Sanpaolo interacted with legislators, trade associations and various stakeholders to promote and represent the Group's various initiatives on environmental and social sustainability. Intesa Sanpaolo, through its office in Brussels, brings its best practices to the attention of regulators and represents the specificities of its context so that they are taken into consideration during the legislative process.

In terms of sustainable finance, the Group's collaboration with the Italian Banking Association (ABI) continued and intensified, within specific working groups, particularly in relation to issues linked to taxonomy and the European Action Plan for financing sustainable growth.

The Group also continued its collaboration with the main European associations, contributing to the work of the European Banking Federation (EBF) on the issue of Sustainable Finance and Sustainable Development Goals (SDGs) and the Association for Financial Markets in Europe (AFME). In particular, Intesa Sanpaolo has contributed to the drafting of the main (legislative and non-legislative) position papers of the financial sector published during 2019.

Moreover, the Group participated in the Osservatorio Italiano per la Finanza Sostenibile (OIFS) promoted by the Italian Ministry of the Environment and the Protection of Land and Sea (MATTM), taking active part in the plenary session work and in the working groups on the Italian Financial Centre for sustainability and sustainable Reindustrialisation (Centro finanziario italiano per la sostenibilità e sulla Reindustrializzazione sostenibile).

Intesa Sanpaolo actively participated in the Project Task Force on Climate-related Reporting of the European Financial Reporting Advisory Group (EFRAG). The main objective was the analysis and identification of good corporate reporting practices, both as regards the financial impacts of climate risk on companies, and as regards the impact of companies' activities on the environment (the so-called double materiality) taking into consideration

the needs of users and those who process the reports.

Studi e Ricerche per il Mezzogiorno (SRM) is a Group's research centre aimed at disseminating economic knowledge and culture, with a particular focus on the development of southern Italy, Maritime Economy and Energy. During 2019 SRM participated in a number of national and international meetings and seminars on environment, Green Economy, Blue Economy and sustainability, thus extending its ability to analyse those phenomena.

SRM, among other things, is also part of SOS LOG, the association for the development of sustainable logistics, whose mission is the dissemination of information, research and initiatives aimed at spreading the culture of sustainable transport and logistics.

Intesa Sanpaolo confirmed its commitment to the development of renewable energy in Africa, becoming a Founding Member of Res4Africa. The foundation, which includes some of the main players in the Italian and European energy sector, has the aim of promoting a market, regulatory and financial context that allows investments to be made in renewable energy on the African continent. The partners of Res4Africa include, in addition to Intesa Sanpaolo, Enel Green Power, Siemens Gamesa, Terna, PWC, Engie EPS, Prysmian, Cassa Depositi e Prestiti. In 2019, the Foundation's activity mainly resulted in the organisation of business-to-government events and seminars, preceded by the conduct of market studies, in order to exchange views with the main decision makers of the target African countries on the interventions to be taken to enable investments in renewables, as well as in the organisation of capacity building seminars to create local skills; in addition, the RenewAfrica initiative was launched, with the aim of boosting private investment to support Africa in completing its transition towards clean energy.

Intesa Sanpaolo, through former Mediocredito Italiano, is a partner of Milan Polytechnic in the market trends observatory regarding the renewable energy and energy efficiency.

## STUDIES

The Group's commitment to the development of study and research projects in the environmental field continued in 2019. Listed are some of the most important publications:

- The fifth Report on the Bio-economy - La Bioeconomia in Europa (Bio-economy in Europe), produced by the Intesa Sanpaolo Research Department, which, in addition to providing new estimates of the value of the bio-economy, includes an analysis of the wood and paper supply chain;
- The contribution of the water cycle and waste management to the Bio-economy, conducted by the Research Department, provides further insight into the analysis on the bioeconomy with a specific focus on the sustainability of the two services;
- Le aziende di TPL: alla ricerca della giusta rotta (TPL companies: in search of the right route), the result of the consolidated collaboration of the Research Department with ASSTRA and ANCI on the issue of local public transportation. The Report takes into consideration the growing demand in the field of mobility and the resulting problems of congestion and pollution, which are raising awareness of the fact that only reinforcing, reclassifying and improving the efficiency of local public transport (tram, metro, bus, regional rail network) can promote the sustainable development of Italy;
- Il manifatturiero bresciano tra tradizione e innovazione (Brescia's manufacturing between tradition and innovation), a survey carried out by the Research Department together with the Centro Studi dell'Associazione Industriale Bresciana (AIB), on more than 200 companies, which allowed to shed light on past and future green investments by Brescia's manufacturing companies;
- Un Sud che innova e produce. Il valore dell'innovazione nelle filiere produttive del Mezzogiorno (The value of innovation in southern Italy's production chains), produced by Studi e Ricerche per il Mezzogiorno (SRM) with the contribution of the Intesa Sanpaolo Research Department. The study deals with the issue of public and private supply and demand for innovation, to support the growth of the territories and to promote an innovative, interconnected and eco-sustainable production model;
- SRM's Annual Report on the Italian Maritime Economy, which was presented on the national and international stage and has now become a reference point on this matter for institutions, sector professionals, trade associations, infrastructure and the academic world. Some of the key topics include the sustainability of port investments, reducing emissions produced by ships, the use of environmentally friendly fuels, and reducing road transport in favour of shipping. In 2019, in-depth studies were carried out on how to reduce external logistics costs together with ALIS (Associazione per la Logistica e l'Intermodalità Sostenibile) and on the Ro-Ro (Roll-on Roll-off) naval sector, which is the one that most contributes to the movement of articulated lorries from the road to the sea and is also a sector followed closely by European institutions;
- In 2019 SRM, thanks to the new Mediterranean Energy Observatory (ENEMED) project developed together with the Energy Security Lab (ESL) of the Energy Department of the Turin Polytechnic, presented also to the European Parliament the Annual Report on energy in the Mediterranean, which, among other things, focuses on renewable energies, the gas sector and energy investments in the Mediterranean area.



## EVENTS AND INITIATIVES

In order to raise the awareness of environmental issues among customers and employees, the Intesa Sanpaolo Group participates in various initiatives aimed at increasingly spreading the culture of sustainability and good practices as widely as possible. The main international events in which the Group participated in 2019 were the World Environment Day promoted by UNEP (the United Nations Environment Programme) - whose themes this year were atmospheric pollution and climate crisis and the European Week for Waste Reduction, promoted by the European Commission, whose 2019 edition centred around Education on waste reduction and saw increased participation from the International Subsidiary Banks. In Italy, Intesa Sanpaolo also took part in the Energy Saving Day (part of the "M'illumino di meno" campaign) while some International Subsidiary Banks, namely CIB Bank (Hungary) and Intesa Sanpaolo Bank Albania participated in the WWF's Earth Hour and Bank of Alexandria (Egypt) celebrated the United Nations Earth Day.

The Museo del Risparmio (Savings Museum), together with the European Investment Bank Institute and Scania Italia, promotes SAVE (Sustainability, Action, Travel, Experience, see page 80), a project intended for students of all levels and age groups. The Discovery Truck takes multimedia courses and playful workshops organised by the Museo del Risparmio around the schools of Italy, dealing with the theme of scarcity of resources, whether natural or financial, with the aim of making people reflect on the importance of engaging in the fight against waste. A gift is given to the classes taking part in the project: a cocoa tree. The plants will then build the SAVE Forest, a plantation of 250 cocoa trees in Cameroon which will absorb 13,750 kg of CO<sub>2</sub> annually and will constitute a source of income for farmers. The tree will be geolocated by quantifying the amount of CO<sub>2</sub> captured.

In relation to the International Subsidiary Banks, in 2019, for the first time, an action to offset CO<sub>2</sub> emissions was determined on the occasion of "Novathon", an event promoted since 2016 on an annual basis, dedicated to the theme of innovation and technologies for the banking sector. The fourth edition involved high-level speakers and over 1,500 participants in a conference hosted in the Hungarian capital by CIB Bank (Hungary). Over 500 indigenous fruit trees will be planted by 2020 against around 122 tonnes of CO<sub>2</sub> emitted concurrently with the event.

Also with a view to raising awareness among the community on environmental issues, among others, Intesa Sanpaolo promoted the "Dopo la tempesta Vaia – Insieme per la rinascita dei boschi" project, aimed at contributing to the regrowth of the forests hit by the storm in autumn 2018, with a national fundraising campaign through the Group's crowdfunding platform, For Funding. The project's overall goal is to raise 150 thousand euro. In support of the fundraising, the Bank created the "Doniamo un futuro alle nostre foreste" (Let's give a future to our forests) initiative, which ended in December 2019 and involved children aged between 4 and 12 years. The children were asked to make a drawing of one of their dreams and upload it, with the help of an adult, to the Bank's website. For each drawing, Intesa Sanpaolo paid a contribution of 30 euro towards the project. 3,315 drawings were received for which Intesa Sanpaolo decided to donate the entire credit limit, equal to 120 thousand euro, to the project. The national campaign will continue until 30 March 2020 (unless extended), with the aim of collecting the 30 thousand euro needed to reach the final goal. The project will allow the forests destroyed by Vaia to be partly restored by supporting the pruning and planting works of around 15 hectares in the two-year period 2020-2021 (5 in Veneto, 5 in Friuli-Venezia Giulia and 5 in Trentino-Alto Adige).

The commitment to the environment is testified by another initiative hosted by the For Funding platform. As part of the "La Notte della Taranta Festival", the Bank promoted the "Rigeneri...AMO la natura! Project". The initiative involved four different oases in southern Italy as part of a development and recovery programme, aimed at making the beaches free of waste and allowing access for people with disabilities, the elderly and children with walking difficulties, raising during 2019, through the fundraising promoted on For Funding and via solidarity SMS, over 146 thousand euro.

During 2019, the Corporate and Investment Banking Division and Banca IMI also organised events and sponsorships related to green subjects; notably, Development of the green, social and sustainability bond market, organised together with Icma and Assiom Forex. The event was an opportunity to draw the attention of the financial community to the progress of the implementation of the EU Action Plan for sustainable finance, the role of central banks, supervisory authorities and the financial system for the transition to a sustainable and circular economy and the role of Green Social and Sustainability Bonds as tools to promote the transformation towards a more sustainable economic model.