

INTESA  SANPAOLO

2022 TCFD REPORT





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

Acknowledgement

The pictures included in this 2022 TCFD Report were mainly taken and kindly made available by Intesa Sanpaolo people; they represent a unique contribution to the document.



INTRODUCTION

THE INTESA SANPAOLO GROUP PROFILE

The Intesa Sanpaolo Group is one of the top banking groups in Europe with a significant ESG commitment, a world-class position in social impact and a strong focus on climate.

It is the leading banking group in Italy, with 13.6 million customers and over 3,600 branches; it also has a strategic international presence, with over 950 branches and 7.1 million customers.

The Group¹ operates through six divisions²:

- **Banca dei Territori:** the division focuses on the domestic market and puts the territory at the core of its activities to build stronger relations with individuals, small and medium-sized enterprises and non-profit entities. The division includes the activities in industrial credit, leasing and factoring (loans to customers €247.5bn as at 31.12.2022).
- **IMI Corporate & Investment Banking:** taking a medium-long term view, the division supports corporates, financial institutions and public administrations, both nationally and internationally. Its main activities include capital markets & investment banking (loans to customers €132.9bn as at 31.12.2022).

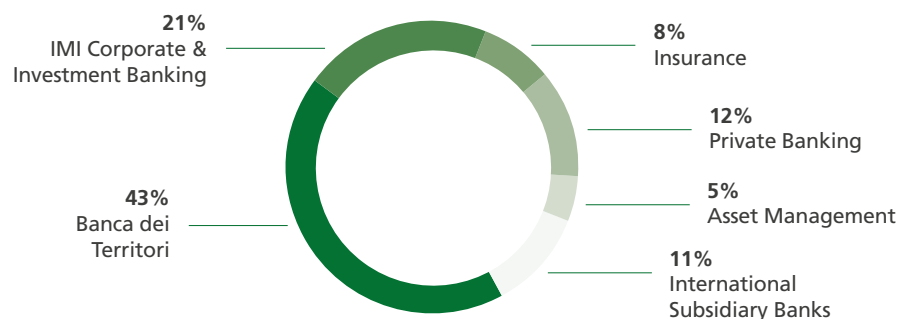
- **International Subsidiary Banks:** the Division includes a number of commercial banking subsidiaries mainly located in Central Eastern Europe, North Africa and Ukraine³ (loans to customers €40.2bn as at 31.12.2022).
- **Private Banking:** the division serves the customer segment consisting of Private Banking clients and High Net Worth Individuals with the offering of products and services tailored for this segment. Fideuram - Intesa Sanpaolo Private Banking Division has a network of 6,648 private bankers.
- **Asset Management:** solutions targeted at the Group's customers, commercial networks outside the Group, and the institutional clientele. The division includes Eurizon, with €304bn of assets under management.
- **Insurance:** insurance and pension products tailored for the Group's clients. The Division holds direct deposits and technical reserves of €174bn and includes Intesa Sanpaolo Vita - which controls Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Intesa Sanpaolo RBM Salute, Intesa Sanpaolo Insurance Agency - and Fideuram Vita.

¹ [Intesa Sanpaolo Profile](#)

² Total loans to customers as at 31.12.2022 ~€446.9bn

³ Intesa Sanpaolo Bank Albania in Albania, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia and Herzegovina, Privredna Banka Zagreb in Croatia, the Prague branch of VUB Banka in the Czech Republic, Bank of Alexandria in Egypt, Eximbank in Moldova, CIB Bank in Hungary, Intesa Sanpaolo Bank Romania in Romania, Banca Intesa Beograd in Serbia, VUB Banka in Slovakia, Intesa Sanpaolo Bank in Slovenia and Pravex Bank in Ukraine

2022 Operating income breakdown by business area*



Note: figures may not add up exactly due to rounding
* Excluding Corporate centre

Leader in Italy

Ranking	Market share**
1	Loans 19.1
1	Deposits*** 21.9
1	Pension Funds 24.1
1	Asset Management**** 24.8
1	Factoring***** 26.0

** Data as at 31.12.22

*** Including bonds

**** Mutual funds; data as 30.9.22

***** Data as at 30.9.22

INTRODUCTION

Climate change is an extremely significant phenomenon and changes taking place are progressively transforming our planet and provoking events which are becoming increasingly disruptive. The constant increase in temperatures due to the growing concentration of greenhouse gases (GHG) in the atmosphere is already causing consequences and repercussions not only for the planet's ecosystem, but also for the economic and social dynamics of present and future generations.

In November 2022, the UN Climate Change Summit (COP27) underlined the urgency of immediate action on climate change and that the EU remains firmly committed to climate neutrality, despite the challenges posed by the energy crisis.

It involved more than 200 governments, banks (Intesa Sanpaolo participated as the only Italian Bank) and stakeholders. Within the main results and commitments announced at the end of the COP27, the green light was given to the Loss and Damage fund which will be used to repair climate-related damage and losses in the most vulnerable developing countries. The 1.5°C target, adopted at COP15 with the Paris Agreement, has been confirmed and, for the first time, renewables are mentioned, alongside low emission energies for the reduction of GHG emissions. Furthermore, the participants to COP27 demonstrated concretely their commitments to combat climate change through, among others, a series of initiatives: the "Bridgetown Initiative" - a proposed reform of the global financial system; the new "Climate Prosperity Plans", national investment strategies that seek to maximize socio-economic outcomes for countries on the frontline of the climate emergency; and the "Global Shield", a breakthrough agreement to provide "loss and damage" funding for vulnerable countries hit hard by climate disasters.

The relevance of the climate change topic was confirmed by the sixth report of the Intergovernmental Panel on Climate Change (IPCC) - which in its third volume "Climate Change 2022: Mitigation of Climate Change" emphasizes the urgency of effective and equitable mitigation actions to counter climate change and the consequent threats to the well-being of people around the world, ecosystems and biodiversity. Moreover, the report underlines the role of banks, which is not limited to providing capital and financial services, as they are also in the position to engage stakeholders to support climate action and mitigate climate change by increasing both the awareness, transparency, and consideration of climate-related risks as well as investment opportunities.

The European Union has made clear commitments to fight climate change, with the aim of reducing emissions by at least 55% by 2030 and making Europe the first climate-neutral continent by 2050.

In January 2020, the Green Deal investment plan was presented. According to the European Commission, to deliver on the European Green Deal, the EU needs to increase annual investments by around €520bn per year (€390bn for economy decarbonisation, particularly in the energy sector, and €130bn for other environmental objectives).

The European Union's commitment to ensure the transition towards a low-emissions economy is confirmed by the Recovery and Resilience Facility, the centrepiece of NextGenerationEU, an instrument which provides for grants and loans subordinated to the presentation of National Recovery and Resilience Plans (NRRP), in which 37% of resources has to be allocated to the climate.

In this context Intesa Sanpaolo is providing over €400bn in medium/long-term lending to businesses and households in support of Italy's NRRP, of which €76bn for green initiatives⁴, circular economy and ecological transition.

In response to the difficulties and disruptions to the global energy market caused by recent international events, the European Commission presented in May 2022 the REPowerEU Plan, aimed at saving energy, producing clean energy and diversifying energy supplies. The plan includes financial and legislative measures to build the necessary infrastructures and systems in Europe.

In January 2023, as a part of the European Green Deal, the European Commission announced the launch of the "Green Deal Industrial Plan for the Net-Zero Age", based on four pillars: predictable and simplified regulatory environment; faster access to sufficient funding; skills; open trade for resilient supply chains.

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

In terms of disclosure, alongside the voluntary publication of the TCFD Report, Intesa Sanpaolo's ESG reporting practices are aimed at meeting EU regulatory requirements set/ that will be set, among others, by the EU Environmental taxonomy, SFDR, CSRD, and Climate Benchmark Regulations.

⁴ 2021-2026

THE TCFD REPORT

Intesa Sanpaolo decided, in October 2018, to support the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and has since published detailed climate-related disclosures in its Consolidated Non-financial Statements (CNFS). The first TCFD Report was released in October 2021, when the formal adhesion to the Net-Zero Banking Alliance was taken by Intesa Sanpaolo as a natural consequence of its widely recognized commitment to ESG matters, which has also led to its inclusion in all the main sustainability indexes and rankings: among others, in the CDP A-List for climate related matters, in the Dow Jones World and Europe Sustainability Indices and the MIB® ESG Indexes.

This second TCFD Report, which is published together with the CNFS, acknowledges the significant work done by the Group on the path towards its Net Zero goals.

In fact, Intesa Sanpaolo has long backed the transition to a low-carbon economy through direct actions developed over the years to mitigate its own emissions and through support to its customers' initiatives and projects. It has been analyzing risks and opportunities deriving from climate change issues and developed a number of projects, some of which finalized in 2022, to ensure climate change issues are correctly addressed (e.g. in credit processes and risk management) throughout the various Group business units. Intesa Sanpaolo's commitment to the fight against climate change is embedded within the 2022-2025 Business Plan and reflected in the targets publicly shared in compliance with the Glasgow Financial Alliance for Net Zero (GFANZ) and in the commitment to obtain validation by the Science Based Targets Initiative (SBTi).

Climate Action Highlights



All main business units committed to Net Zero: NZBA, NZAMI, NZAOA, NZIA



Commitment to mobilize €115bn in sustainable finance, of which €88bn for the green transition in the 2022-2025 Business Plan



€32bn disbursed for the green transition in 2021 and 2022
€3.5bn S-Loan for green and sustainable transition of Italian SMEs, from 2020 to 2022 (€2.2bn in 2022)



15,653 Green Mortgages financed amounting to €2.6bn in 2022



Outstanding Green bond €5.75bn*
First Social bond launched in 2022 €0.75bn



Eurizon Article 8 and Article 9 funds from 46% in 2021 to 54% of total AUM in 2022, expected to reach 60% in 2025



Only Italian Bank included in CDP Climate Change A List



* This amount does not include the recent Green bond £600m issue value date 14.03.2023

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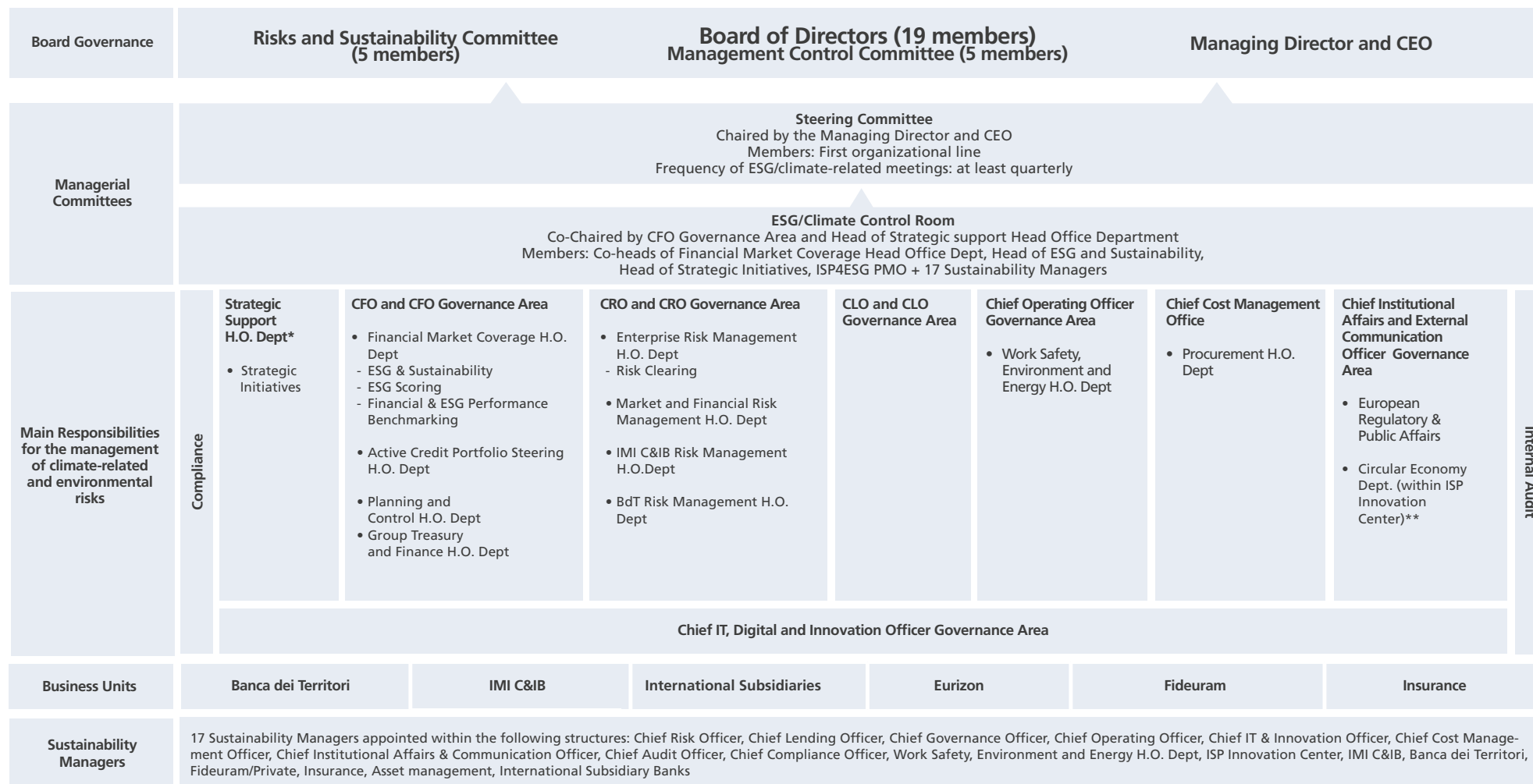


GOVERNANCE

Intesa Sanpaolo's ESG and climate governance draws its foundation on the Board of Directors (BoD) which approves the strategic guidelines and policies on sustainability (Environmental, Social and Governance) and related disclosures, with the involvement of the Board Committees, especially the Risks and Sustainability Committee, all the main corporate bodies among which dedicated ESG structures, and management levels.

MAIN BODIES AND STRUCTURES

The main Bodies and Structures having ESG and, more specifically, climate-related responsibilities within their remit are illustrated below¹.



¹ Detailed information on the corporate governance and remuneration systems are provided in the "Report on Corporate Governance and Ownership Structures" and in the "Report on the remuneration policy and compensation paid" published on the [Bank's website](#), to which reference should also be made

* Reporting directly to Managing Director and CEO

** Subsidiary of the Intesa Sanpaolo banking Group fully dedicated to innovation providing specialized support to all Business Units

Board Governance

BOARD OF DIRECTORS

Supported by the Risks and Sustainability Committee, the BoD approves:

- the Code of Ethics (and its updates), which describes Intesa Sanpaolo's commitment, among others, to social and environmental responsibilities and the Group's Code of Conduct;
- strategies and policies on sustainability (ESG), including the social and cultural responsibility model and the actions to be undertaken to fight climate change, taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders;
- the Risk Appetite Framework, which incorporates ESG risks and, in particular, climate and environmental risks;
- the list of ESG-sensitive areas, that include climate and environmental aspects, relevant for the financing activities of the Group, assessing them on the basis of the analysis of the external environment and in line with the Group's strategic and sustainability objectives;
- the Consolidated Non-financial Statement, as well as all other reporting of note in this area, including the Task Force on Climate - related Disclosure (TCFD) Report, and oversees the Pillar 3 disclosure on environmental, social and governance risks.

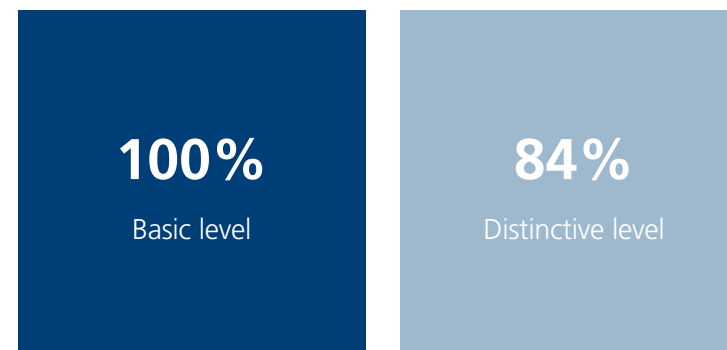
With the support of the Nomination Committee, the Board ensures the implementation of induction plans, aimed at its members (2 induction sessions on ESG, out of 8, were held in 2022).

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

Board oversight and knowledge of sustainability and climate issues

On 29 April 2022, a new Board of Directors (BoD) was appointed for the three-year period 2022-2025. The skills and experience of the Group's Board Members are diverse and broad. Furthermore, 100% of Board members have declared a basic "knowledge of sustainability issues and their integration into the bank's strategies" and 84% a distinctive level, as specified in the self-assessment² presented within the lists of candidates to the BoD.

In 2022, eight inductions were held for the Board members (five dedicated to the new BoD appointed in April). In particular, the new BoD members participated in the onboarding session and in a specific induction that included ESG & Climate topics, with a focus on: overview on ESG scoring, ESG scoring impact on credit strategies, news on CNFS related to the EU Taxonomy; ESG framework on investment services; ESG Control Room and update on the main evolutionary projects of the Group.



² Consistently with Art. 26 of the Consolidated Law on Banking (TUB), Ministerial Decree 169/2020, [ECB Guide to fit and proper assessments](#) and [ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders](#) under Directive 2013/36/EU and Directive 2014/65/EU

Board Governance

RISKS AND SUSTAINABILITY COMMITTEE

In April 2022, the renaming of the "Risks Committee" into "Risks and Sustainability Committee" to reflect enhanced ESG responsibilities became effective. The Committee supports the Board, inter alia, in:

- reviewing and approving proposals associated with strategic, business and financial plans, taking also into account the sustainability policies (ESG) and the budgets of the Bank and the Group, further to evaluation of the stress test results;
- approving the strategic guidelines and policies on sustainability, including the corporate social and cultural responsibility model and the fight against climate change, helping to ensure the best possible risk monitoring and taking into account the objectives of solid and sustainable creation and distribution of value for all stakeholders;
- verifying that sustainability risks - when defining risk appetite and, where appropriate, risk tolerance - and in particular climate and environmental risks, are included in the framework for determining risk appetite and in reviewing and assessing the risks indicated;
- approving the list of ESG-sensitive sectors relevant to the Group's financing, assessing them based on the analysis of the external context and in line with the Group's strategic and sustainability objectives;
- assessing the opinions issued by the Risk Management function with regard to the most significant transactions including those deemed to be transactions relevant to reputational risks and ESG-Climate change;
- approving the Code of Ethics, the Code of Conduct, the CNFS and the TCFD Report. It also examines the material themes, which identify the most potentially relevant issues in the area of sustainability. The Committee also examines the Report on the Code of Ethics and on the principles of social and environmental responsibility.

MANAGEMENT CONTROL COMMITTEE

In liaison with the corporate functions responsible for the sustainability issues (ESG) and the Internal Auditing function, it supervises the compliance with the principles and values contained in the Code of Ethics. With reference to the CNFS, it oversees compliance with the provisions laid down in Italian Legislative Decree No. 254/2016 and reports on that in its annual report to the Shareholders' Meeting.

MANAGING DIRECTOR AND CEO

The Managing Director and CEO governs sustainability performance and has the power to submit proposals to the Board for the adoption of resolutions within its remit. The CEO submits the definition of strategic guidelines and sustainability (ESG) policies including the fight against climate change to the Board of Directors. The CEO ensures the implementation of the resolutions of the BoD, with particular reference to the implementation of the strategic guidelines, Risk Appetite Framework (RAF) - which includes a climate change section - and the risk governance policies defined by the Board of Directors.



Managerial Committees

STEERING COMMITTEE

Chaired by the Managing Director and CEO, includes the first organizational line of the Bank. It contributes to:

- the definition of strategic guidelines and policies related to ESG matters, including the model on corporate social and cultural responsibility and climate changes, to be approved by the Board of Directors;
- examining, prior to approval by the Managing Director and CEO, the Rules documents implementing the Guidelines for the governance of environmental, social and governance (ESG) risks of the Group, which establish criteria, limitations and exclusions for transactions in sectors that are sensitive to ESG and/or Reputational risks, as well as classification criteria for credit products and sustainable lending transactions;
- authorizing in advance specific transactions of relevance to sustainability issues in the exceptional cases provided for in the Guidelines for the governance of environmental, social and governance (ESG) risks of the Group.

The Steering Committee meets at least quarterly in a “Business Plan and Sustainability (ESG)” session, a specific session dedicated to ESG and climate-related matters and their inclusion in the Group’s development plans. The Steering Committee also examines the Consolidated Non-financial Statement, the TCFD Report and any other reports of particular relevance to sustainability issues prior to their presentation to the Board (9 meetings were held in 2022, of which 4 including climate related topics).

ESG CONTROL ROOM

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

It relies on the participation of representatives from the CFO Area and the Strategic Support Head Office Department, and of the Sustainability Managers who, reporting directly to the respective Area and Division heads, guarantee the overall and integrated supervision of ESG initiatives for the relevant department and contribute to the Group’s strategic proposals on these issues (11 meetings in 2022, all of which included climate related topics).



PARENT COMPANY STRUCTURES INVOLVED IN ESG/ CLIMATE ISSUES MANAGEMENT

In 2021 a strong effort was made to include climate and environmental-related responsibilities into management roles across the different Governance Areas and structures of the Group, down to division and business unit level. This process was consolidated in 2022.

The management of Climate Change and Environment matters strongly involves the Chief Financial Officer and the Chief Risk Officer – and the structures within their Governance Areas. The CFO and the CRO report directly to the Managing Director and CEO and meet regularly with the Risks and Sustainability Committee.

Within the ISP4ESG Program, the CFO Area and the Strategic Support Head Office Department set out the overall strategy and coordinate the main intragroup initiatives, also with reference to Climate and Environmental matters.

The **Strategic Support Head Office Department**, reporting directly to the Managing Director and CEO, among others, is in charge of the:

- definition - together with the CFO Area – of the general ESG strategy for the Group and supports the Steering Committee in preparing a proposal for strategic ESG guidelines;
- co-chairing - together with the CFO Area - of the ESG Control Room;
- coordination, by its Strategic Initiatives unit, of specific relevant inter-divisional and inter-functional projects in order to ensure the coherence and the development of synergies in line with the Group's strategic guidelines. The unit is in charge of managing the ISP4ESG Program with a dedicated PMO.

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

on sustainability; in 2021, a new function, **ESG Scoring**, was created within the Financial Market Coverage Head Office Department. It developed and is in charge of enhancing and managing a common scoring model for the banking book portfolios designed to determine the current and future positioning of the Parent Company and subsidiary banks' corporate customer counterparties with regard to sustainability, on the basis of ESG criteria. The ESG Score is an important part of the new Climate/ESG Credit Framework. With a view to strengthening ESG data collection, ESG responsibilities are attributed to the **Financial & ESG Performance Benchmarking unit**, in order to develop and carry out extensive ESG benchmarking to support strategy and business model analysis.

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

The **Group Treasury Head Office Department** is involved in the origination and structuring of Parent company bonds related to sustainable finance (e.g., green, sustainability and social bonds) for institutional investors.

Within the **Planning and Control Head Office Department** a function focuses on supervision, within the Bank, of: ESG data collection, consolidation and analysis processes regarding ESG reporting; monitoring of the ESG KPIs relevant to the achievement of the Business Plan targets; ESG KPIs budget process.

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

Within the CRO's Governance Area:

- the Enterprise Risk Management Department defines, among others, the Risk Appetite Framework which includes, from 2021, a specific focus on "ESG and Climate Change risks". It is also in charge of the processes to identify, assess and manage climate-related risks in collaboration with other departments (among others, developing materiality assessments, defining climate sensitive sector policies, running stress test activities, scenario analysis and monitoring of climate risks in ongoing processes). Under the Enterprise Risk Management Department, the Risk Clearing sub-Department is the competence centre for Climate Change and ESG risk management, also in charge of the ESG & Reputational Risk Clearing Process. The structure defines and updates annually the Climate/ESG Materiality Assessment in which Climate/ESG risk levels are assigned to each economic sector/portfolio, and the sectors most exposed to these risks are identified. The structure is in charge of verifying the alignment of the portfolios with climate neutrality target set by the Group (Net-Zero Banking Alliance and Science Based Targets), contributing to the definition of mitigation actions;
- in the proposal of Guidelines and Rules for the management, measurement and control of the risks of valuation, market, counterparty, interest rate, exchange rate, equity investments, liquidity at Group level, the Market and Financial Risk Management Head Office Department contributes to ESG (including climate change) risk oversight;
- the IMI C&IB Risk Management Head Office Department and the Banca dei Territori Risk Management Head Office Department define the Credit Risk Appetite also with reference to ESG and climate related risks and are in charge of the development and management of Internal Rating Models.

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

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

The CFO, CRO and CLO governance areas, in line with General Rules on Credit Strategies, all cooperate in the application of Intesa Sanpaolo credit strategies' framework, that among its pillars has the evaluation of ESG Sectorial strategy.

As concerns the Group's own environmental footprint, within the **Chief Operating Officer Governance area, the Work Safety, Environment and Energy Head Office Department** oversees the compliance risk in relation to the implementation of environmental norms pursuant to Legislative Decree 152/2006, identifies actions, measures and proceedings required to promote the rational use of energy for the whole Group. The Department is also in charge of preparing and monitoring the Own Emissions Plan. The Department is also in charge of the Environmental, Energy and Health and Safety Management Systems, applied in all Italian branches and buildings, certified by an international third party according to the ISO 14001, 50001 and 45001 standards and of the Group's Environmental policies. Moreover, the Department closely manages risks connected with climate change by assessing climate risks for the Bank assets and promoting adaptive behaviour designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention.

Within the Chief Audit Officer Governance Area:

- the Global & Strategic Risks Audit Head Office Department supervises, among other responsibilities, the strategic risk, primarily related to the definition and implementation of the Business Plan and risks related to ESG issues (including climate change);
- following enhancements in the new organizational chart, in April 2021, Strategic & ESG Risks Audit has taken responsibility for the assessment of the Bank's ESG framework and monitoring of the Bank's action plan related to climate and environmental risk management, also in relation to the alignment to the ECB Expectations.

In 2021 the Governance Area initiated a multi-year audit program on the ESG framework, the first action of which ("Cross-Sectional ESG Audit") was mainly focused on the analysis of the Governance of the entire ISP4ESG Program and some initiatives on Credit and Sustainable Investment. The 2022 ESG audit activity consisted of an Audit Program regarding the analysis of the evolution of Governance (Reporting, Stress testing, Product Governance) and the ESG framework (methodologies for ESG Scoring of Parent Company and Eurizon, ESG impacts in the Credit Granting and Funding process). 10 audit activities were carried out on these issues in 2022.

The **Chief Compliance Officer Area** has updated its mission including ESG matters within the regulatory topics subject to evaluation. It ensures the oversight of non-compliance risk related to Environmental, Social and Governance (so-called ESG factors). It is also involved in the assessment of the ESG profile of new products and services within the Product Governance framework.

Through the **Chief Institutional Affairs and External Communication Officer Governance Area**, Intesa Sanpaolo regularly monitors the regulatory framework also on the topic of climate change at international, European and national level. It coordinates the activities related to responses to public consultations (including climate-related consultations), drafting of papers or amendment proposals, both directly and through the relevant trade associations.

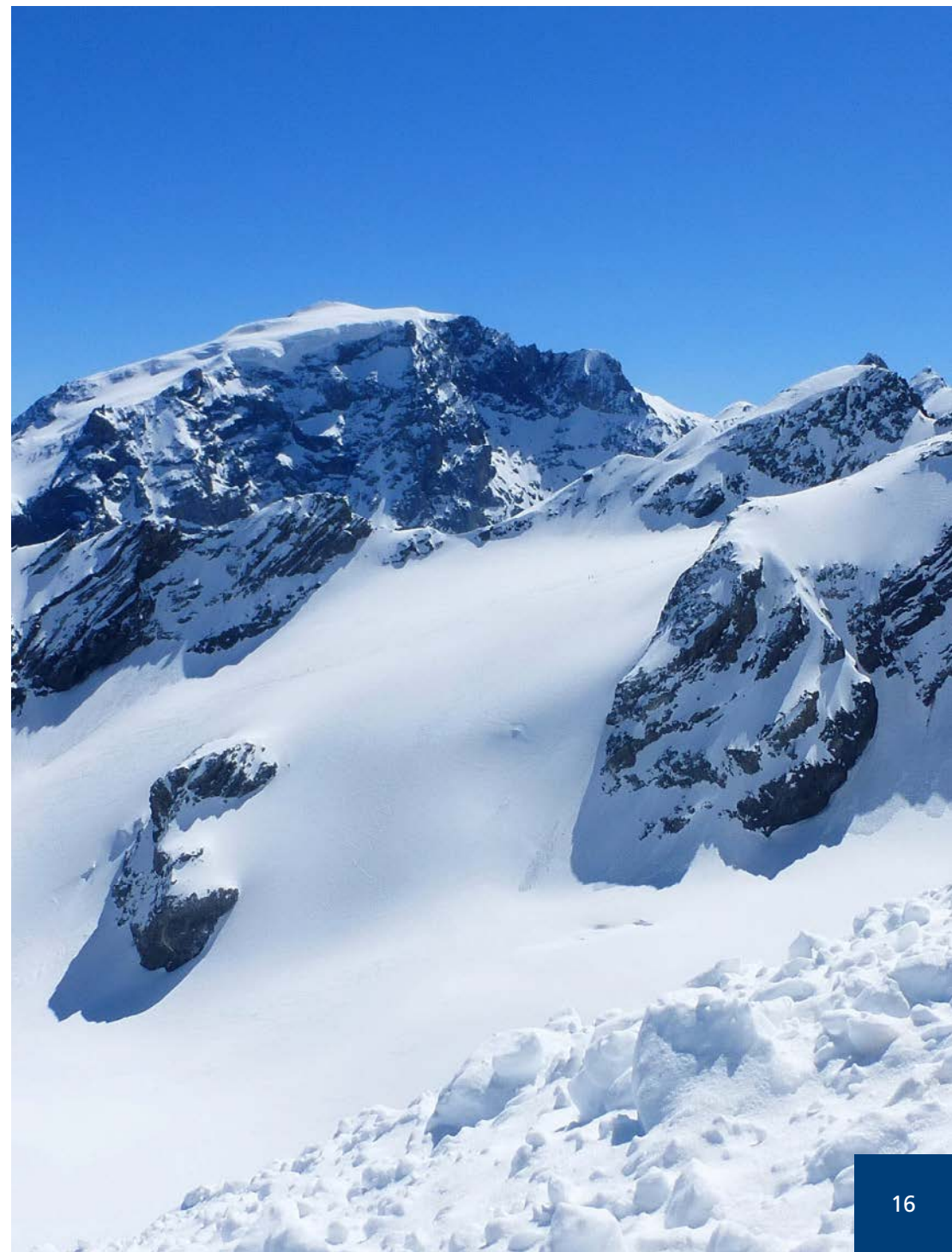
The **Head Office Department Procurement**, part of the **Chief Cost Management Officer Governance Area** in line with Intesa Sanpaolo Code of Ethics monitors procurement activities, including ESG aspects; in addition, it coordinates and manages the Group's Register of Suppliers, with checks and verifications on suppliers through a dedicated questionnaire. The assessment - from a risk-based perspective - includes ESG criteria.

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

As concerns ESG governance within the **International Subsidiary Banks Division**, a dedicated office was created to support the Sustainability Manager, who coordinates the activities of the ESG Manager appointed in every single bank, usually identified in the deputy CEO and assisted by an ESG team.

The **Legal Affairs Head Office Department - Group General Counsel** within the **Chief Governance Officer Area**, provides legal advice and assistance to central structures of Intesa Sanpaolo that have service contracts in place relating to the Bank's and Group's ESG initiatives.

Finally, the contribution of the **Chief IT, Digital and Innovation Officer Governance Area** is fundamental for the integration of ESG criteria into procedures and systems. Among others, the Area actively participates in the Green Software Foundation. Aware of the impact of the software on the energy consumption, to facilitate the writing of more sustainable software the Governance Area is carrying out two new activities: the Green Index, which indicates a software green performance; the CO₂ Impact (experimental) that quantifies the CO₂ emitted by our servers/providers that are running the software. Such measures were adopted, for example, in the development of the new digital bank Isybank.



ESG – LINKED REMUNERATION

The Shareholders' Meeting of 29 April 2022 approved, upon proposal by the Board of Directors, the 2022 Group Remuneration Policies³. These Policies regulate the annual Incentive System that includes the so-called “ESG Group transversal KPIs” assigned in the Performance Scorecards of Top and Middle Management, in Italy and abroad, for an overall total of approximately 3,000 resources (2,100 in 2021 and 1,200 in 2020).

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

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

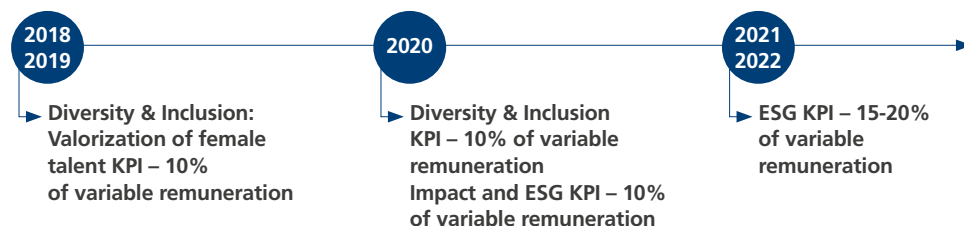
- at Group level, the presence of Intesa Sanpaolo in the sustainability indexes of specialized companies will be assessed;
- at Governance Area/Division level, the following will be assessed:
 - specific projects/actions in the ESG field such as, for example:
 - supporting the green economy and circular economy in terms of YoY increase in customer lending volumes relating to ESG Products (Sustainability Linked Loans, Green/Transition Loans, Circular Economy Loans and Green Mortgages) and reduction of exposures on sectors at ESG risk;
 - growth of Sustainable Investments through the increase in the assets of ESG products managed and the increase in the % incidence of AuM present in Asset Management products classified under articles 8 and 9 – EU Regulation 2019/2088 (YoY growth);
 - enhancement of the Group's artistic and cultural heritage.
 - The achievement of the commitments on Diversity & Inclusion expressed in line with the Group Principles on that issue.

FOCUS: THE 2022 INCENTIVE SYSTEM FOR THE MANAGING DIRECTOR AND CEO

	KPI	Weight	
Group Objectives 70%	Net income	20%	
	Operating Income / RWA	20%	
	Cost / Income	20%	
	Gross NPL ratio	10%	
Qualitative evaluation 30%	ESG	15%	<ul style="list-style-type: none"> ■ Presence of Intesa Sanpaolo in the sustainability indexes of specialised companies (number of appearances) ■ Achievement of diversity and inclusion commitments assigned to each Division/Governance area with a focus on gender equality: <ul style="list-style-type: none"> • in annual hires • in the pools of candidates for first appointment to managerial roles Group initiatives in the ESG area: <ul style="list-style-type: none"> • Support to green and circular economy: <ul style="list-style-type: none"> - YoY increase in Loans to Customers relating to ESG products (Sustainability Linked loans, Green/Transition Loans, Circular Economy Loans and Green Mortgages) - Reduction of the loans towards ESG risk related sectors • Growth of sustainable investments: Increase in the assets of ESG products managed • Youth and Work Program • Enhancement of the Group's artistic and cultural heritage
	Group Digital Transformation	15%	Evaluation based on the following drivers: <ol style="list-style-type: none"> 1. Isybank set up 2. Expansion of sales channels and methods of digital interaction (both online and mobile) to support the Group's distribution strategy set out in the 2022-2025 Business Plan - YoY increase 3. Digital transformation acceleration in a Cloud-Ready logic

³ Detailed information on the remuneration system are provided in the “Report on the remuneration policy and compensation paid” published on the [Bank's website](#)

The performance evaluation period (accrual period) is annual. As shown in the figure below, a 15% weight was assigned to the ESG transversal KPI (in line with 2021 and up from 10% in 2020). This is raised to 20% for the CFO and the Head of the Strategic Support Head Office Department as heads of the ESG Control Room, as well as for the Chief Compliance Officer, in light of the relevance of Compliance issues in the ESG area.



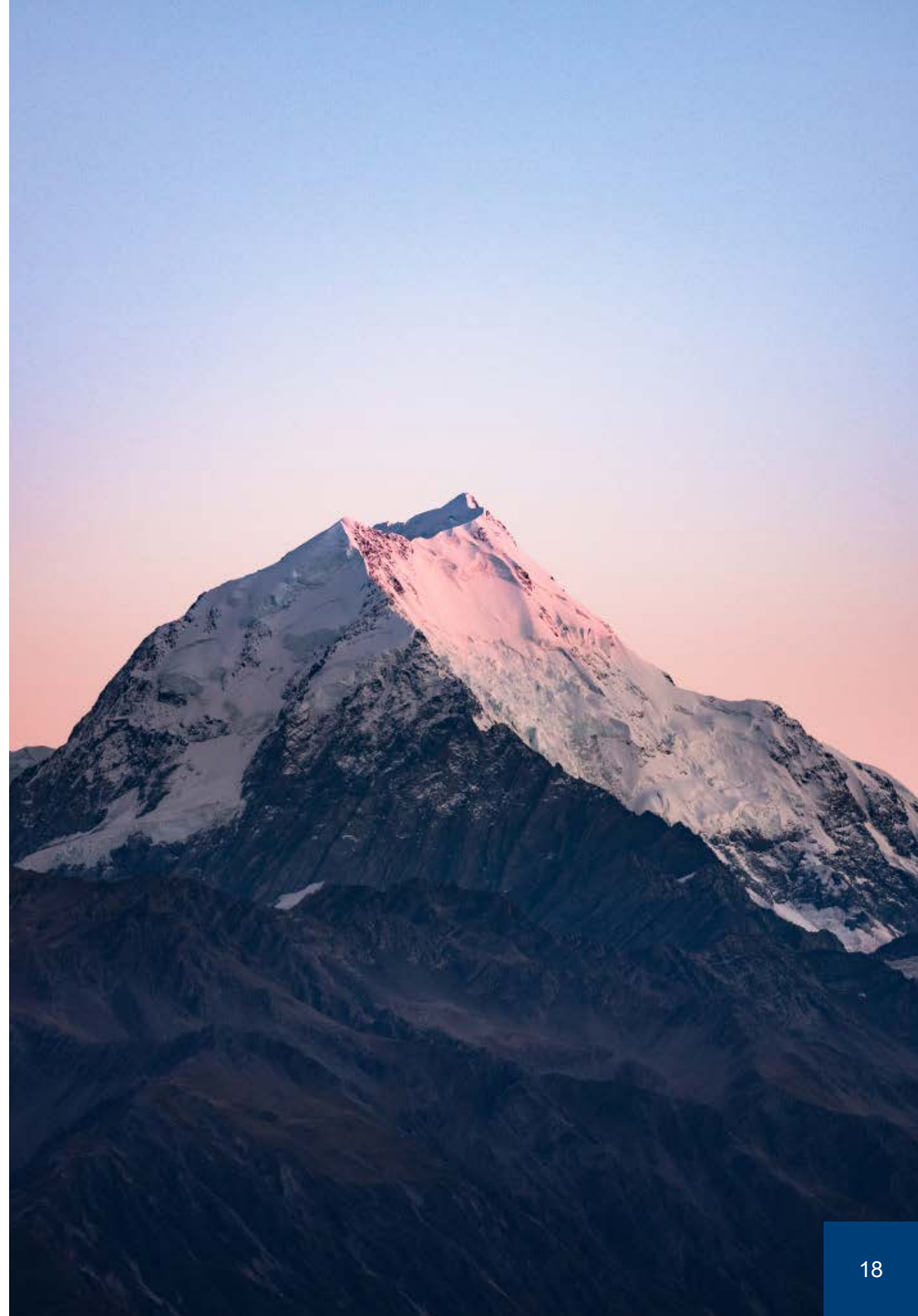
The ESG component is also included in the two Long-Term Incentive Plans for all Intesa Sanpaolo employees and launched in conjunction with the 2022-2025 Business Plan.

In particular, the Performance Share Plan (PSP) is addressed to the Management (approximately 3,100 beneficiaries – including the Managing Director and CEO, the remaining Group Top Risk Takers, and the other Group Risk Takers), based on shares and subject to the achievement of performance objectives. The Plan is aimed at enhancing sustainable performance over time and therefore, it includes an ESG composite KPI based on three sub-KPIs, one for each of the three factors: E-S-G. The ESG KPI, which target level is defined in the 2022-2025 Business Plan, acts as a demultiplier by reducing by 10/20%, depending on the degree of achievement, the number of accrued shares on the basis of the achievement of the Plan objectives.

In addition to the PSP, for all Italian Professionals (45,629 people have joined the Plan – about 63% of those eligible), the LECOIP 3.0 Plan based on Certificates having ISP shares as underlying has been launched in 2022. If the Group reaches the target level of the ESG composite KPI defined in the 2022-2025 Business Plan (the same used for the PSP Plan), a minimum appreciation of 4% calculated as a fixed percentage of the Initially Allocated Capital is paid. If the indicator is not achieved, the amount that is not distributed among employees is invested in ESG projects that can contribute to the achievement of failed targets.

For both the Performance Share Plan (PSP) and the LECOIP 3.0 Plan, the ESG KPI includes an environmental sub key performance indicator (weight 40%⁴) based on new lending to the green/circular economy and green transition with a major focus on supporting Corporates/SMEs transition.

⁴ Social sub-KPI (number of employees who successfully completed re-skilling training and were employed in a job in line with their newly acquired skills, or who completed up-skilling training) weights 40% and governance sub-KPI weights 20% (percentage of women in senior roles, new appointments i.e. -1 and -2 organizational levels below the CEO)



STAFF TRAINING TO INCREASE AWARENESS ON ESG AND CLIMATE CHANGE

Intesa Sanpaolo is aware that engagement of all employees is crucial for an effective and successful sustainability and ESG strategy. This also means offering initiatives to foster the culture of sustainability, developing and strengthening skills that are essential for the implementation of business strategies in terms of generating environmental, social and economic value.

The Group has set a challenging target at the ESG training level: 100% of trained people in ESG topics to be reached over the 2022-2025 Business Plan.

The achievement of this goal is supported by a Training Plan structured on two levels: a base level, cutting across the various issues and delivered to all employees mainly through online Learning Objects, and an in-depth or specialist level, on individual issues, curated by the Divisions and Governance Areas concerned.

In 2022 the Group's total number of participants to ESG training was about 87,000 (92% of the total number of employees) for a total of over 640,000 hours.

Specifically, as concerns the environment and climate change, as at 31.12.2022, in the Italian perimeter, 197 Learning Objects dedicated to the environment were made available through multimedia platforms, including topics such as: CO₂ Market; Net Zero; energy transition, decarbonization and renewable energy; the challenge of climate change and environmental protection. Over 40,000 participants completed these learning objects.

Specific courses are compulsory for staff directly involved in the application of Environmental and Energy Management Systems (nearly 6,000 employees as at 31.12.2022), but they are also available to all employees with a view to disseminating good practices.

Focus on Climate training in IMI C&IB

IMI C&IB is committed to raising awareness among colleagues, in Italy and abroad, on ESG and climate issues. This involved all the Division throughout 2022 in a continuous knowledge sharing, both within the Division itself and with the other structures of the bank, with a particular focus on issues related to climate change, climate impact, climate risk.

As part of the internal communication and dissemination activities on Atlante, the Division's intranet portal, extensive prominence was given to all ESG-related issues, both by re-launching Group news, initiatives and documents and by publishing content created directly by the people who are part of the Editorial board.

Within the "live" schedule of the new high school academic path "IMI C&IB Next Generation Education Program", promoted in collaboration with Digit'Ed⁵ and SDA Bocconi, that involved 42 Professionals, selected within the Division, broad relevance was also dedicated to ESG issues with specific focus on Climate Change and the connected risks.

In-depth knowledge of these issues is functional to better support customers in decarbonization processes, also in view of the Net Zero portfolio targets the Group committed to.

Focus on Intesa Sanpaolo Divisions' Climate related training

Asset Management	As part of the mandatory training within the "30 hours" path in Eurizon Capital SGR, two ESG-related courses were provided: "Sustainability and ESG Circular Economy rating and active shareholding related to ESG factors" that involved over 110 people, and "An innovation in the bond sector: the green Bonds" attended by 90 people.
Private Banking	Fideuram - Intesa Sanpaolo Private Banking, in support of the expansion of the ESG product offering, in 2022 launched several information and training activities, including: <ul style="list-style-type: none"> ■ a six-meeting plan for the Division's Top Management, carried out in collaboration with Intesa Sanpaolo's Institutional Affairs Department, focused on the evolution of EU legislation on ESG issues; ■ a comprehensive training program for ESG certification for financial advisors (more than 51,000 hours delivered to over 3,050 participants in 2022) and for private bankers, employees and agents (~13,900 hours to over 1,040 participants).
International Subsidiary Banks (ISBD)	In 2022, the International Subsidiary Banks Division (ISBD) has continued to carry out initiatives and to organize learning courses in order to increase knowledge and awareness of ESG and climate issues. <p>This process involved transversally various corporate functions in the subsidiaries and in the Division's head office, as well as Board members.</p> <p>Some of the topics of the initiatives were: ESG risk management, green banking procurement, energy efficiency saving of buildings, and the circular economy with dedicated webinars.</p> <p>In 2022 in relation to energy efficiency and climate change two courses were held. The first, attended by about 50 people, deepened the theme of energy efficiency, while the second, was focused on methods for measuring GHG emissions.</p>

⁵ With effect from 1 July 2022, Intesa Sanpaolo Formazione s.p.a. was the subject of a complex corporate transaction that led to the change of its name (now Digit'Ed s.p.a.), the sale of the shareholding and the subsequent exit outside the ISP Group

INTESA SANPAOLO PENSION FUND

ESG criteria are important in the retirement schemes of ISP's employees, and therefore the Pension Fund has adopted its own ESG Policy. The ESG Policy is implemented through many approaches, among which the positive selection of investments according to environmental, social and governance criteria. The Fund is a signatory of UN PRI and a supporter on Climate Action 100+.

All the sub-funds open to new subscriptions are regularly analyzed and all the ESG KPIs, where present, are calculated and monitored by an external ESG advisor. These sub-funds are actively managed and have a better ESG Rating and a lower carbon footprint than the related benchmark.

Specifically, in 2020 "Futuro Sostenibile" was launched, an ESG investment option that managed €134m, with over 17,700 subscribers, as at 31.12.2022.

At the end of 2022 "Futuro Sostenibile" was invested in 4 funds with a specific ESG focus: 3 equity funds classified as Article 9 according to EU Reg. 2088/19 (SFDR) and one bond fund classified as article 8. The equity funds selected have a specific target on positive impact and one of these aims also to support climate change adaptation through solutions on infrastructures, water waste, agriculture resilience, aquaculture and forestry resilience. One of the art. 9 equity funds is focused on Climate change and aims to mitigate emissions also thanks to renewable energy and energy efficiency solutions and sustainable agriculture.

Futuro Sostenibile takes into consideration some Principal Adverse Impact (PAI) with the aim of positioning the portfolio better than the reference benchmark, identifying mitigation actions where necessary; the selected indicators are:

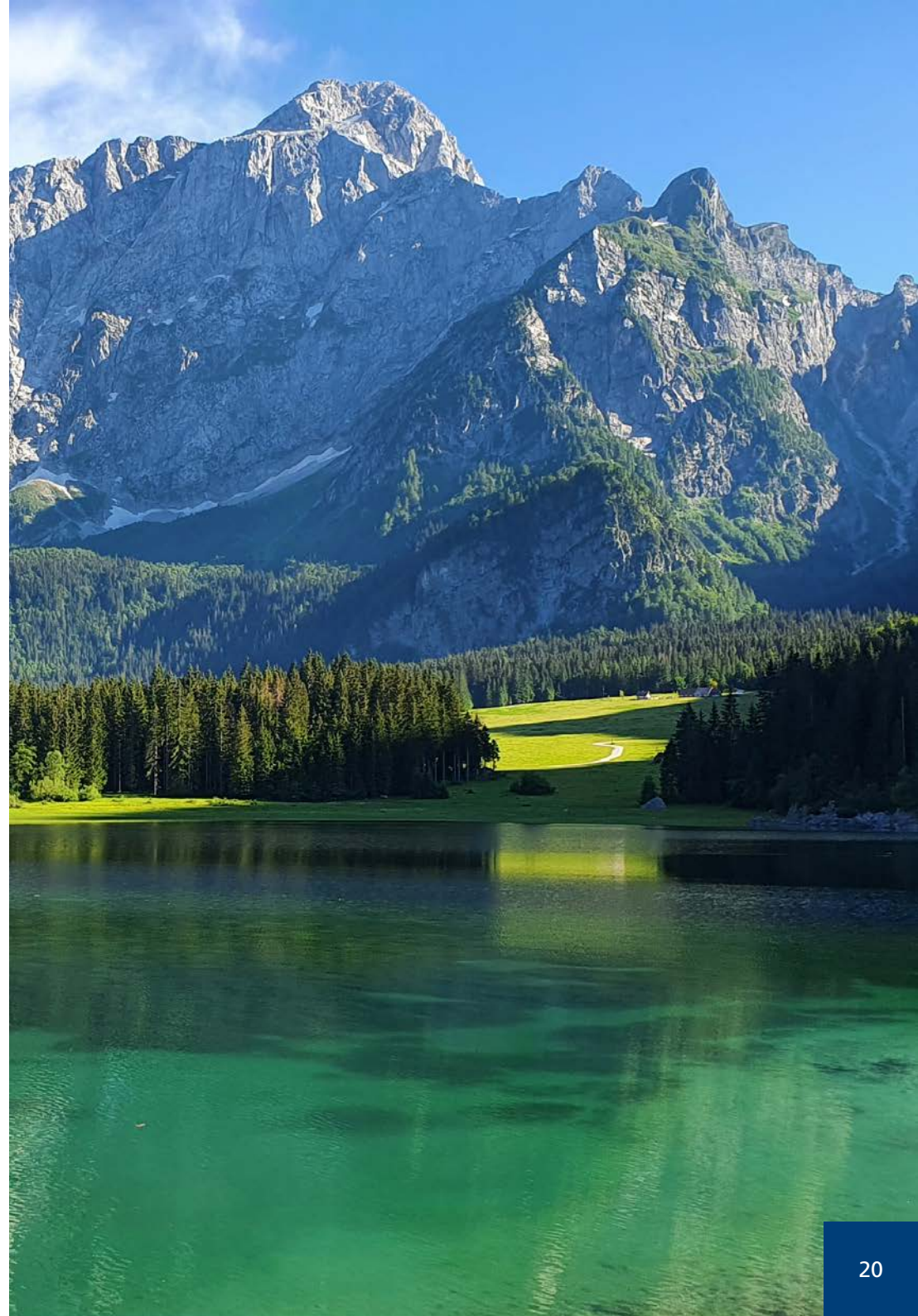
for Environmental indicators

- PAI no. 1 - GHG emissions Scope1 GHG emissions and Scope2 GHG emissions;
- PAI no. 4 - Exposure to companies active in the fossil fuel industry - Share of investments in companies active in the fossil fuel sector;

for Social indicators

- PAI no. 10 - Violations of the principles of the United Nations Global Compact and of the Organization for Economic Co-operation and Development (OECD) guidelines for multinational enterprises - Share of investments in companies benefiting from investments that have been involved in violation of the principles of the United Nations Global Compact or the OECD guidelines for multinational enterprises;
- PAI no. 14 - Exposure to controversial weapons (landmines, cluster munitions, chemical and biological weapons) - Share of investments in companies receiving investments involved in the manufacture or sale of controversial weapons.

The Fund has also identified 7 complementary environmental and social PAI indicators to be monitored; these indicators were selected in relation to the portfolio coverage within the list of 46 indicators defined by the EU Reg. 2088/19 (SFDR).





STRATEGY

THE FRAMEWORK

CODE OF ETHICS (ABSTRACT)

Listening and Dialogue

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

We therefore:

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

Responsible and Efficient Use of Resources

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

Environmental and Social Responsibility Along The Supply Chain

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

MAIN ESG/CLIMATE RELATED GROUP AND SUBSIDIARIES' POLICIES

Group guidelines for the governance of Environmental, Social and Governance (ESG) risks

In 2022, Intesa Sanpaolo updated the Group Guidelines, that define the general criteria for the management of ESG risks in the main areas of activity, adopting a medium-long term strategy and a transversal and holistic approach to ESG issues.

Rules for lending operations in the Coal sector

The policy sets out, for the Group, limitations and exclusion criteria that apply to the Coal sector and in particular to new coal fired power plants and mines.

Rules for lending operations in the unconventional Oil&Gas sector

The policy introduces specific exclusions and limitations to operations linked to the main unconventional resources: tar sands (oil sands) and shale/tight Oil&Gas. Furthermore, it sets out limitation criteria for Oil&Gas operations in fragile ecosystems.

Rules for the environmental and energy policy

The Rules outline the Intesa Sanpaolo's approach in preventing, managing and, where possible, reducing the environmental impacts (including those related to energy consumption) generated.

Rules on Green Banking Procurement

The Rules define the minimum sustainability criteria in the purchases of paper, stationery, toner, electricity, office machines as well as in the restructuring of the Group's real estate assets.

Health and Safety Policy

Within the Policy, the Occupational Health and Safety Management System, compliant with the [UNI ISO 45001](#) standard, has been integrated with the Environmental and Energy Management System whose requirements and principles are defined by the standards: [UNI EN ISO 14001](#) and [UNI CEI EN ISO 50001](#).

Organization, management and control model

The document contains the organization, management and control model of the Group drawn up pursuant to Legislative Decree no.231 also inspired by the Guidelines drawn up by the Italian Banking Association (ABI) and approved by the Ministry of Justice and references a number of environmental issues.

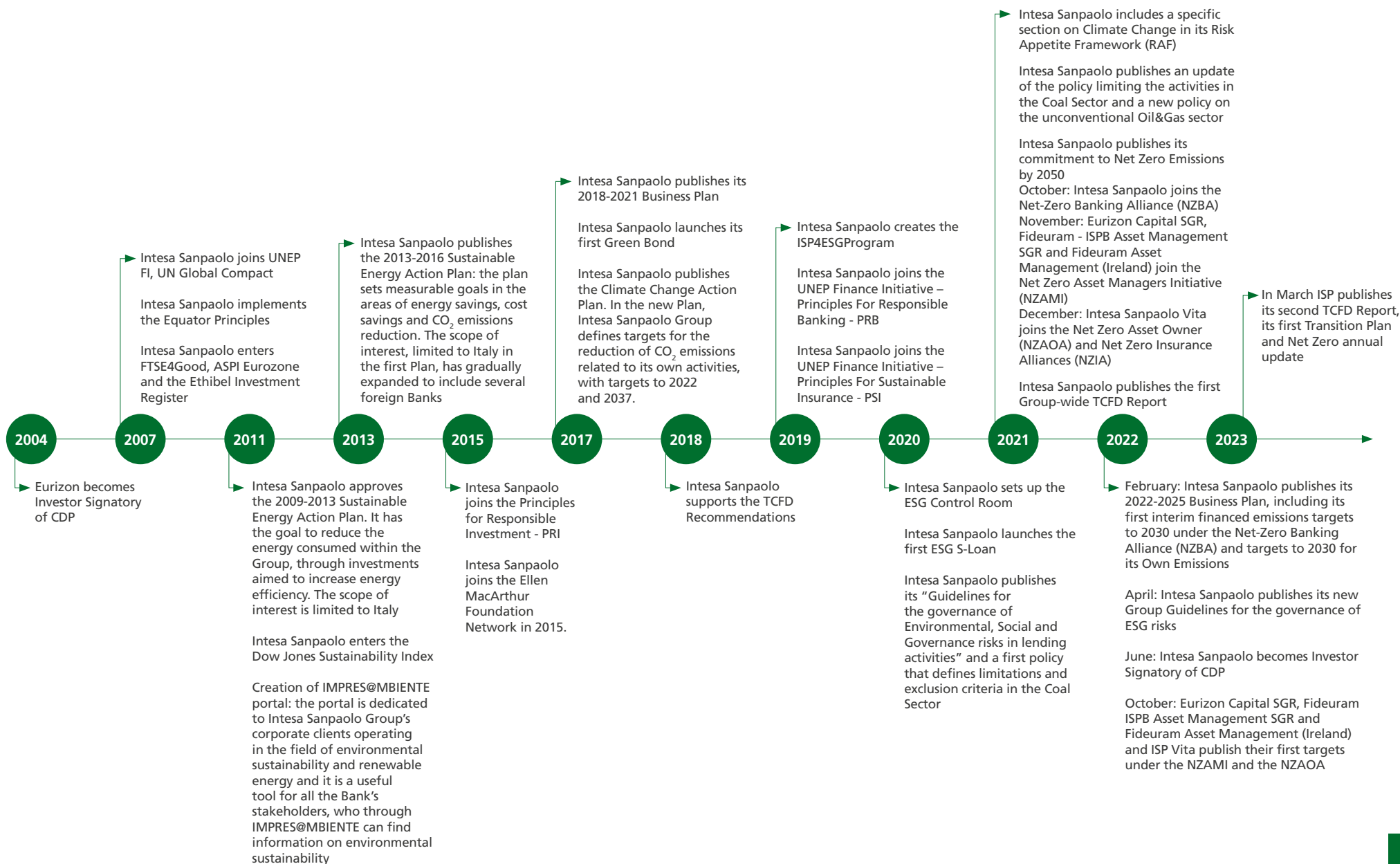
Subsidiaries Policies

In addition to Group policies, dedicated Sustainability Policies are issued by the Group's Subsidiaries which include specific reference to climate topics.

- [Eurizon Sustainability Policy](#) (October 2022)
- [Fideuram AM Ireland Sustainable and Responsible Investment Policy](#) (July 2022)
- [Fideuram - Intesa Sanpaolo Private Banking AM SGR¹](#) (July 2022)
- [Intesa Sanpaolo Vita Policy on Sustainability](#) (June 2022)

¹ Available in Italian only

ON THE PATH TO NET ZERO



GROUP STRATEGY

The Intesa Sanpaolo Group is aware of the challenge posed by climate change and has recently confirmed, by adhering to the Net-Zero initiatives promoted by UNEP FI, and further detailed in the 2022-2025 Business Plan, its commitment to contribute to achieving global climate goals, facilitating the transition to a low-carbon economy.

In line, among others, with the principles of its Code of Ethics, Intesa Sanpaolo considers robust sustainability governance, solid risk management, the development of an adequate range of products - including loans, services, a wide range of sustainable and responsible investments - as well as the implementation of processes, rules and procedures to support the transition towards a sustainable, green and circular economy, as an integral part of its strategy to combat climate change. In developing its strategy, the Group is also inspired by the "Just Transition" principles, according to which the transition to greener, more resilient and climate-neutral economies and societies must take place fairly and leave no one behind.

Intesa Sanpaolo pays particular attention to the dissemination of knowledge and training on climate and ESG within the Group and to its customers. It also offers its contribution through engagement processes with various stakeholders.

In addition to managing its environmental footprint, Intesa Sanpaolo can exert a strong influence on activities and behaviors that it cannot directly control and thus favor the transition, orienting capital in support of a sustainable economy. The Group has a diversified business model – with revenues from financing, investment, and asset management and insurance underwriting activities – and serves the various sectors of the economy both at the national and international level. This diversification increases the breadth of analysis and action to be taken with respect to climate related risks, but on the other hand offers a wider range of climate-related opportunities.

Intesa Sanpaolo has always been committed to promoting environmental sustainability, focusing not only on climate change – an issue which has high relevance for stakeholders, as evidenced in the list of material themes² - but also aiming at the conservation of nature. The development of a biodiversity policy is expected within the horizon of the 2022-2025 Business Plan.

Intesa Sanpaolo has also committed, within a wide reforestation and forest protection project, to plant and preserve 100 million trees either directly or through dedicated loans to customers. In particular, Intesa Sanpaolo engages to make available to its customers products and services for the climate transition and the reduction of gross emissions of climate-altering gases,

supporting projects to protect and rebuild natural capital. The in-depth studies in progress have an initial focus on small and medium-sized enterprises and include forest management activities, in line with the commitments undertaken in the Business Plan.

Intesa Sanpaolo has chosen to pursue the "Net Zero" objective by 2050 for all its main business lines, including its own emissions, the lending and investment portfolios, the asset management and insurance divisions. In the fourth quarter of 2021, in addition to joining the Net-Zero Banking Alliance (NZBA), Intesa Sanpaolo joined the Net Zero Asset Managers Initiative (NZAMI) through Eurizon Capital SGR, Fideuram ISPB Asset Management SGR and Fideuram Asset Management (Ireland), and the Net Zero Asset Owner Initiative (NZAOA) as well as the Net Zero Insurance Alliance (NZIA) through Intesa Sanpaolo Vita.

With reference to financed emissions, in February 2022, within the 2022-2025 Business Plan, the intermediate net zero aligned reduction targets for 2030 were presented for the Oil&Gas, Power Generation, Automotive and Coal mining sectors, which accounted for more than 60% of the financed emissions of the portfolio of non-financial companies in the sectors indicated by the NZBA. With reference to coal mining, in particular, phase out is set by 2025, as provided for in the Rules for lending operations in the coal sector, updated in July 2021. The Rules for lending operations in the unconventional Oil&Gas sector were also published in 2021, which introduced specific exclusions and limitations on operations connected to the main unconventional resources and fragile ecosystems, with a phase out within 2030.

In relation to the targets set in the 2022-2025 Business Plan, the Group has drawn up its first Transition Plan, in compliance with the requirements of the NZBA and following the indications of the GFANZ³; the Transition Plan and the first monitoring of the targets included in the Plan and related to the NZBA are available in the "Metrics and Targets" chapter of this report.

In 2022, Intesa Sanpaolo committed to obtain the validation of the emission reduction targets from the "Science Based Target initiative" (SBTI)⁴. The preparatory work for the submission of the necessary documentation will continue during 2023.

The Net Zero commitment was also consolidated through the release of intermediate targets⁵ - published in October 2022 - by the Intesa Sanpaolo companies active in wealth management (members of the NZAMI and the NZAOA).

² Please refer to the 2022 Consolidated Non-financial Statement

³ Glasgow Financial Alliance for Net Zero

⁴ SBTi (Science Based Targets initiative) is a partnership between CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and WWF. SBTi validates the targets as "science based" if they are in line with the latest scientific evidence to achieve the objectives of the Paris Agreement

⁵ Press release - Intesa Sanpaolo Group's wealth management companies set Net Zero targets

Targets will be monitored and extended in line with the requirements of the different Net Zero initiatives.

The strong effort deployed over the years by the Group to reduce its own emissions brought to the successful achievement of the main targets included in three subsequent plans, leading to significant results: -55.5% of CO₂ from 2008 to 2022⁶ and 91% of energy purchased from renewable sources at end 2022. With the new Own Emissions Plan, the Group expects to reach carbon neutrality and 100% of energy purchased from renewable sources by 2030.

During 2022, the Group also focused on the actions envisaged in the Action Plan, presented in 2021 in response to the 13 supervisory expectations defined in the ECB's "Guide on climate and environmental risks", covering four macro areas: business models & strategy, governance & risk appetite, risk management and disclosure. The implementation of these actions will continue in 2023 in line with the timescales set out in the Action Plan itself.

Among others, the design of the ESG/Climate Credit Framework was finalized in 2022. It provides for the integration of ESG/Climate metrics, i.e. ESG sectoral strategy, counterparty ESG score and Sustainable Lending Products framework, within the whole Credit Framework, namely Risk Appetite Framework, Credit Risk Appetite (CRA), Credit Strategies and the Underwriting process.

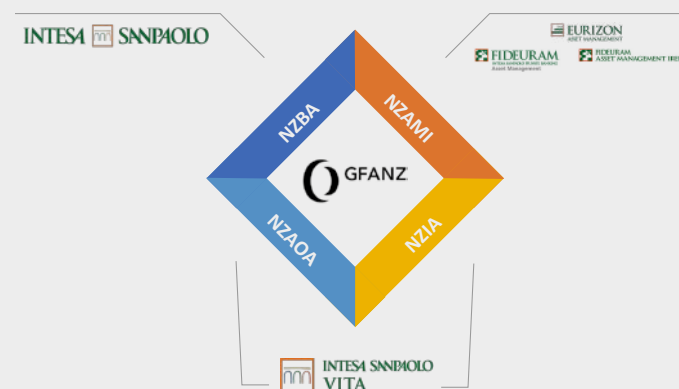
From 2021, the Group Risk Appetite Framework (RAF) has introduced a section dedicated to ESG, Climate Change and reputational risks which includes qualitative and quantitative elements, progressively enhanced over the years. For a full description of enhancements please refer to the Risk Management chapter.

As concerns the promotion of sustainable financial products and services to foster the transition to a low-carbon economy model, within its 2022-2025 Business Plan Intesa Sanpaolo committed to provide strong support to the green and circular economy, as well as the ecological transition, through a total of €88bn made available to finance new lending opportunities.

The availability and/or provision of eligible financing is also underpinning green and social bond issuances. On the funding side, continuous enhancement is progressively brought to the Framework for the issue of Green, Social and Sustainability Bonds: a revised version was published in June 2022, aligned on a "best effort" basis to the EU Taxonomy.

Finally, sustainable investments and protection products are also part of the strategy which envisages the growth of assets under management invested in ESG products. Specifically, for Eurizon the 2022-2025 Business Plan provides for the increase of their weight on total Assets Under Management from 46% to 60%.

INTESA SANPAOLO NET ZERO COMMITMENT



The Intesa Sanpaolo Group joined four GFANZ Alliances (Net-Zero Banking Alliance, Net Zero Asset Managers Initiative, the Net-Zero Asset Owner Alliance, and the Net-Zero Insurance Alliance), which cover all its main lines of business. The GFANZ, launched in 2021, is the world's largest coalition of financial institutions committed to shifting the global economy to net-zero GHG emissions.

Main goals of the GFANZ Alliances:

- The Net-Zero Banking Alliance (NZBA) requires its members to follow a set of commitments and identify targets to limit global warming to 1.5°C from pre-industrial levels. Targets should be set in line with low/no overshoot scenarios;
- The Net Zero Asset Managers Initiative (NZAMI) is an international group of asset managers, representing \$66tn in AUM, committed to support the goal of achieving net zero greenhouse gas emissions by 2050;
- Net Zero Asset Owner Alliance (NZAOA) commits to zero GHG emissions from the investment portfolio of insurance group companies by 2050, through the definition of specific intermediate targets on the investment portfolio, engagement with key counterparties, and incentives for climate transition financing;
- Net Zero Insurance Alliance (NZIA) commits to zero greenhouse gas emissions from the underwriting portfolio by 2050 through the definition of intermediate targets focused on non-life business.

⁶ UBI Banca included in scope since 2021

COMMITMENTS AND PARTNERSHIPS AS PART OF THE GROUP'S ENVIRONMENTAL STRATEGY

The group's voluntary commitment to domestic and international initiatives and partnerships shows long term and growing involvement and collaboration with public and private bodies on climate related matters.

Commitments

NET ZERO INITIATIVES

	October 2021*	Glasgow Financial Alliance for Net Zero
		Net Zero Insurance Alliance (NZIA)
	December 2021	Net Zero Asset Owner Alliance (NZAOA)
	October 2021	Net-Zero Banking Alliance (NZBA)
	November 2021	Net Zero Asset Managers Initiative (NZAMI)
	May 2022	Renewable and low-carbon fuels value chain industrial alliance
	November 2021	The Institutional Investors Group on Climate Change: IIGCC
	May 2021	European Clean Hydrogen Alliance
	March 2021	Climate Investment Platform
	December 2019	UNEP Finance Initiative – Principles for Sustainable Insurance – PSI
	September 2019	UNEP Finance Initiative – Principles for Responsible Banking - PRB
	October 2018	Task Force on Climate-related Financial Disclosures – TCFD

* Since Intesa Sanpaolo NZBA adhesion

	2015	Principles for Responsible Investment
	2007	Equator Principles
	2007	UNEP Finance Initiative
	2004	CDP*
	2003	Global Compact

Partnerships

	February 2021	Energy efficient mortgages label
	December 2019	Energy efficient mortgages action plan
	2019	Res4Africa Foundation – Renewable solutions for Africa
	2017	Alliance for circular economy
	December 2015	Ellen MacArthur Foundation
	2007	Forum for sustainable finance

* Eurizon becomes CDP Investor Signatory in 2004. Intesa Sanpaolo becomes CDP Investor Signatory in 2022

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

Intesa Sanpaolo's climate strategy is based on a clear awareness of climate change risks (both transition and physical risks⁷) and opportunities. The range of risks and opportunities related to climate change are identified and analyzed by Intesa Sanpaolo with the aim of incorporating them into the ordinary processes of risk assessment and monitoring (which leads to climate risk management, in the form of mitigation and adaptation) and credit strategies. This is also reflected in the Group's commercial offering. Potential impacts, the related time horizon (short, medium and long term), actions and opportunities identified for each potential risk observed, which are updated annually, with reference to both indirect and direct risks, are shown in the tables below.

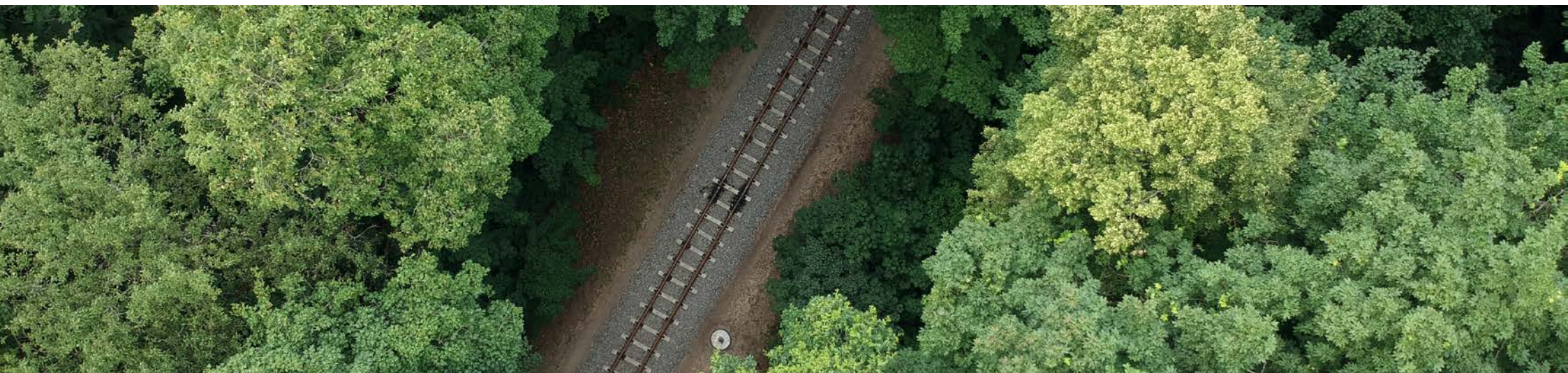
Indirect risks related to Climate change

Potential risks	Timeframe*	Potential impacts	Actions	Opportunities
Transition <ul style="list-style-type: none"> Changes in public policies Technological changes Changes in customer/consumer preferences 	Short/medium/long term	Loans <ul style="list-style-type: none"> Reduction of business or increase in costs for customer companies with possible consequences on creditworthiness and solvency Reputational impacts Asset management <ul style="list-style-type: none"> Consequences of climate change on companies in the portfolio with consequent possible reduction in the value of assets under management Documentary impacts Impacts on the offering of products and services to customers Impacts on internal and IT procedures Reputational impacts 	Loans <ul style="list-style-type: none"> Assessment of ESG and climate risks on loans Inclusion of ESG risks when assessing creditworthiness Assessment of the materiality of ESG risks in business sectors Counterparty ESG scoring Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Participation in Net Zero initiatives with objectives to reduce financed emissions Active monitoring of ESG evolving regulations Asset management <ul style="list-style-type: none"> Assessment and control of ESG risks in the investment portfolio Implementation of sustainability self-regulation policies Participation in Net Zero initiatives with reduction of the emissions associated with investments Active monitoring of ESG evolving regulations and internal policies IT investments 	Loans <ul style="list-style-type: none"> Energy transition support through funding to the Green Economy, Circular Economy and ecological transition and advisory services Asset Management <ul style="list-style-type: none"> Adaptation of the range of products and services
Transition <ul style="list-style-type: none"> Changes in public policies Technological changes Changes in customer/consumer preferences 	Short/medium/long term	<ul style="list-style-type: none"> Reputational impact, negative perception from Stakeholders and in particular from ESG investors due to nil or inadequate management of such risks Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower ESG rating 	<ul style="list-style-type: none"> Inclusion of ESG risks when assessing creditworthiness Implementation of self-regulation policies for the assessment and management of the socio-environmental risk of loans in sensitive sectors Stakeholder engagement initiatives Participation in international working groups on climate change issues Participation in Net Zero initiatives with objectives to reduce financed emissions Active monitoring of ESG evolving regulations 	
Transition <ul style="list-style-type: none"> Changes in environmental regulations Introduction of new greenhouse gas emission limits or new related reporting systems 	Short/medium term	Loans <ul style="list-style-type: none"> Financial implications of environmental and ESG regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors 	Loans <ul style="list-style-type: none"> Participation in working groups and initiatives relating to climate change Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations Target setting initiatives for financed emission reduction of credit portfolio 	Loans <ul style="list-style-type: none"> Offering of dedicated financial solutions and specialist advisory services for customers in the field of renewable energies, energy efficiency and transition
Transition <ul style="list-style-type: none"> Introduction of regulation on climate risks for the financial sector 	Short/medium term	<ul style="list-style-type: none"> Reduction of Group revenues deriving from excessive exposure to more vulnerable sectors to climate risk 	<ul style="list-style-type: none"> Inclusion of climate risk in risk management systems Target setting initiatives for financed emission reduction of credit portfolio Counterparty ESG scoring ESG sectoral mapping 	<ul style="list-style-type: none"> Increased products and services offering connected with transition Rebalancing of portfolios
Transition <ul style="list-style-type: none"> Changes in customer/consumer preferences 	Short/medium term	<ul style="list-style-type: none"> Reduction in Group revenues due to the increased competition generated by the growing demand for ESG products and lower demand for non-ESG services/products 	<ul style="list-style-type: none"> Identification of sustainable credit products on the basis of the "Rules for the classification of sustainable credit products and lending transaction" within the Group's Product Governance processes 	<ul style="list-style-type: none"> Increased products and services offering for the Green economy, Circular Economy and the ecological transition Green and ESG bond issues
Physical <ul style="list-style-type: none"> Extreme weather events (floods, landslides, avalanche, mudslide, heavy rainfalls, hailstorm, heavy snowfall, whirlwinds, hurricanes, cyclones, costal storms) 	Short/medium/long term	<ul style="list-style-type: none"> Financial implications for corporate and retail customers damaged by extreme weather events, with possible consequences on their creditworthiness and solvency 	<ul style="list-style-type: none"> Suspension or moratorium of repayments of loans issued to damaged customers 	<ul style="list-style-type: none"> New subsidised loans intended to restore damaged structures

⁷ For a full definition of physical and transition risks please see the "Risk Management" chapter
 * Short term: 0 – 5 years; medium term: 5 – 10 years; long term: 10 – 30 years

Direct risks related to climate change

Potential risks	Timeframe*	Potential impacts	Actions
Transition Changes in environmental regulations	Short/medium term	Possible sanctions in the event of failure to comply with new regulations	<ul style="list-style-type: none"> ■ Constant and precautionary monitoring of possible changes to national and European regulations ■ Participation in dedicated training courses or workshops
Transition <ul style="list-style-type: none"> ■ Introduction of new greenhouse gas emission limits or new related reporting systems ■ Increase in cost of raw materials 	Short/medium term	<ul style="list-style-type: none"> ■ Costs for upgrading heating and air conditioning systems and for new monitoring tools ■ Costs related to potential taxes connected with greenhouse gas emissions ■ Increase in costs of energy supply 	<ul style="list-style-type: none"> ■ Own Emissions Plan implementation and monitoring ■ Energy efficiency actions ■ Increase in the use of renewable energy sources ■ Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings
Transition Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)	Short/medium term	Costs of changing the processes of certification in the event of changes to standards	<ul style="list-style-type: none"> ■ Continuous and precautionary monitoring of possible changes in standards ■ Participation in dedicated training courses and workshops
Physical - acute Extreme weather events (floods, landslides, avalanche, mudslides, heavy rainfalls, hailstorms, heavy snowfall, whirlwinds, hurricanes, cyclones, coastal storms)	Short/medium/long term	Possible damage to the Bank's infrastructure and possible disruption of activities	<ul style="list-style-type: none"> ■ Precautionary assessment of the hydrogeological risks for buildings ■ Adoption of a business continuity plan and measures to prevent/mitigate/manage physical damage to the Bank's structures ■ Creation of a platform to identify the risk level of any Intesa Sanpaolo Group real estate asset
Physical - chronic Increase or reduction in average temperatures, sea level rise, water stress and drought	Short/Medium/long term	<ul style="list-style-type: none"> ■ Increase in energy supply costs connected with greater heat or electricity consumption ■ Power outage risk due to increased energy demand ■ Sea level rise with consequent impact on buildings close to the sea ■ Potential fires due to temperature increase in areas close to the Bank's buildings 	<ul style="list-style-type: none"> ■ Energy efficiency actions ■ Increase in the use of renewable energy sources ■ Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings ■ Preventive assessment of the risk of sea level rise ■ Adoption of a business continuity plan and actions to mitigate/manage possible power outage ■ ISO 14001, ISO 50001 and ISO 45001 certifications taking into account climate change related risks ■ Creation of a platform to identify the risk level of any Intesa Sanpaolo Group real estate asset.



* Short term: 0 – 5 years; medium term: 5 – 10 years; long term: 10 – 30 years

THE UPDATED GROUP GUIDELINES FOR THE GOVERNANCE OF ESG RISKS (April 2022)

The [Group guidelines for the governance of environmental social and governance \(ESG\) risks](#), updated in April 2022, are addressed to the Intesa Sanpaolo Group (including the Group's Banks and subsidiaries) and set general principles and the strategic direction for the governance of ESG risks.

Aware of its role in fostering greater environmental and social sustainability at an economic system level and in line with the rapidly evolving European regulatory framework on sustainability, the Intesa Sanpaolo Group adopts a medium-long term strategy and a transversal and holistic approach to ESG issues, based on:

- the definition of a **Group ESG strategy**, which also includes mitigation initiatives to support the transition to a low-carbon economy, according to the guidelines provided by the Corporate Bodies of the Parent Company supported by the internal governance structures, in particular by the ESG Control Room;
- the integration of ESG factors in the **general risk management framework** and in particular in the Risk Appetite Framework, which includes a specific section dedicated to ESG and Climate Change risks;
- the integration of ESG factors within the **credit framework**, with particular reference to the definition of sector strategies and to the specific safeguards foreseen within the underwriting process;
- the inclusion of ESG factors in **asset management activities**;
- careful consideration of ESG factors in the **development of policies, products and services**, including in the client advisory process;
- the cross-sectional integration of ESG risk factors into **non-compliance risk management**;
- the promotion of a strong **ESG risk culture** throughout the company organization.

The Group considers the following sustainability issues to be worthy of specific attention, across all business areas:

- **exposure to environmental issues:** the Group promotes the reduction of CO₂ emissions and the transition to a more sustainable economy both in relation to its own operations and those of its customers; in this context, the adoption of sectoral portfolio limits towards the sectors most exposed to climate and environmental risks, as well as the controls defined within the credit process aimed at assessing and limiting the exposure to companies/issuers characterized by a clear direct involvement in activities exposed to these risks, are part of the process;
- **involvement in particularly socially critical sectors:** in this regard, the Group promotes respect for human rights, the prohibition of any financing/investment in activities related to the manufacture of unconventional weapons, and carefully assesses exposure to companies/issuers active in the production or marketing of tobacco and gambling;
- **exposure to high corporate governance risks:** to this end, the Group promotes the adoption of good governance practices and, as part of the ESG & Reputational Risk Clearing process, carefully assesses transactions involving companies with a clear exposure to such risks.

With regard to the investment policies and services provided to customers, the Group is committed to:

- integrating ESG factors into investment analysis and decision-making, issuer selection criteria and investment management, including in relation to specific benchmarks;
- progressively expanding the monitoring of financial assets in terms of ESG performance as well as the extension of its proposal of sustainable financial products;
- promoting thematic and impact investments, through which the Group can play an active role in helping to mitigate environmental or social problems such as the challenges of climate change, resource depletion, economic and social inequalities;
- making customer information clear and understandable by informing customers about financial products with sustainable characteristics or investment objectives;
- offering clients an advisory service with a high level of protection and, as part of the client profiling process, collecting information on any investment preferences regarding sustainability.

The Guidelines for the governance of ESG risks set "General principles of exclusion of financing activities" in order not to allow the financing of activities and/or projects with particularly significant environmental and social impacts.

The Group therefore undertakes not to finance companies and projects that are characterised by their negative impact on:

- UNESCO World Heritage Sites or their buffer zones. Where a buffer zone is not determined and the project is close to a World Heritage Site (i.e. less than 1 km from its border), the Group will decide on a case-by-case basis whether to apply the exclusion criterion;
- Wetlands under the Ramsar Convention - wetlands included in the Ramsar Convention list;
- IUCN protected areas I to VI - areas designed for the long-term conservation of nature, i.e. those areas classified by the IUCN ("International Union for Conservation of Nature") as protected areas in categories I to VI.

In addition, the Group undertakes not to finance companies and projects if, during the evaluation of the transaction, they are located in areas of active armed conflict, or evidence emerges, such as sanctions, legal proceedings and judgements, relating to:

- human rights violations;
- forced or child labour practices.

In addition to the general exclusion criteria mentioned above, for some economic activities, also identified on the basis of the evidence emerging from the ESG Sectoral Assessment (e.g. the so-called "Red sectors" of the ESG/Climate Strategy), the definition of specific Rules for the implementation of these Guidelines (policies) is envisaged, which establish criteria for the limitation or exclusion of financing activities, taking into account the specific nature of the sector and the purpose of the financing granted.

In particular, these regulations are developed with the aim of limiting or excluding the financing of activities with higher ESG risk profiles, identifying eligibility criteria for counterparties in line with the Group's strategic objectives and with a view to engaging clients towards more sustainable business models.

The above issues are explored in this report.

SUSTAINABILITY & CLIMATE MATTERS AS TRANSVERSAL DRIVERS: THE ISP4ESG PROGRAM

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

The ISP4ESG Program participated in the activities relating to the definition of the 2022-2025 Business Plan, by identifying 3 dimensions of intervention in the ESG/Climate field to be leveraged on, in order to further strengthen Intesa Sanpaolo's role as a leading bank in ESG:

- enhance ESG Governance to ensure central coordination of ESG/Climate initiatives through the ESG Control Room;
- scale up Sustainable Business setting ambitious goals on:
 - lending with a strong focus on supporting the transition to a low carbon economy;
 - investments with the integration of ESG factors in the asset management and advisory activities;
 - insurance with a relevant focus on ESG issues;
- Corporate Centre and People to reduce own emissions in Scope 1 and 2 in line with the net zero commitment, enhance human capital and promote the sustainable supply chain.

Based on dimensions defined, targets were consequently set within the 2022-2025 Business Plan⁸.

Important results were achieved in 2022:

- starting from 2021 and consistently with the 2022-2025 Business Plan, significant activities were developed under the Program. Following the adherence to the NZBA in October 2021, an extensive project for the setting of net zero aligned targets for 2030 in high emitting sectors was launched. Targets in the Oil&Gas, Power generation, Automotive and Coal Mining sectors were disclosed in the 2022-2025 Business Plan, more than a year ahead of the Net-Zero Banking Alliance deadline. The ISP4ESG Program is also engaged in coordinating the definition of net zero emissions targets in the remaining NZBA sectors in order to fulfill both NZBA and SBTi requirements⁹;

- with reference to the adherence to the NZAMI and NZAOA by Intesa Sanpaolo's wealth management divisions, the process for the definition of the targets of the relevant Business Divisions was carried out, with targets published on 26 October 2022. The Sustainable Investments stream, launched at end 2020, also continued its activities in order to develop new methodologies, common guidelines and tools at Group level aimed at further incorporating ESG factors in the offer of investment products, including in relation to new regulatory provisions. (i.e. Regulation EU 2088/2019);
- the ESG/Climate Credit Framework project to design the integration of ESG/Climate metrics within the whole credit process was completed;
- the "EU Taxonomy Green Enhancement" project to dynamically steer the loan portfolio towards more sustainable exposures, identifying new business opportunities and responding to regulatory requests (i.e. EU Taxonomy) was also launched.

Specifically as concerns climate related matters, the ISP4ESG Program coordinated:

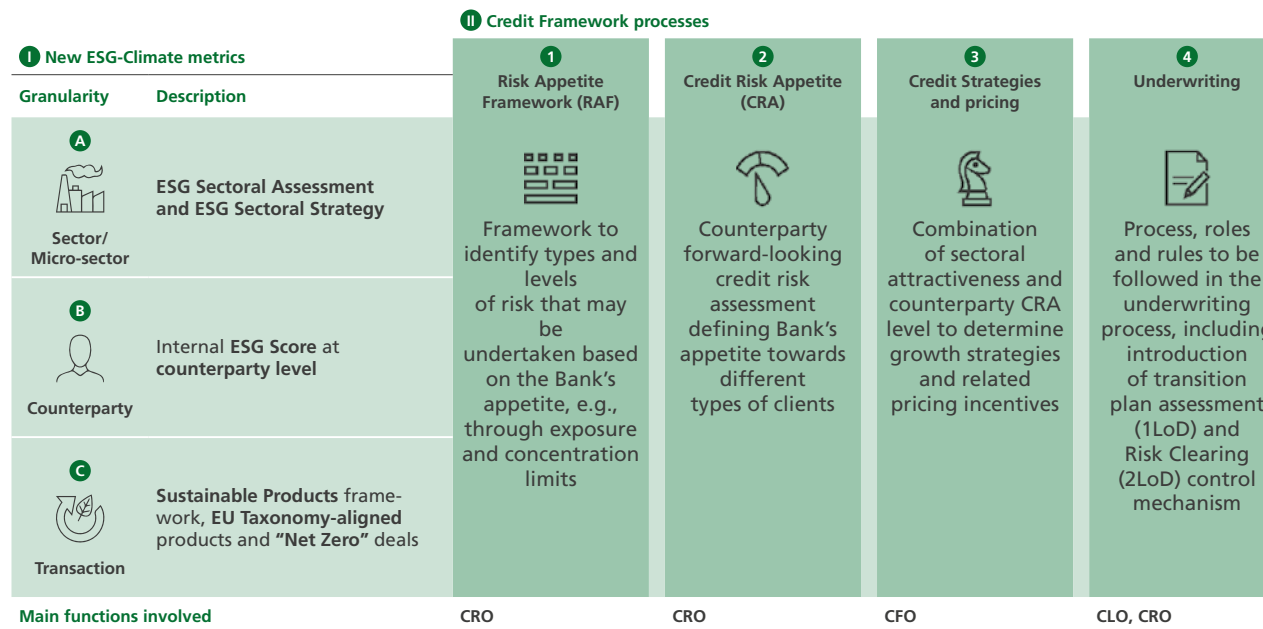
- the drafting of the Action Plan on climate change presented in May 2021 in relation to the 13 Expectations set out by the ECB in its "[Guide on climate-related and environmental risks](#)" and is currently monitoring progress through quarterly reviews in the ESG Control Room;
- the Group activities related to the 2022 ECB Thematic Review, through which the Regulator has conducted further deep dives into climate-related and environmental risk strategies, as well as governance and risk management frameworks and processes, set out in the Action Plan.

⁸ Please refer to the [2022-2025 Business Plan](#)

⁹ Please also refer the chapter "Metrics & Targets" for further information

THE NEW ESG/CLIMATE CREDIT FRAMEWORK

One of the most relevant projects within the ISP4ESG Program addresses the need to include ESG /Climate criteria in the Credit Framework (Credit Risk Appetite, Credit Strategies and pricing framework and the Underwriting process) to assist, among others, **strategic lending portfolio steering** and transaction pricing. The design of the ESG/Climate Credit Framework was finalized in 2022, defining a new credit decision-making model - based on an evolution of the Credit Framework, by also including climate/ESG components applied to the entire credit supply chain.



Within the model defined, the impact of the inclusion of Climate and Environmental metrics is assessed with three levels of granularity:

SECTOR AND MICRO-SECTOR

Through an ESG Sectoral Assessment and an ESG Sectoral Strategy - defined in 2021 and progressively updated on the basis of a qualitative-quantitative sectoral assessment and available public data - a "color" is assigned to each economic sector, driving different strategies, specifically: red (exclusion strategy as per Credit Policies); orange (selective disengagement strategy); yellow (selective engagement strategy); white (neutral); blue (positive engagement strategy).

ESG Sectoral Strategy (color coding)		Classification criteria
Red	Disengagement through policy	Sectors/micro-sectors/activities subject to exclusion by credit policy
Orange	Selective disengagement through credit process	Sectors/micro-sectors with high ESG risk where a transition path is considered not possible
Yellow	Transition/selective engagement	Sectors/micro-sectors with high ESG risk where it is considered possible a transition path or "focused" engagement
White	Neutral	Sectors/micro-sectors where relevant ESG-Climate risk components are not identified
Blue	Positive/ engagement	Sectors/micro-sectors with predominantly positive impact, identified based on regulations and international principles (e.g., SDGs, Taxonomy)

PROFILE OF THE COUNTERPARTY - ESG SCORE

Intesa Sanpaolo has developed a proprietary methodology for assessing the sustainability performance of client companies, the ESG Score. The ESG Score is a qualitative-quantitative assessment that analyzes information on the ESG, Environmental, Social and Governance profile of a client company and takes into consideration both the risks to which it is exposed and the opportunities that can develop in these areas. The main purpose of the ESG Score is to offer a better knowledge of customers' ESG profile so as to mitigate risks and enable the achievement of opportunities related to the sustainable transition. Already in 2022, the ESG Score fed some of the main risk and governance processes within the Group's credit risk appetite framework.

The Score analysis is carried out on more than 100 parameters (for larger companies), both precise data relating to environmental, social and governance issues, such as CO₂ emissions, and indicators of possible controversies that allow analysis of risks and points of attention related to these spheres. The data used to construct the ESG Score come both from internal sources, deriving from knowledge of customers, and from external sources through a panel of data providers of primary standing. The ESG Score is a synthetic assessment which breaks down into three pillars (Environmental, Social and Governance), in turn fed by thematic blocks that summarize a plurality of information collected on that topic and for that specific counterparty:

- the Environmental Pillar assesses the company's performance in various environmental thematic areas; it includes all the areas considered by the EU Taxonomy as well as aspects of opportunities deriving from the development and sale of "green" products and services;
- the Social Pillar analyzes the quality of relationships with all the main stakeholders of the company: employees, customers and the community in which the company operates;
- finally, the Governance Pillar assesses the company's alignment with the ethical principles and best corporate governance practices, also taking into account the diversity present in the composition of the administrative bodies as well as their independence and the quality and transparency of reporting.

At the end of 2022, the calculation of the ESG Score is already integrated on the Bank's IT systems with a fully digitized process and covers a perimeter over 215,000 with approx. €190bn in loans in March 2023.

The ESG Score is an element already used in a plurality of decision-making processes. By way of example, the score is used in the context of credit strategies which have the task of directing the development of the Bank's

credit portfolio towards virtuous sectors and counterparties. In addition, the ESG Score is considered for the purposes of Governing the Group's Environmental, Social and Governance Risks. In particular, the ESG Score is used within the Credit Risk Appetite Framework, the purpose of which is to direct behavior towards prudent management of credit risks by identifying portions of the loan portfolio with growth potential and portions to be managed carefully and is an element considered in the ESG & Reputational Risk Clearing process of credit transactions.

ESG descriptors used in ESG Score

ESG Pillar	Environmental (E)	Social (S)	Governance (G)
	Carbon Footprint	Labour Mgmt & Standards	Ownership & Control
	Climate – Transition Risk > Transition Risk readiness	Occupational Health and Safety	Board Structure and Remuneration
	Climate – Physical Risk > Physical Risk readiness	Human Capital Development	Audit, Tax & Risk Management
	Water	Employee Engagement, Diversity & Inclusion	Business Ethics and Political Engagement
	Natural Resources and Biodiversity	Customer Relations and Consumer Protection	ESG Governance, Strategy and Disclosure
	Waste & Pollution	Product Quality, Safety and Communication	Business Relationships
	Circular Economy	Human Rights and Community Relations	
	Green Products and Solutions	Social Inclusion and Economic Development Solutions	

TRANSACTION

In 2022, at transaction level, the “Rules for the classification of sustainable credit products and lending transactions” were finalized in response to the EBA Guidelines on Loan and Origination Monitoring and Net-Zero Banking Alliance guidelines. The rules classify transactions/products in categories of sustainability according to market standards (Loan Market Association principles), differentiating between “dedicated financing” and “general purpose financing” on the basis of the use of funds. Specifically, credit products and transactions are divided according to the categories of Environmental, Social, Governance, and other forms of Sustainability, where the first three refer to “dedicated financing” products and transactions, while the last to “general purpose financing”.

Credit products and tailormade transactions fall within the framework:

	Dedicated Financing	General Purpose Financing	
<i>Includes Net Zero products</i>	Environmental sustainability	Environmentally Sustainable project/activity according to LMA Green Loan principles, whose sustainability can be properly documented	<i>Not applicable</i>
	Social	Social project/activity according to LMA Social Loan principles, whose sustainability can be properly documented	<i>Not applicable</i>
	Governance	Governance project/activity according to LMA principles, whose sustainability can be properly documented	<i>Not applicable</i>
	Other Sustainability	Financing linked to other Sustainable objectives/ KPIs , whose sustainability can be properly documented	Financing linked to Sustainable objectives/KPIs , whose sustainability can be properly documented

UNDERWRITING PROCESS

In terms of underwriting - with focus on larger counterparties/transactions - the process, integrated with the key ESG metrics (at sector/counterparty and transaction level), also envisages an opinion performed by the ESG & Reputational Risk Clearing for counterparties/transactions with higher ESG risk profile. For specific high ESG risk sectors, an analysis of the counterparties’ transition plans is also required (please refer to 2.3.2 client’s transition plans). For further information about ESG reputational risk clearing please refer to the Risk Management chapter.

Overall, the revised Credit Process takes into account the above-mentioned ESG/Climate criteria, favoring lending to counterparties/transactions that present a positive ESG/Climate impact (e.g., green dedicated deals) whilst requiring additional analysis performed by the ESG & Reputational Risk Clearing for sectors, counterparties and transactions with a high ESG risk profile (above a certain RWA level).

THE TRANSITION TO A GREEN AND CIRCULAR ECONOMY

To support customers' transition to a more sustainable economy, the Group offers a wide range of financial products and services, including advisory. However the Group's engagement to raise awareness of climate change and sustainability issues is much wider and far-reaching. Some of the main initiatives developed by the Group are described below.

GREEN & CIRCULAR ECONOMY: THE GROUP LENDING OFFER

The Group's products and services offer reflects an increasing commitment to support customers, both individuals and businesses, in accelerating their transition to a low carbon economy and in reaching their own wider environmental goals, providing among others dedicated financing and plafonds.

In 2022, following the strong focus on climate included in the 2022-2025 Business Plan, Intesa Sanpaolo committed to providing €88bn of new lending in order to support the green and circular economy and the green transition, of which €76bn linked to the 2021- 2026 National Recovery and Resilience Plan climate targets and €12bn dedicated to individuals, mostly in relation to green mortgages. The commitment to the Circular Economy was confirmed, with the announcement of a dedicated plafond amounting to €8bn over the Business Plan horizon.

In 2022, the Group's loans for the Green and Circular Economy came to around €6.3bn, equal to 7.7% of the Group's total loans. In detail the Group's disbursements for the Green Economy totaled around €5.4bn (over €33bn in the 2010-2022 period). The offer involves all customer segments: corporate & project finance (41.4%), businesses and Third Sector (9.8%), retail customers (48.8%).



Circular Economy plafond

The Intesa Sanpaolo Group has confirmed its commitment to the Circular Economy by fostering the dissemination of this model, also drawing on the support of the Ellen MacArthur Foundation, the main promoter of the global transition to the Circular Economy. The collaboration with the Foundation, of which Intesa Sanpaolo is a Strategic Partner, continues through a renewed three-year agreement 2022-2024.

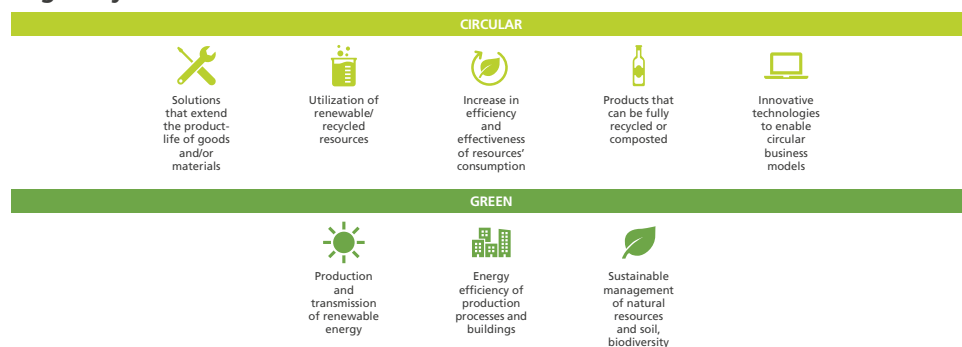
With a view to concretely support businesses active in the green and circular transition process, the Intesa Sanpaolo Group has renewed the credit Plafond dedicated to the Circular Economy (initially inaugurated with the 2018-2021 Business Plan), allocating an additional €8bn over the 2022-2025 Business Plan period. The plafond is available to customers of the BdT, IMI C&IB and ISBD divisions and is aimed at Italian and foreign companies that adopt the circular model in innovative ways, granting them the best conditions to access credit.

At the end of 2022, through the specialized support of the Intesa Sanpaolo Innovation Center, 420 green and circular projects amounting to €9.1bn have been validated. Of these, €4.7bn were then granted by the Group in 230 transactions (of which €2.6bn related to Green Finance) and €3.1bn were disbursed (of which €2.2bn related to Green Finance).

Within the credit process, Intesa Sanpaolo Innovation Center, on the basis of five specific Circular Economy criteria defined together with the Ellen MacArthur Foundation, makes a technical assessment regarding the level of circularity of the initiatives proposed by companies.

In addition to the Circular framework, a tranche of the plafond is dedicated to the Green framework, on the basis of three additional green criteria, to support companies investing in renewable energy production, energy efficiency, and sustainable agriculture and biodiversity.

Eligibility criteria



The IMI C&IB corporate offer

IMI C&IB supports companies throughout the entire process of developing and implementing sustainable initiatives: from the definition of the optimal financial structure (in terms of product mix, duration, amortization, guarantees and covenants); to the drafting of legal documentation; to the possible involvement of other financial players or institutional investors during the syndication phase.

It also supports them in identifying ESG performance objectives that are most in line with the characteristics and business strategy they intend to pursue, also taking into account the clients' target market. In this context, the Division is developing an integrated Energy Transition related commercial offer, including innovative financial solutions and other services in line with ESG criteria, to support clients along their own supply chain.

Following Intesa Sanpaolo's decision to adhere to the Net-Zero Banking Alliance, IMI C&IB's focus on clients' transition plans has grown in relevance also thanks to the ESG Team – created in 2020 – which supports companies in structuring financial transactions in order to promote a more sustainable business model. Since 2018, IMI C&IB has developed customized Green and Sustainability financing solutions, whether loans or hedging instruments, dedicated to Corporates that link their transactions to sustainability indicators and KPIs. Sustainability-linked solutions and solutions with dedicated use of proceeds linked to capital expenditures allow, in specific cases, access to the Bank's dedicated Green and Circular Economy Plafond.

In terms of sustainability-linked solutions, in 2022 the Group supported its clients with loans, bonds, guarantees, securitizations, and hedging. Dedicated use of proceeds solutions include Green loans, Green, Social and Sustainability-linked bonds, as well as Project Finance facilities dedicated to renewable energy sector (i.e. wind, photovoltaic, biomass and hydro).

In 2022 IMI C&IB Division participated as Bookrunner in the issuance of 25 SDG-linked Bonds, Green Bonds, Social Bonds and Sustainability Bonds in the Euro market.

In terms of innovative solutions, during 2022 IMI C&IB finalized Sustainability-Linked guarantee transactions for its clients. These transactions link the pricing to sustainability indicators consistent with the goals that companies set for themselves in the ESG sphere.

The Division also structures Sustainability-Linked loans with Financial Institutions.

Among others, in 2022, the Division acted as Mandated Lead Arranger (MLA) and Green Coordinator in several ESG-type loans - Green Loans and

Sustainability Linked loans - addressed to Asset Managers active in the development and management of real estate assets.

In 2022, IMI C&IB also played an active role in several ESG-related transactions promoted by Sovereign Wealth Funds and Pension Funds.

Solutions for small medium enterprises

■ S-Loans

The S-Loan offering, launched in 2020 to support small and medium-sized enterprises (SMEs) wishing to improve their sustainability profile, continued. This innovative solution aims at financing SMEs sustainable growth projects, associating their economic and financial decisions with their environmental and social impacts, and assisting them on the path to structural change.

Through precise agreements taken with the Bank, the customer defines annual objectives on 2 ESG KPIs chosen among a selection proposed by the Bank. If the objectives are achieved, the customer is granted a subsidized

interest rate for the following year. The performance improvement objectives set by the financed company are monitored by the Bank on an annual basis and certified by the company in the notes to the financial statements. In addition, once the S-Loan financing mechanism is activated, this includes a donation from Intesa Sanpaolo to support charitable projects in which the financed company can also participate.

S-Loan Climate Change in particular represents the solution to support SMEs' investments and reward their efforts to fight climate change, consistent with the goals of the Paris Agreement.

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

	S-Loan ESG 6 KPIs	S-Loan Climate Change 6 KPIs	S-Loan Agribusiness 6 KPIs	S-Loan Tourism 6 KPIs
E	Initiatives on the 3 ESG areas to improve the sustainability profile <ul style="list-style-type: none"> ■ Provision of electricity sourced entirely from renewable or bioenergy sources ■ Introducing a procurement policy that integrates environmental concerns on purchasing, transportation, and energy practices 	Goals focused on environmental sustainability <ul style="list-style-type: none"> ■ Provision of electricity sourced entirely from renewable or bioenergy sources ■ Introducing a procurement policy that integrates environmental concerns on purchasing, transportation, and energy practices ■ Achieving Carbon Neutrality ■ Share of corporate real estate assets adjusted to green building standards ■ Share of environmentally friendly vehicles in corporate fleet ■ Launch of initiatives to protect biodiversity and natural ecosystems 	Dedicated initiatives for companies in the Agribusiness sector. <ul style="list-style-type: none"> ■ Reduction of water consumption ■ Transition to organic farming models ■ Share of corporate and/or agricultural vehicles with reduced environmental impact ■ Adoption and maintenance of Agriculture 4.0 solutions for energy and/or water consumption savings ■ Share of self-produced electricity and/or thermal energy through renewable energy plants ■ Adoption and maintenance of technologies and processes for product traceability 	Dedicated initiatives for companies in the tourism sector <ul style="list-style-type: none"> ■ Provision of electricity sourced entirely from renewable or bioenergy sources ■ Reduction of energy consumption ■ Share of environmentally friendly vehicles in corporate fleet ■ Share of corporate real estate assets adjusted to green building standards ■ Reduction of water consumption ■ Achievement of Carbon Neutrality
S	<ul style="list-style-type: none"> ■ Share of turnover dedicated to activities dedicated to community support ■ Share of customers and/or suppliers engaged in sustainability issues 			
G	<ul style="list-style-type: none"> ■ Hours of training per individual worker on environmental/social sustainability issues ■ Development of employee welfare programs 			

■ Motore Italia Transizione Energetica

In 2022, consistent with the targets of “Motore Italia” the strategic program that supports investments of SMEs businesses in the sustainable and digital transition based on the key priorities of the NRRP, Intesa Sanpaolo also launched the “Motore Italia Transizione Energetica” initiative.

This program, supported by a plafond of €10bn, is aimed at incentivizing investments for the energy transition: from renewable energy and energy efficiency to Circular Economy. Different solutions are made available for customers: loans to reduce energy dependence, tools to mitigate rising commodity costs, and specialized consulting services to facilitate access to funding and tender opportunities and the implementation of complex projects.

■ Support for businesses in renewables and efficiency investment plans

“Energia Impresa” loan is the product for professionals and businesses interested in the implementation of investment programs in the energy sector. It is a flexible solution both in terms of customization of financing and adaptability to different lines of intervention:

- Renewable Energy segment (photovoltaic, wind, hydroelectric, residual gas from sewage processes); Biogas segment, for the production of electricity;
- Biomethane segment, for the production of biomethane for transport;
- Energy Efficiency interventions, for investments aimed at the energy efficiency of buildings, plants, process.

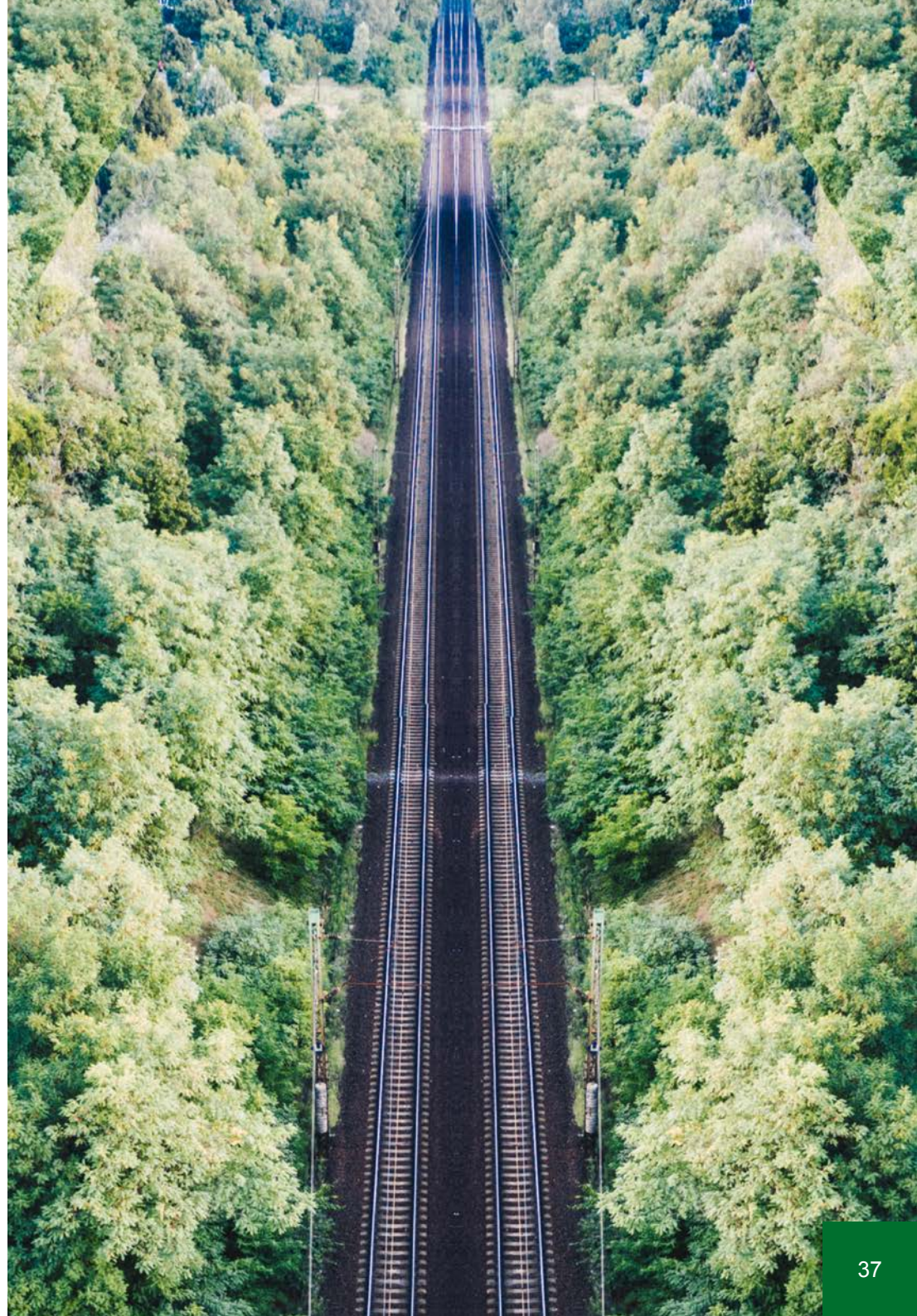
■ MLT Loan with SACE Green Guarantee

Within Intesa Sanpaolo products and services offering, the MLT Loan with SACE Green Guarantee (which can also be combined with S-Loan financing) is a medium/long term financing facility designed to support the achievement of environmental goals. The facility can finance initiatives aimed at facilitating the transition to a clean and circular economy, integrating production cycles with low-emission technologies for the production of sustainable goods and services, and accelerating the transition to sustainable and intelligent mobility. The guarantee to be issued by SACE is equal to 80%.

In 2022, 104 medium long-term loans were disbursed (assisted by the SACE Green Guarantee) amounting to approximately €350m.

■ Voluntary Carbon Market

In 2022, Intesa Sanpaolo designed a new group proposition in the voluntary carbon market, aimed at supporting SME / corporate clients in reducing gross CO₂ emissions, managing residual emissions and protecting and safeguarding forestland.



Solutions for retail customers

■ Green Mortgages

The Bank supports retail customers' green projects through the provision of mortgages and loans with environmental purposes. Financing solutions are available not only for buying or building a high energy efficiency property, but also to support the improvement of energy performances for existing buildings through, for example, the replacement of window frames and high-yield boilers, and the installation of solar and photovoltaic panels or thermal insulation.

The Bank offering includes "Green Mutuo Domus": a mortgage loan with favorable terms (reduced interest rate and free energy performance certification for renovation purposes) that allows, among others, the financing of the purchase or construction of a property for residential use in the Italian territory characterized by high level of energy efficiency (equal to or higher than B) or renovation of a property for residential use in the Italian territory with improvement of at least one energy class.

In this regard, Intesa Sanpaolo has participated in the EeMAP (Energy efficient Mortgages Action Plan) project, an initiative that aims to create standardized energy efficiency mortgages at the European level designed to incentivize the upgrading of buildings and the purchase of highly efficient properties through favorable financial conditions.

In relation to Green Mortgages and Green Loans, the Bank supports Forestami, an urban forestation project that aims to plant 3 million new trees by 2030 in the territory of the Metropolitan City of Milan, by earmarking a donation to the project for each Green Mortgage and Green Loan subscribed by the bank's customers: €110,000 were donated in the first months of 2022.

■ Energy efficiency products and services

A number of other dedicated services enriches the Bank's green offering, some of which are offered by partner companies. These are ancillary and optional services aimed at assessing the possible savings from energy upgrades. These include the Real Estate Valuation service, which, through a special tool, allows branch managers to support customers intentioned to invest in their houses through energy upgrading and building renovation, identifying, free of charge, possible solutions for saving on energy consumption and, if possible, benefiting from current tax reliefs. It is also possible to obtain, under certain conditions, the energy check of the house, which consists in a personalized consulting service carried out through an inspection in which the individual components of the building and the energy characteristics of the property are examined in detail, in order to discover the house's savings potential.

Regarding energy requalification of properties, for the execution of interventions such as thermal insulation, replacement of boilers with centralized condensing, heat pump systems, including hybrid or geothermal systems, in 2022, Intesa Sanpaolo supported families, condominiums and specialized companies through a dedicated offer (structured to allow them to benefit from the facilities provided by the Relaunch Decree (converted into Law No. 77 of 17 July, 2020)).

CLIENT ENGAGEMENT AND TRAINING

Intesa Sanpaolo customer engagement activities involve different customer segments and topics within the broader ESG area.

Circular Economy LAB

The transition to a Circular Economy is pursued thanks to the contribution of Intesa Sanpaolo Innovation Center, which, among others, established the Circular Economy Lab (CE Lab) in partnership with Cariplo Factory. The aim is to support and accompany the transformation of the Italian economic system, disseminating new models of value creation in the collective interest by accelerating the transition to the Circular Economy. The CE Lab strategy involves open innovation operating methodologies aimed at identifying innovative solutions and technologies in the area of the circular economy. Activities are based on three pillars:

- **Circular Connection:** Initiatives aimed at creating an open dialogue on the Circular Economy, involving a vast national and international network of companies, institutions, universities, research centers and other partners;
- **Circular Innovation:** Innovative consultancy services which can be customized, aimed at accelerating the transformation process of companies (SMEs and Corporates) towards Circular Economy models;
- **Circular Education:** Training courses for companies, aimed at spreading knowledge of the Circular Economy and related opportunities, especially in terms of business, competitiveness and resilience.

During 2022, the CE Lab guided and facilitated the identification of circular innovation needs of several companies through the activation of two Market and Tech Assessment projects for the Fashion&Textile sector and for the Smart Mobility sector and two Circular Open Innovation programs for the Energy sector and for Cleantech.

ESG laboratories for SMEs

The initiative linked to the ESG Laboratories (ESG Lab) continued in 2022.

The Lab is a meeting point, physical and virtual, to accompany Italian SMEs in the sustainable transition, a development path aimed at generating new

competitive advantages and supporting long-term growth with positive impacts on the environment and people.

The ESG Lab pathway includes in-depth meetings, workshops, and opportunities for companies to learn more about sustainable transition issues. Companies engaged in this pathway share their experiences and are supported in identifying improvement actions and initiatives needed to develop a strategic evolution plan. Following the inauguration of the first ESG Laboratory in October 2021 in Brescia, as of December 2022, 8 laboratories had been progressively launched out of 12 provided for in the 2022-2025 Business Plan - i.e. at least one ESG Lab in each regional area - with ~100 dedicated ESG specialists.

The format, which in 2022 saw the realization of over 40 events on the territory, aims to spread the culture on ESG and circularity issues and to facilitate the transition of customer companies with a structured schedule of ESG issues that ranges, also through the support of qualified partners, from risk/opportunity and regulatory scenario analysis to understanding the degree of circularity of a process or product, to the construction or conversion of a sustainable supply chain, actions to address short-term challenges (e.g. increased costs of energy, raw materials and sea freight) and /or long term eco-sustainable transformation.

Imprese vincenti

For the enhancement of Italian entrepreneurial excellences, in 2022 the Group realized the fourth edition of "Imprese Vincenti", a program that highlights the growth paths of digital and sustainable transformation and the related business models developed by enterprises, engine of the country's economy in this relaunching phase.

The goal is to provide visibility, development support programs, advisory on strategic issues, training and workshops in collaboration with key partners. The fourth edition recorded excellent results: over 4,000 candidate companies, 140 companies selected and celebrated as Winning Companies during a dedicated Tour scheduled between October 2022 and February 2023, as well as two special events dedicated to Agrifood and the Third Sector.

Among the 4,000 candidate companies, about 35% said they had invested and/or started significant initiatives in the area of sustainability and green initiatives.

Energy transition consulting services for SMEs

Intesa Sanpaolo also offers dedicated consulting services aimed at generating new economic and relational value for the Group and increase the competitiveness of companies. For example, Intesa Sanpaolo Innovation Center, in synergy and coordination with the BdT and IMI C&IB Divisions, develops advisory and non-financial services, proposing transformative paths in terms of innovation/circular economy to clients.

Another distinctive feature of the BdT's offer is the support of the MLT/ Leasing Specialists for energy transition investment. The service envisages the assessment of the technical/financial aspects regarding the investment and its sustainability. It also foresees the assistance of the Energy & Utilities Desk in the origination phase of the project; structuring of the financing; preparation of the technical due diligence preceded by an appraisal - usually by an external expert specifically appointed to support the Bank's credit assessment and the formulation of the final opinion regarding technical, economic and financial sustainability of the project.

The Energy & Utilities Desk supports entrepreneurs which have planned investments in renewable energies or intend to diversify their energy sources. This process envisages evaluating projects from the technical-industrial profile to the financial sustainability of the investment. A complete service that ranges from the credit aspects of risk assessment and structuring of the most appropriate financial solutions, to advice on new market opportunities and technological directions that today invest the new energies.

Large Corporate dialogue

Sustainability-linked events and forums are an important component of IMI C&IB engagement process with its client pool on climate-related topics. The Division organizes and actively participates in a number of events throughout the year as sponsor or contributor. In 2022, among others, this included several ESG-focused webinars, as well as webinars linked to the use of Italy's National Recovery and Resilience Plan (NRRP) resources for sustainability-linked initiatives.

Thanks to the collaboration signed with Borsa Italiana (Sustainable Finance Partnership), the Division has participated in several workshops and initiatives, including the flagship event "Sustainability Week".

Initiatives for startup growth and the development of innovation ecosystems

Intesa Sanpaolo Innovation Center supports the growth of high-potential Startups, including those focused on climate, also through the management and implementation of acceleration paths.

In 2022, the Intesa Sanpaolo Innovation Center analyzed nearly 800 startups of which 102 were accelerated. Among others:

- the first class of the "Terra Next" (Bioeconomy) acceleration program for 8 startups (130 candidates, 83% Italian) has been completed in the city of Naples, in cooperation with Cassa Depositi e Prestiti, Cariplo Factory, corporate and scientific partners, and with the sponsorship of the "Ministry of Environment and Energy Security";
- Up2Stars, the first edition of the initiative developed by the BdT Division with the support of Innovation Center, on 4 vertical pillars (Digital/Industry 4.0; Bioeconomy, focused on Agritech and Foodtech; Medtech/Healthcare; Aerospace) was concluded. 40 startups were accelerated (~600 candidates);
- "In Action ESG Climate", an initiative developed by the Insurance Division with the support of Innovation Center, to promote the development of new solutions to combat climate change and support the green transition through technological innovation and development of new business models, ended with €500,000 awarded to the best three projects presented.
- the Call4Energy "The mobility evolution", a circular open innovation project realized by the CE Lab - addressed to start-ups and innovative SME - for Aquila Energie, aims to identify enabling technologies and solutions, on the one hand, to enable the supply of renewable energy and digitalise the internal systems of the petrol stations, on the other, to manage and regenerate resources in stations and ensure their energy independence.

Training offer for customers

Thanks to the collaboration agreement between Intesa Sanpaolo and Digit'Ed¹⁰, new training contents have been developed for customers of the Banca dei Territori Division. In particular, a pilot phase of the ESG Course sales

10 With effect from 1 July 2022, Intesa Sanpaolo Formazione s.p.a. was the subject of a complex corporate transaction that led to the change of its name (now Digit'Ed s.p.a.), the sale of the shareholding and the subsequent placement outside the ISP Group

activity was launched. The ESG Course is a training program, designed by Digit'Ed jointly with Intesa Sanpaolo, that aims to support Italian companies that intend to undertake a transition to sustainability so that they are able to manage the integration of ESG principles into their strategies and business models.

Regarding ESG topics the training offer includes Skills4ESG, an initiative aimed at promoting awareness on ESG issues through a portal for customers. This is a single access point to ESG training topics with dedicated content, news and success stories on ESG and sustainability issues, presentation of the initiatives that the Group dedicates to sustainable issues with social, environmental and governance impact and further training services (e.g. higher education courses, one-to-one training, multi-company workshops).

Surveys among customers to assess climate-change awareness and needs

The Group's commercial divisions are directly engaged in involving customers with regard to ESG and sustainability issues through dedicated surveys. In 2022, in order to raise awareness of environmental issues among corporate customers within the BdT Portfolio, a survey on climate change was completed.

The goal was to analyse, in particular, issues such as exposure to Climate Change (CC), adaptation strategies and mitigating actions, the positioning of companies at a national level, as well as other quantitative data, in order to identify solutions to accompany companies in managing CC. The results show that 30% of companies believe that the integration of CC into their business model will significantly impact their operations over the next 3 years, and 45% declare they want to increase their investments in climate solutions. The goal initially set was to reach at least 10,000 corporate customers; thanks also to the involvement of the relationship managers, in 12 months more than 15,000 completed questionnaires were collected (+50% vs target). A summary report of the evidence deriving from the questionnaire was also sent to each company.

Also, IMI C&IB Division has been involved in engagement initiatives, such as a structured listening to clients' point of views and key needs on ESG issues. In 2022 IMI C&IB focused on climate change related issues, to better understand the carbon emissions offsetting strategies and their approach to the voluntary carbon market. This initiative will provide the Division with new elements in order to support clients in facing emerging issues in this area.

RESEARCH AND REPORTS

Seen the growing importance of climate change and related impacts and issues, in 2022 Intesa Sanpaolo has increasingly developed studies and research projects in the wider environmental field, involving contribution from different departments and entities, both to foster client awareness and engagement, and to gain in-depth knowledge of relevant topics.

Here below some of the most relevant publications issued in 2022 by the Intesa Sanpaolo Research Department (also in cooperation with specialized external organizations):

- The Eighth Bioeconomy Report - The Bioeconomy in Europe. The report presents new data estimates on the value of bioeconomy and includes an analysis of the impact of the conflict in Ukraine on the Bioeconomy sectors and a chapter focused on the relation between bioeconomy and European taxonomy for sustainable finance;
- Intesa Sanpaolo-ASSTRA report "The performance of local public transport companies". The 2022 Report provides an updated picture of the industry in the light of the Pandemic and planned investments on public transport with a focus on sustainable mobility.

In order to monitor a highly innovative and crucial supply chain for the energy transition such as hydrogen, the Research and Studies Department has started a collaboration with H2IT - Italian Association of Hydrogen and Fuel Cells, the main sector association in Italy. The preliminary results of an ad hoc survey carried out at H2IT members were presented in Rimini in October during a workshop organized within the event Key Energy - Ecomondo. The full research will be published during 2023.

In addition, SRM a Research Center for Economic Studies related to Intesa Sanpaolo Banking Group, publishes a number of reports specialized in the analysis of, among others, port-logistics and energy sectors. Finally, Intesa Sanpaolo Innovation Center analyzes cross-industry innovation trends, produces innovation reports for the benefit of businesses and the Group and publications on innovation issues including: "Decarbonization Report" and "Energy, Environment & Utilities - Energy and PNRR: the Green Revolution".

Other thematic reports and researches on environmental and climate change topics are available, mainly in Italian, on [Intesa Sanpaolo](#), [SRM](#) and [Innovation Center](#) websites.

ADDRESSING CUSTOMER INVESTMENT NEEDS

The strategic commitment in tackling climate change is also embodied in the strengthening of the ESG Asset Management offering, in all the asset classes that include a focus on environmental or social issues, with a planned growth of assets under management invested in ESG products to €156bn in 2025 from €110bn in 2021.

The Intesa Sanpaolo Group offers a full range of sustainable investment products and services that integrate sustainability into investment choices, promote environmental factors or/and aim at contrasting climate change.

ASSET MANAGEMENT OFFER

Eurizon offers a range of 232 products, diversified across all asset classes, which include a focus on environmental or social issues or have sustainable investment objectives, classified according to articles 8 and 9 of the SFDR with approximately €110bn of assets, representing a round 54% (46% in 2021) of the total assets of the funds managed.

Specifically, to promote the Net Zero goals, Eurizon created investment products aligned with the Net Zero scenario by 2050 and solutions aimed at mitigating climate change. To this end, it has launched the Eurizon Step 50 Net Zero Objective fund, which invests in global companies committed to achieving Net Zero by 2050.

The fund classifies as an Article 8 product, so in addition to the application of the ESG/SRI strategies set out in Eurizon sustainability policy (SRI Exclusions and Restrictions, ESG Exclusions and Restrictions, Integration of ESG Factors, Carbon Footprint, and Active Shareholding), the Investing Universe is composed of companies that declare themselves at least "Committed to Aligning" with respect to the Net Zero scenario.

In addition, the offer includes Eurizon Fund Absolute Green Bonds and Eurizon Fund Green Euro Credit. The funds use investment selection methodologies aimed at generating a social or environmental impact, as well as a measurable financial return and that contribute to financing projects benefiting the environment. As at December 2022 the funds' assets amounted to over €2bn. For further information see the "Metrics and Targets" chapter.

PRIVATE BANKING OFFER

Fideuram offers solutions, created by the Division or selected from the proposals of major international investment firms, that promote environmental and/or social issues or that have a sustainable investment objective.

Fideuram offers 81 funds classified pursuant to articles 8 and 9 of the SFDR, for a total of €26.6bn of assets (61% of the total assets of the funds managed vs 3% in 2021).

In relation to Net Zero commitments, worth mentioning is Fideuram's Folios¹¹ new ESG line: Impact Allocation and Equity Net Zero Emission (art. 9 SFDR). The latter represents an equity solution in funds and ETFs to access to the global equity markets, promoting the transition to a green economy with a positive and measurable carbon reduction impact.

INSURANCE OFFER

During 2022, the Intesa Sanpaolo Vita Insurance Group continued to develop the products and services offering model for all its business lines to meet customer needs on sustainability issues. In line with its ongoing commitment to sustainability, also outlined within the corporate policies, the Insurance Group's goal is to continue the evolution of its offering, including new products and coverages in the coming years, as well as the revision of product processes with an ESG perspective. Some of those are related to climate and environmental matters:

- "ViaggiaConMe" product presents a mileage consumption solution that raises customer awareness of responsible vehicle use, saving on the insurance premium downstream of lower car use (monitored through a technological device installed in the car). In addition, ViaggiaConMe provides vehicle protection in the event of natural disasters such as tornadoes, hurricanes, floods, storm surges, landslides, falling hail or snow, and earthquakes;
- "XME Protezione" product is a policy with a range of insurance coverage in the areas of Health, Home and Family. In addition to the traditional coverage dedicated to the home, XME Protection integrates the possibility of protecting the home in case of natural disasters such as earthquake and flood, providing compensation of up to 80% of the reconstruction value, higher than the market average.

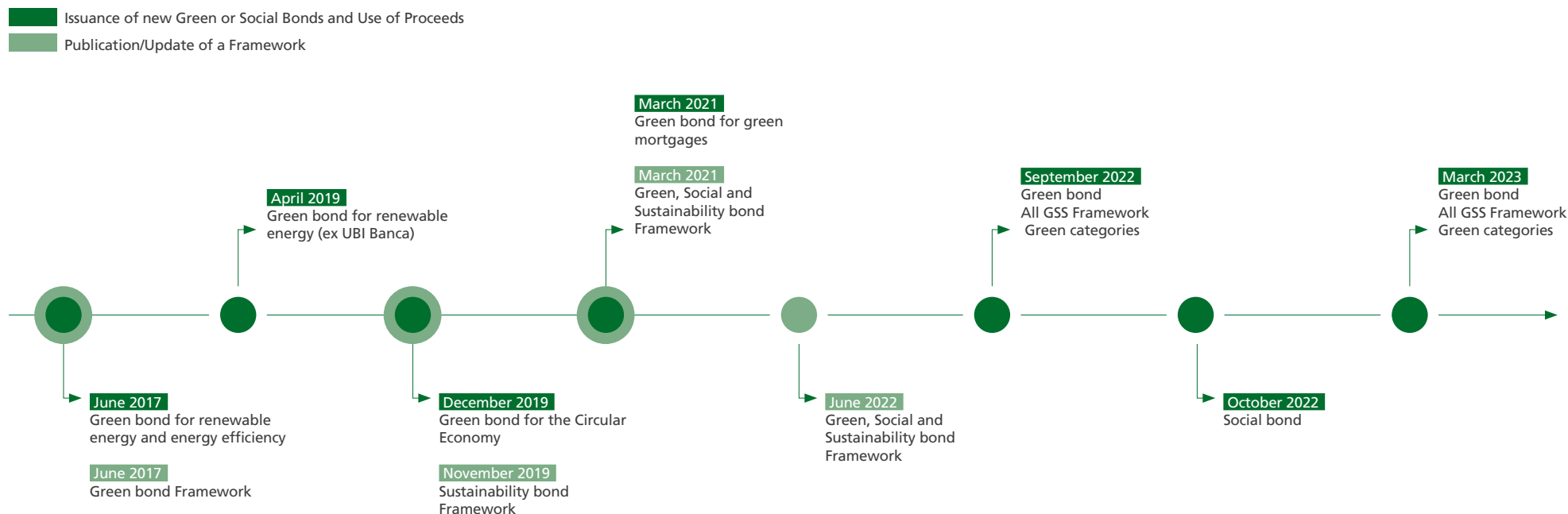
In the area of business protection, an Environmental Liability product was developed aimed at preserving the company's assets in the event of damage to the environment caused during the course of business activities.

¹¹ Fideuram portfolio management service in securities, ETFs and funds

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


















In line with its long-standing commitment to environmental and social matters, in June 2017 Intesa Sanpaolo was the first Italian bank to issue a Green bond connected with environmental sustainability projects.

Intesa Sanpaolo released the first Green Bond Framework in June 2017; since then, three updated Frameworks were published, the most recent one (June 2022) being the [Green, Social and Sustainability \(GSS\) Bond Framework](#), released in alignment with the ICMA Green Bond Principles 2021, the ICMA Social Bond Principles 2021, the ICMA Sustainability Bond Guidelines 2021, with the intention of seeking alignment on a best effort basis with the EU Taxonomy regulation on sustainable activities and the Green Bond Standards.



The proceeds of any Intesa Sanpaolo bond issued under this Framework will be exclusively allocated to Eligible Loans as defined within the list of Green Eligible Categories, that may be summarized as follows.

Green Eligible Categories

Renewable Energy 	Energy Efficiency	Clean Transportation 	Green Buildings 	Environmentally Sustainable Management of Living Natural Resources and Land-use, Biodiversity	Circular Economy
<p>Solar, Wind and Hydro-power where the facility:</p> <ol style="list-style-type: none"> is a runof-river plant and does not have an artificial reservoir or; has power density 5W/m² or; life-cycle GHG emissions are lower than 100gCO₂e/kWh  	<p>Energy storage from RES, smart grids, cogeneration of heat/cool and power if lifecycle GHG emissions lower than 100 g CO₂e per 1 kWh of energy output, energy efficient equipment and district heating/cooling</p> 	<p>Electric vehicles, Infrastructure enabling low carbon road and public zero-emission transport, Urban and suburban road electric passenger transport, zero-emission heavyduty vehicles</p>  	<p>For buildings built before 31st December 2020: EPC A or buildings belonging to the Top 15% of the national building stock based on Primary Energy Demand (PED)</p> <p>Buildings belonging to the Top 15% and having obtained a certain level of recognized environmental standards and certifications</p> <p>Refurbished buildings with a minimum 30% energy saving improvement (or at least two steps improvement in EPC label)</p> <p>For buildings built after 1st January 2021: buildings where the Primary Energy Demand (PED) is, or will be, at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures</p>   	<p>Sustainable agriculture (e.g. organic farming), sustainable forestry (afforestation, reforestation, forest management and conservation based on certifications and standards) and carbon farming</p>  	<p>Various technologies, solutions, products and services aimed at increasing resource efficiency and enabling circular economy business models</p>         

As at March 2023, ISP outstanding Green Bonds amount to €5.75bn¹² (ISP first Green bond issue expired on 27 June 2022). The Green Bond Ratio, the percentage of green bonds outstanding at the end of the fiscal year 2022 out of the total amount of outstanding public bonds of Senior Preferred, Senior non-preferred, and Covered Bonds intended for institutional investors (five-year moving average), is equal to around 8.9%. Please also refer to the chapter “Metrics & Targets” for further information regarding “Use of proceeds” of Intesa Sanpaolo green bonds.

¹² This amount does not include the recent Green bond £600m issue value date 14.03.2023

EXTERNAL ENGAGEMENT

ESG topics and climate change risks and opportunities are becoming increasingly important for the entire value chain of financial institutions. For this reason, Intesa Sanpaolo is constantly engaging with different stakeholders: suppliers, investors and investees, authorities and trade associations.

INVESTORS AND FINANCIAL COMMUNITY

ESG and climate related issues have become a strategic part of institutional investors engagement, rating agencies' assessment and brokers research and analysis.

In 2022 Intesa Sanpaolo has increased the already frequent interaction with ESG Investors, both through one-on-one meetings, ESG Conferences (both investor meetings and participation in panels) and dedicated road shows, and through the acknowledgement of requests of formal engagement on ESG/Climate issues by large asset managers. The focus on Climate issues has grown also in structured questionnaires and surveys, ante and post meetings.

In 2022, the ESG & Sustainability Team held 44 meetings with 67 ESG investor companies, including portfolio managers and buy side analysts focusing on sustainability, involving when requested other specialized structures (e.g. Investor relations and Treasury).

Dialogue with the financial community also involves ESG Data providers and rating agencies. In 2022 the main climate-related assessments were CDP Climate-Change and S&P Global under the environmental dimension, in addition to the other major assessments (e.g. Moody's, Sustainalytics, MSCI, FTSE, ISS, etc.) which confirmed Intesa Sanpaolo's positioning among ESG leading companies. Specifically, in 2022 ISP was included in the Climate Change A List and is currently the only Italian bank included in Dow Jones Sustainability Europe and Dow Jones Sustainability World Indices.

DIALOGUE WITH CIVIL SOCIETY ORGANIZATIONS

Intesa Sanpaolo seeks open dialogue with all of its stakeholders, responding to their views and concerns. Civil Society Organizations (CSOs) are among Intesa Sanpaolo audiences and partners as listening to their instances can

provide a contribution to the development of the Group's environmental and social strategies, policies, or the implementation of investment projects and the promotion of public dialogue with governments and policy makers.

Civil society includes, among others, non-profit organizations, policy and research think tanks, social movements, community-based organizations, trade associations and other socio-economic and labour-market actors.

Intesa Sanpaolo ongoing dialogue with civil society focuses on topics like human rights and democracy, environmental and social issues, economic inclusion and gender equality, transparency, good governance practices and business development issues related to Group's activities and countries of operations.

AUTHORITIES & TRADE ASSOCIATIONS

At European level Intesa Sanpaolo is interacting with regulators, major European trade associations and other stakeholders to provide the Group's contributions to various sustainability initiatives. Intesa Sanpaolo, through The European Regulatory & Public Affairs (ERPA) function, based in Brussels, has been providing inputs to European institutions, both directly and through European trade associations, participating in selected European consultations, trade association's working groups and events on various issues related to sustainability, climate change and other environmental topics¹³.

In addition to its external activities, ERPA is committed to raising awareness and providing training for business units impacted by major European legislative decisions such as: the proposed regulation on EU Green Bond Standard (GBS); the role and benefits of financial actors to EU ETS and the Commission's REpowerEU Plan; the delegated acts provided for by the Green Taxonomy Regulation; the legislative proposal on Corporate Sustainable Due Diligence Directive (CSDDD).

The Group also continued its collaboration with leading European trade associations, contributing to the work of the European Banking Federation (EBF) on Sustainable Finance and Sustainable Development Goals (SDGs), the Association for Financial Markets in Europe (AFME), European Issuers on Sustainable Corporate Governance, and the European Mortgage Federation-

¹³ For further information please refer to pages 213 and 214 of [2022 Consolidated Non-financial Statement](#)

European Covered Bond Council (EMF-ECBC), which launched the Energy Efficient Mortgages Initiative (EEMI); the initiative, which has received funding from the European Commission for specific projects in recent years, aims to foster the market for energy efficiency mortgages development and consolidation and to empirically collect data on it. Intesa Sanpaolo joined in 2021 and takes part in the Working Groups, specifically in 2021 a representative from Intesa Sanpaolo was appointed Deputy Chairman ECBC for 2022-23 on green mortgages.

In addition, ERPA contributed also to the main legislative proposals of the package "Fit for 55". In this context, the Brussels structure has carried out intensive training to highlight the role and benefits that financial actors can bring to the Emissions Trading System (EU ETS), an important instrument of European climate policy.

Within the "Fit for 55" package ERPA has provided specific industry contributions to the Commission on the revision of the LULUCF (Land use, land-use change, and forestry) regulation, which sets rules for emission reductions and carbon removals in the land use, land use change and forestry.

An Intesa Sanpaolo representative was appointed chair of "Roundtable 4 - Access to Finance" of the Renewable Low Carbon Fuel (RLCF) industrial Alliance, through which the European Commission intends to stimulate the development of renewable and low-carbon fuel production and supply in the aviation and maritime sectors;

On the topic of sustainable finance, Intesa Sanpaolo collaboration with the Italian Banking Association (ABI) within specific working groups, such as BACC (Banche, ambiente e cambiamenti climatici - Banks, environment and climate change) and Investimenti sostenibili (Sustainable Investments), continued.

Finally in 2022, Intesa Sanpaolo in consultation with the Circular Economy structure of Intesa Sanpaolo Innovation Center worked through ABI with the European Banking Federation (EBF) to define a position on the Technical Screening Criteria for the Circular Economy objective according to the Taxonomy Regulation. The position was then sent to the Platform for Sustainable Finance of the European Commission.

INTERNATIONAL ACTIVITIES

Intesa Sanpaolo at COP27

Intesa Sanpaolo was the only Italian bank to attend the United Nations COP27 climate summit in Egypt, confirming the Group's international commitment to fighting climate change. The annual Conference of the Parties climate summit organized by the UN is the pivotal climate meeting involving more than 200 governments, banks and stakeholders.

During its participation, Intesa Sanpaolo firstly addressed how it is adapting its best practice in Egypt, through its subsidiary ALEXBANK, by transferring innovative financial initiatives in support of agriculture to foster financial inclusion in rural areas; in fact agriculture is important for the economic development and in terms of social and food security, also in relation to climate change.

During the event, Intesa Sanpaolo also participated in the financial panel on "Incorporating climate commitments within banks' business strategy & role of regulators", and together with ALEXBANK hosted "The New Climate and Energy Agenda" panel.

Furthermore, Intesa Sanpaolo, through its Circular Economy Desk, joined a panel with the World Bank Group, IDB Invest, the Global Environment Facility, the African Development Bank Group, the Ellen MacArthur Foundation and Circle Economy in which the paper "[Unlocking the potential of international financial institutions in the circular economy transition: a high-level roadmap](#)" was presented.

Res4Africa Foundation

Among others, Intesa Sanpaolo has confirmed its commitment to the development of renewable energies in Africa, as Founding Member of Res4Africa. The Foundation, which includes some of the main players in the energy sector and several institutional bodies at international level, aims to promote a market environment, regulatory and financial that allows the realization of investments in renewable energy in Africa as well as focusing on the observation of new trends in the sector, such as green hydrogen.

In 2022, the Foundation continued its activities of organizing business-to-government events and seminars, carrying out market studies and organizing training seminars on capacity building and development of field projects. Finally, in 2022, the Foundation confirmed its focus on the RenewAfrica program, for the support of renewables launched the new project Youth

Task Force, with the aim of stimulating and encouraging the involvement of new generations in the energy development of the African continent and monitored new trends in the sector, such as green hydrogen, in order to research new energy sources for the sustainable development of the African continent.

Net Zero Work Track

At COP27, NZBA launched its first [Progress Report](#), which details the intermediate 2030 decarbonization targets from over 60 member banks, including Intesa Sanpaolo, in their priority (most impactful) sectors. These targets must be achieved by 2030 at the latest.

During 2022, the Alliance also launched its Implementation Work Track in order to address technical considerations and challenges around the operationalization of a bank's net-zero commitment as described in the UNEP FI's "Guidelines for Climate Target Setting for Banks".

Within the Implementation Work Track, Intesa Sanpaolo joined:

- "The Data & Methodologies sub-track" that in the course of the year developed the "[Supporting Notes for the Guidelines for Climate Target Setting for Banks](#)";
- "The Financing & Engagement sub-track" which in September published the "[NZBA Transition Finance Guide](#)".

The Implementation Work Track and related sub-tracks will continue to support members' decarbonization efforts in 2023 by surfacing insights from members and providing a platform for peer learning. The Work Track will also provide information to members on the latest developments on relevant methodologies, scenarios, and policies, and provide guidance on how to correctly apply these tools to relevant areas of their business.

In 2022, the Alliance has also established five sector sub-tracks: Commercial and Residential Real Estate; Oil and Gas; Iron and Steel; Power Generation and Automotive & Trucking. Intesa Sanpaolo, through the IMI C&IB Division specialists, intends to contribute to the activities of both the Oil and Gas and Power Generation sub-track.

UNEP FI TCFD Banking Pilot Projects

Since the publication of TCFD recommendations in 2017, UNEP FI has run a series of pilot programs to assist members in implementing the TCFD framework and issuing meaningful climate disclosures. Intesa Sanpaolo since 2019 has actively participated in phase 2 and 3 of the [TCFD Banking Pilot](#)

[projects](#). The third phase, ended in 2022 and involved forty-eight global banks and investors. The program contained a climate risk roadmap to empower participants at all stages of their climate disclosure journey. In this context, Intesa Sanpaolo produced a case study published in March 2022 in "[The Climate Risk Tool Landscape - 2022 Supplement](#)". The aim of the study was to investigate the effects deriving from the risk of flooding on a small sample of the Intesa Sanpaolo mortgages portfolio in Italy (1,200 positions, located in 85 Italian provinces). The most impactful scenarios of the Intergovernmental Panel on Climate Change (IPCC) for physical risk were used, in particular the Representative Concentration Pathways (RCP) 6.0, stabilization scenario, and RCP 8.5, Business as usual scenario.

UNEP FI, in Spring 2022, launched the newest [TCFD and Climate Risk Programme](#) in which Intesa Sanpaolo participates. The programme combines leading-edge content development with extensive opportunities for peer and expert dialogue to better address climate risks and best practices for each of the recommended TCFD pillars. The new programme consists of three key components – content webinars and trainings with climate risk experts, establishment of regional discussion groups, and interactive working groups focusing on topics such as climate stress testing, climate scenario analysis, macroeconomic modeling of climate change and climate risk data.

Together with its members, UNEP FI has created numerous tools, methodologies, and guides to empower banks to better disclose and manage their climate risks.

EBF – UNEP FI EU Taxonomy Project

In January 2022 the Report "[Practical Approaches to Applying the EU Taxonomy to Bank Lending](#)" was published. The report was generated based on discussions and input of banks participating in the joint [EBF-UNEP FI project](#) on the application of the EU Taxonomy to banks' lending products. Intesa Sanpaolo has been one of the main sponsors of the project, it has participated in one of the working groups and contributed to the drafting of the report. Intesa Sanpaolo participated in the working group on "Using the EU Taxonomy for transition financing" exploring how Taxonomy-compliance assessments can be complemented by a system that facilitates engagement with clients active in Taxonomy-eligible sectors whose activities were assessed as not aligned with the Taxonomy. For Intesa Sanpaolo it is indeed important to finance activities capable of accelerating client companies' transition.

ESG CRITERIA IN PROCUREMENT ACTIVITIES

Risks and opportunities arising from climate change influence Intesa Sanpaolo's supply chain strategy: purchasing and partnership decisions aim to minimize climate risks and maximize related opportunities over time. In compliance with its Code of Ethics, Intesa Sanpaolo monitors the suppliers' management approach to sustainability issues, including environmental issues, through the Suppliers' Gate (Intesa Sanpaolo suppliers' dedicated portal), which centralizes sourcing, regulatory monitoring, supplier qualification and monitoring, and adaptation of contractual standards. The selection of suppliers takes place during the process of registration to the Suppliers' Gate by means of an assessment (updated at least once a year) including analyses of the suppliers' business ethics, respect for human labour rights, environment and climate change. When registering with the portal, suppliers view the Intesa Sanpaolo Code of Ethics and, if a supply or service agreement is signed, they pledge to respect the main contents of the Code when performing their assigned tasks, also making this pledge on behalf of their representatives, employees, associates and subcontractors.

Periodic updates of documents (annual report, questionnaire, certifications) can be requested from the suppliers. If the result of this assessment is positive, the suppliers are registered in the Group Suppliers' Register and can be invited to procurement events. The supplier's qualification process allows the obtainment of a supplier's rating monitored over time, and an updated screening of suppliers for the duration of the contractual relationship.

During 2022, a new ESG questionnaire was introduced, replacing a previous one, aiming to map suppliers in terms of social, environmental and governance performances, as part of the criteria for evaluating and choosing the best suppliers. Filling in the questionnaire is mandatory for all new suppliers, and a campaign was launched to progressively cover of all previously registered suppliers.

The suppliers' ESG score is attributed following the completion of the aforementioned ESG questionnaire and the possession of certain certifications related to ESG, in line with the Group's procurement criteria. It expresses the quality of the supplier as concerns ESG issues and can influence the choice of the best suppliers, in relation to specific purchasing needs. It follows that, in relation to specific product categories which have a higher environmental or social impact, suppliers who do not meet the minimum requirements may be excluded from procurement events. The ESG rating system is characterized by band scores that determine the quartile the supplier belongs to, within a range from 1 to 100. The top quartile belongs to band score 70-100. Within the questionnaire, 15 out of 38 questions are related to environmental topics, with an overall weight of 37%.

At the end of 2022, suppliers amounted to over 7,700. At the same date, 35% of the suppliers registered in the Suppliers' Gate, with a qualification assessment and engaged in procurement activities, were attributed an ESG rating. The 2022-2025 Business Plan target provides for 100% of suppliers to be attributed an ESG rating within the Plan's horizon.

THE GROUP'S OWN ENVIRONMENTAL FOOTPRINT: THE OWN EMISSIONS PLAN

In accordance with the environmental responsibility commitments undertaken by the Group, since 2009 Intesa Sanpaolo has set medium to long-term goals for the reduction of its own emissions through the definition of specific medium-long term action plans. As a result of the implementation of those plans, a drop of -55.5% in the Group's Scope1 + Scope2 Market-based emissions was registered in 2022 compared to 2008 (-5.8 % vs 2021).

The first Intesa Sanpaolo Environmental Plan covered the 2009-2013 period and was followed by a new plan for the 2013-2016 period. Both Plans set measurable goals in the areas of energy and economic savings and the reduction of CO₂ emissions. The scope, limited to Italy in the first plan, was expanded over time to include the International Subsidiary Banks. In 2017 the Group drew up a new Climate Change Action Plan (CCAP), with goals for 2022 and 2037, in which it outlined its targets for reducing CO₂ emissions associated with its activities, taking 2012 as its benchmark year.

Considering its participation, since October 2021, in the Net-Zero Banking Alliance, Intesa Sanpaolo issued the new "[Own Emissions Plan](#)" – included in the 2022-2025 Business Plan, approved by the Board of Directors - which identifies specific medium-long term actions aimed at reducing its consumption of natural gas, diesel and traditional electricity. With the Plan, the Group expects to reach carbon neutrality and 100% of energy purchased from renewable sources by 2030 (level already achieved in branches and buildings in Italy in 2021; level of 91% reached for the whole Group in 2022). The emissions reduction target also fully respects the reduction requirements set by the SBTi. Please refer to the "Metrics & Targets" chapter for further details.



RISK MANAGEMENT

THE MANAGEMENT OF CLIMATE-RELATED AND ENVIRONMENTAL RISKS

Sustainability, a term referring to the ability not to cause damage to the environment and communities in order to support a medium-long term economic, social and environmental balance, is a factor of great and growing importance for society as a whole. The management of ESG issues therefore requires that not only the impact of associated risks on the Bank's organization be taken into consideration, but also the potential impact on stakeholders and the risks to which the Bank exposes its stakeholders and the environment with its own operations. The Intesa Sanpaolo Group, aware of the importance of a correct and responsible allocation of resources and of the influence that a banking group can have in terms of sustainability both in the short and long term, pays particular attention to the management of ESG risks both with reference to its own operations and in relation to the activities of client companies and to sectors considered sensitive, i.e. characterized by a significant ESG risk profile.

ESG risks are therefore included in the overall Risk Management framework as they represent potential negative impacts that an organization or activity may have on the environment, people and communities, including the risks associated with corporate conduct (corporate governance), profitability, reputational profile and credit quality with possible legal consequences. Among ESG risks, climate risk is of particular importance, i.e. the financial risk deriving from exposure to the physical and transition risk associated with climate change. The risks and opportunities related to climate change are identified and analyzed in a coordinated manner by the various corporate functions, with the aim of including them in the ordinary risk identification, assessment and monitoring processes, in credit strategies and in the Group's commercial offer.

The Group is therefore committed to including the impact of climate-related aspects in the respective strategic decision-making processes to fully integrate them into the risk management framework with the aim of maintaining a low risk profile. This includes the monitoring and management of ESG risks, including risks arising from climate change (credit, operational, reputational, market and liquidity) and the implementation of ethical and environmental standards in internal processes, products and services offered to customers and in the selection of counterparties and suppliers¹.

¹ Please also refer to the Strategy chapter

THE ESG RISK MANAGEMENT MODEL

Correct risk management and monitoring are necessary conditions to guarantee reliable and sustainable value generation and to safeguard the Group's financial soundness and reputation. To this end, specific processes and responsibilities have been defined and activated to understand and manage risks, in order to ensure long-term solidity and business continuity, also benefiting the Group's stakeholders.

Particular attention is paid to the enhancement of the ESG risk governance framework which provides for a holistic approach based on:

- a Materiality Assessment aimed at evaluating the relevance of ESG risk factors with respect to the various portfolios and risk families. This analysis also constitutes the basis for the definition of targeted monitoring and the development of sectoral strategies ("ESG Sectoral Strategy")²;
- the definition of specific KRI and limits within the Risk Appetite Framework, which includes a focus on climate and environmental risks;
- the definition of enhanced safeguards for the sectors most exposed to ESG risks, broken down according to the various risk families, with particular regard to climate and environmental risks;
- the use of Scenario Analysis to assess the impacts of these risks in the short, medium and long term.

² Please also refer to the New ESG / Climate credit framework in the Strategy chapter

IDENTIFICATION OF CLIMATE-RELATED RISKS DRIVERS

Intesa Sanpaolo is implementing its climate and environmental framework according to the principles defined by international best practices and to regulatory developments at international level.

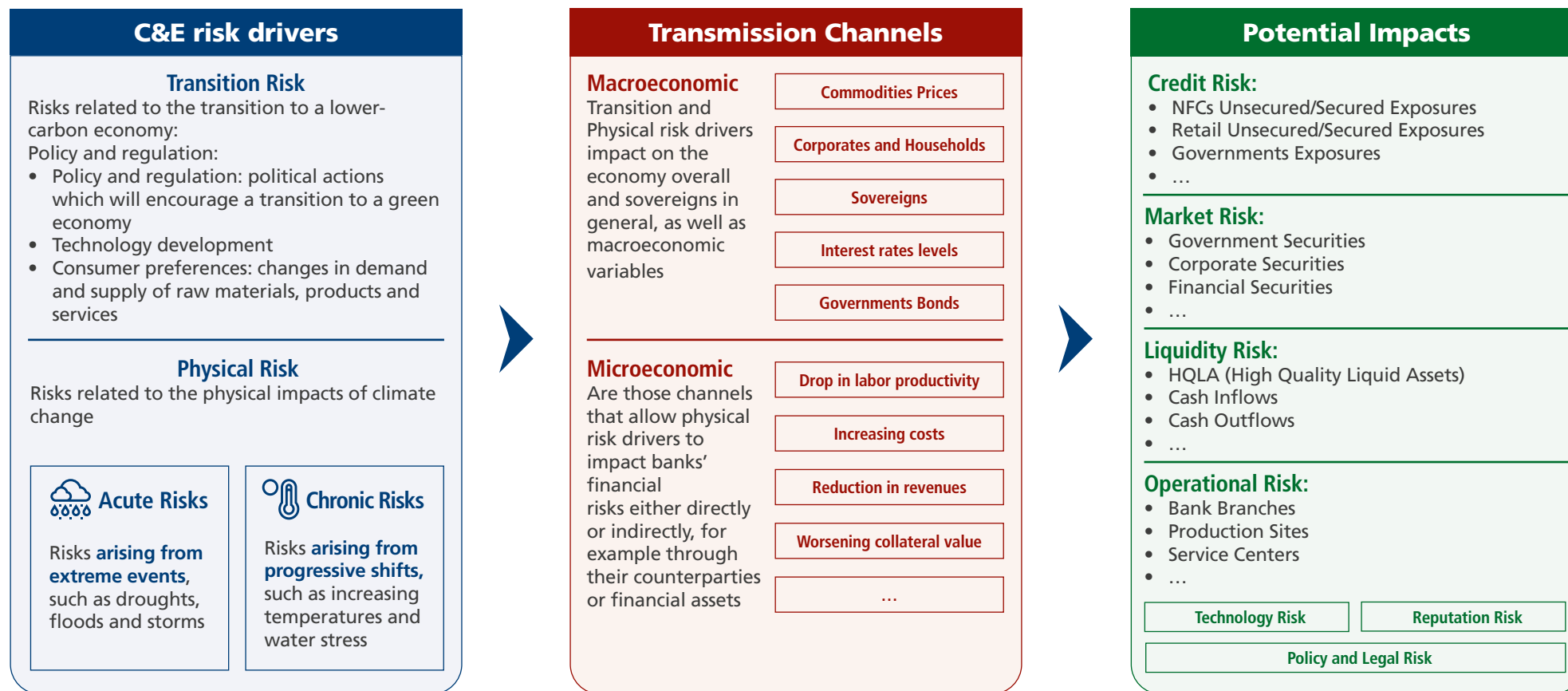
Climate related financial risks refer to the set of potential risks arising from the exposure of institutions to counterparties that may potentially contribute to or be affected by climate change. Climate risks can be divided into the traditional physical and transition risk categories described below:

- **Transition Risks** are represented by the negative financial impacts which may arise from the transition to a lower-carbon economy. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. These could be triggered by:
 - **Policy and Legal Risks:** risks stemming from continuously evolving policy actions, attempting to either constrain actions that contribute to adverse effects or to promote adaptation to climate change, and from litigation risks;
 - **Technology Risks:** risks related to technological improvements or innovations that support the transition to a lower-carbon economy and that can have a significant impact on firms to the extent that existing systems are disrupted by new technologies;
 - **Consumer preferences:** risks describing the potential shifts in supply and demand for certain goods, products and services;
 - **Reputational risks:** the risk of an organization's image and reputation being affected by its customers' perception of its contribution to the transition to low carbon economy.

- **Physical risks** are risks related to the physical impacts of climate change. These types of risks – that can usually manifest both in the short/medium and long run – can be subdivided into acute and chronic risks:

- **Acute physical risks:** risks that are event-driven, including increased severity of extreme weather events (wildfires, hurricanes, landslides, heatwaves, droughts, floods, etc.). These events are occurring with increasing frequency on both a regional and global basis;
- **Chronic Risks:** chronic physical risks refer to longer-term shifts in climate patterns. The following events are classified as chronic: change in temperature, change in wind patterns, change in precipitation patterns, water stress, heat stress, temperature variability, sea level rise, etc. They are identifiable as change processes rather than single events. In most cases, impacts are localized (for example, drought) but chronic risks are likely to become more significant over the long term.

Physical and transition risk drivers impact economic activities, which in turn impact the financial system. This impact can occur directly, through for example lower corporate profitability or the devaluation of assets, or indirectly, through macro-financial changes.



Transmission channels link climate risk drivers to the financial risks faced by banks and the banking sector.

- Microeconomic transmission channels are the mechanisms by which climate risk drivers affect banks' individual counterparties, potentially resulting in climate-related financial risk to banks and to the financial system. This includes the direct effects on banks themselves, arising from impacts on their operations and their ability to fund themselves. Microeconomic transmission channels also capture the indirect effects on name-specific financial assets held by banks;
- Macroeconomic transmission channels are the mechanisms by which climate risk drivers affect macroeconomic factors (for example, labour productivity and economic growth) and how these, in turn, may have an impact on banks through an effect on the economy in which banks operate. Macroeconomic transmission channels also capture the effects on macroeconomic market variables such as risk-free interest rates, inflation, commodities and foreign exchange rates.

The likelihood and size of the impact of climate risk drivers can be affected by a number of additional variables. These include: the geographic location of the bank, asset or exposure, interactions and interdependencies between transmission channels and climate risk drivers that can amplify impacts, and mitigants that reduce or offset impacts.

Impacts on financial and non-financial traditional risks (illustrative):

	Physical		Transition
	Climate	Environmental	Climate/Environmental
	<ul style="list-style-type: none"> • Extreme weather events • Chronic weather conditions 	<ul style="list-style-type: none"> • Water stress • Shortage of resources • Loss of biodiversity • Pollution • Other 	<ul style="list-style-type: none"> • Economic policies and regulation • Technology • Market Confidence • Preferences and expectations of consumers and investors
Credit risks	<p>Credit risks increase if climate-related risks reduced borrowers' ability to repay and service debt (income effect) or banks' ability to fully recover the value of a loan in the event of default (wealth effect). The estimates of the PD (probability of default) and LGD (Loss Given Default) of exposures in sectors or geographical areas vulnerable to physical risks may be affected by the physical events to which the counterparties' assets (with consequent repercussions on financials) or collateral as a guarantee for the loans are subject.</p>		<p>Substantial adaptation costs and lower corporate profitability may lead to a higher PD as well as lower collateral values or less efficient recovery actions (LGD) For example energy efficiency standards will lead to high adaptation costs with possible tensions in profitability indicators and a consequent increase in PD; on the other hand, the properties that do not comply with energy standards will have a lower value with a consequent impact on the value of collateral.</p>
Market risks	<p>Reduction in financial asset values, including the potential to trigger large, sudden and negative price adjustments where climate-related risk is not yet incorporated into prices. Climate-related risk could also lead to a breakdown in correlations between assets or a change in market liquidity for particular assets, undermining risk management assumptions. Severe physical events could cause changes in market expectations and result in a sudden repricing of risk, higher volatility and losses on asset values in some markets.</p>		<p>Transition risk factors could even generate sudden impacts on the prices of financial instruments, homogeneous asset classes or market sectors, as well as significant increases in the volatility associated with these instruments.</p>
Liquidity risks	<p>Climate and environmental risks could have direct impacts in the determination of cash outflows (such as, for example, withdrawals of money from accounts by customers to finance damages) or indirect impacts, for example following potential tensions on financial markets. Banks' access to stable sources of funding could be reduced as market conditions change.</p>		<p>Transition risk factors could negatively affect, directly and indirectly, the expected cash flows, or could affect the available liquidity reserves, making some assets less liquid or reducing their value, negatively affecting the bank's overall liquidity position.</p>
Reputational risks	<p>Extreme weather events could result in interruptions to the Group's operations, with possible repercussions in terms of image. Reputational risk factors could occur if the Group does not adhere to or does not comply with the sustainability and carbon neutrality targets defined for its operations; furthermore, increasing reputational risks to financial institutions based on changing market or consumer sentiment.</p>		<p>The negative perception or deterioration of the Group's image because customer, counterparty, investor or Supervisory Authorities expectations on the management of climatic and environmental risks are not met, can derive, for example from:</p> <ul style="list-style-type: none"> - failure to comply with international standards/objectives to which the Group has adhered; - customer complaints relating to climate and environmental issues; - media campaigns or NGO initiatives related to the financing of controversial activities from an environmental point of view.
Non-financial risks – Operational risks	<p>The Group's operations could suffer interruptions due to material damage to properties following extreme weather events. Increasing legal and regulatory compliance costs associated with nature-sensitive investments and businesses.</p>		<p>The evolution of consumers' awareness of climate issues may lead to legal liability risks for the Group due to scandals caused by the financing of environmentally controversial activities.</p>
Other (Strategic risks)	<p>They can affect the viability of certain lines of business and cause strategic risk for certain business models in the absence of the necessary adjustment or diversification actions.</p>		

ESG/CLIMATE MATERIALITY ASSESSMENT

With particular reference to the identification and monitoring of environmental risks, the ESG risk governance framework provides a materiality analysis (ESG/Climate Materiality Assessment) aimed at assessing the relevance of ESG risk factors with respect to the various portfolios and risk families and their potential impact for the Group. The analysis is based on an organic and structured approach to risk assessment which envisages a granular definition of the risk drivers and the integration of forward-looking elements.

The assessment starts from the analysis of the characteristics of each class of exposure (e.g., non - financial corporates, sovereign, mortgages) for each financial risk according to the transmission channels identified for each climate risk driver.

The results of the Materiality Assessment are a fundamental element for the definition of the sectoral strategies ("ESG Sectoral Strategy") and guide the definition, within the Risk Appetite Framework, of limits, Key Risk Indicators (KRI) and specific actions aimed at containing risks ESG, in particular with reference to the sectors most exposed to these risks.

ESG SECTORAL ASSESSMENT

The main tool used for the ESG/Climate materiality assessment is the **ESG sectoral assessment**.

The **ESG sectoral assessment**³, updated annually, aims at identifying those sectors (and sub-sectors) most exposed to climate change and ESG risks.

The methodology provides for the assignment of scores to each risk driver (transition risk, physical risk, environmental risk, social risk and governance risk). The evaluation criteria underlying the assignment of these scores were defined using numerous sources in use within the financial system (e.g.: publicly available analyses, info providers, research documents) which describe the financial materiality at a qualitative level of ESG/Climate risk drivers in relation to the main economic sectors.

The methodology followed for the development of the "ESG Sectoral Assessment" is based on the calculation of 5 scores:

- Transition score for each micro-sector according to UNEP FI Transition Heatmap (assessing at qualitative level the potential impact of transition risks drivers -technology, market and policy - on cost and revenues) and Moody's ESG Global Heatmap;

- "E" score by adding to the transition score a notching for other environmental factors (i.e., Physical risk, Water Management, Waste and Pollution, Ecological impact) according to SASB, Moody's and EU Taxonomy sources;
- "S" score and "G" score for each sector according to the outcomes of SASB and Fitch analysis on main risk drivers (i.e. Human rights, customer welfare, government structure, financial transparency).

Depending on the level of the ESG and Transition scores, some sub-sectors have been classified as "High ESG Risk".

During 2022 a fine tuning of the methodology was performed especially with reference to the materiality assessment of physical risk.

The enhancements, in use from 2023 are mainly related to the evaluation of relevant vulnerabilities and to the integration of geographical considerations for each sector, consistently with the portfolio composition.

³ The sectoral assessment is based on a classification of the loan portfolio by NACE code (Statistical classification of economic activities in the European Community)

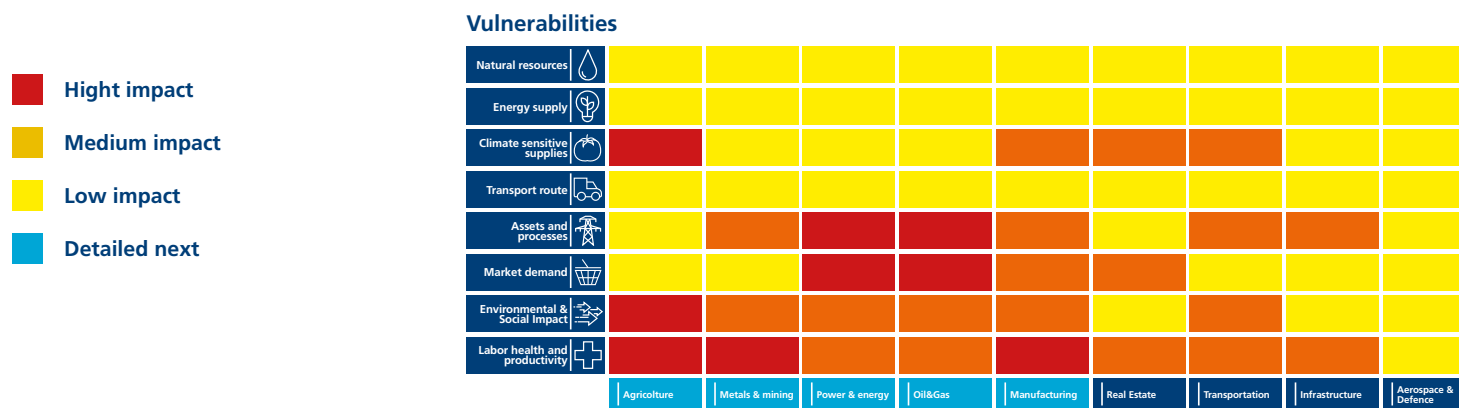
In fact, economic activities can be impacted directly or indirectly (via their value chain) by vulnerability elements (as described in the table below) deriving from physical risk.

Vulnerabilities	Description
Natural resources	Loss of natural resources (e.g., beaches or other pieces of land) or lack of supply of natural goods (e.g., potable water)
Energy supply	Potential disruption in power supply determined by extreme weather events that might impact several businesses (e.g., IT, manufacturing)
Climate sensitive supplies	Impact on primary production related to agriculture and forestry as well as on sectors dependent on primary input supplies
Transport route	Damages on transport routes that impact many types of business that relies on transportation to obtain vital input of their value chain
Assets and processes	Impact on power plants (reducing their power ability), production assets or immovable properties, damaging them and increasing the repairing costs
Market demand	Changes in market demands due to climate physical events
Environmental & Social Impact	Environmental and Social impacts deriving from other climate events
Labor health and productivity	Increased risks to workers' health and safety and working conditions due to climate change

Sectors	Vulnerabilities impacts
Agriculture	Highly reliance on natural resources, dependency on land, water and high use of labor force
Metals & mining	Exposed to reliance on natural resources (especially water), labor health and productivity
Power & energy	High dependence on water, especially hydropower and thermal power generation (renewable energies appear to be less vulnerable)
Oil&Gas	Strong dependence on natural resources, changes in market demand and on outdoor labor force
Manufacturing	Vulnerable to natural resources reflecting the need for large volumes of water and large land areas required for the sector's fixed assets
Real Estate	High vulnerability in market demand (changes after extreme climate events) especially when related to insurance concerns
Transportation	Extremely dependent on transport routes and labor force, as well as on energy supply
Infrastructure	Highly impacted by impact on immovable properties and labor force
Aerospace & Defence	Affected by impacts on production assets and natural supply

SOURCE: UNEP FI: Charting a New Climate

Physical hazards can have different types of impacts with different levels of intensity on each economic activity. The development of **Heatmaps**⁴ allows to easily identify, for each climate risk driver, those economic sectors which are most impacted. In table below is represented an example of heatmap for heat waves.



SOURCE: UNEP FI: Charting a New Climate

⁴ Macro sectoral heatmaps have been developed for priority climate hazards, based on external public sources (e.g., UNEP FI: Charting a new climate) and expert opinions

CLIMATE MATERIALITY ASSESSMENT OUTCOMES

The results of analyses conducted so far (materiality assessment, scenario analysis and stress test), have shown that the Group is not materially exposed to climate change related impacts in the short term.

In a broader perspective, according to the current stage of development of climate risk metrics, Intesa Sanpaolo identifies the potential material climate-related impacts on traditional risks, providing a view on the relevant time horizon.

Banking risk types	Potential Impact from Physical and Transition Risk	Potential impacted time horizon
Credit risk	<p>The top-down analysis (ESG Sectoral assessment) shows a potentially relevant impact on credit risk profile of counterparties and collateral value. Bottom-up metrics and scenario analysis are required in order to assess the exposure of the bank portfolios for physical and transition risk. Bottom-up analysis shows:</p> <ul style="list-style-type: none"> → Chronic physical risks are not material → Acute physical risks are material only in the long term → Transition risks are material mainly for high intensity emissions sectors in the medium and long term 	Medium and Long term
Market risk	<p>The top-down analyses (ESG Sectoral assessment) show limited exposures towards high-risk sectors. Moreover, the scenario analyses performed as part of the SSM Climate Stress Scenario exercises showed no material impact under the transition risk scenario.</p> <p>Future developments are ongoing for climate scenario analysis in order to include other risk types (e.g., physical risk) and positions (e.g., sovereigns) and to strengthen the overall framework.</p>	Long term
Liquidity risk	<p>The impact of climatic and environmental risk factors that could compromise the liquidity positions in a forward-looking key over 1-3 years (reported in ILAAP and based on current methodology) doesn't highlight material absorption of the Group's liquidity reserves.</p>	Long term
Non-financial risk – Operational risk	<p>The assessment of scenarios related to ESG Risks carried out within 2022 Scenario analysis cycle has shown that:</p> <ul style="list-style-type: none"> → Litigation risk is potentially material only in the long term → Physical risk on own assets is not material 	Long term (for transition risks)
Reputational risk	<p>Top down (ESG Sectoral Assessment) and bottom-up analysis (ESG/Reputational risk clearing) outcomes show that the Group's reputation may be affected by transition risk (e.g. negative media exposures due to adverse NGO's campaigns). Therefore in order to protect corporate reputation, this kind of vulnerabilities should be considered in a medium-long term perspective.</p>	Medium term and Long term

Focus on Credit risk

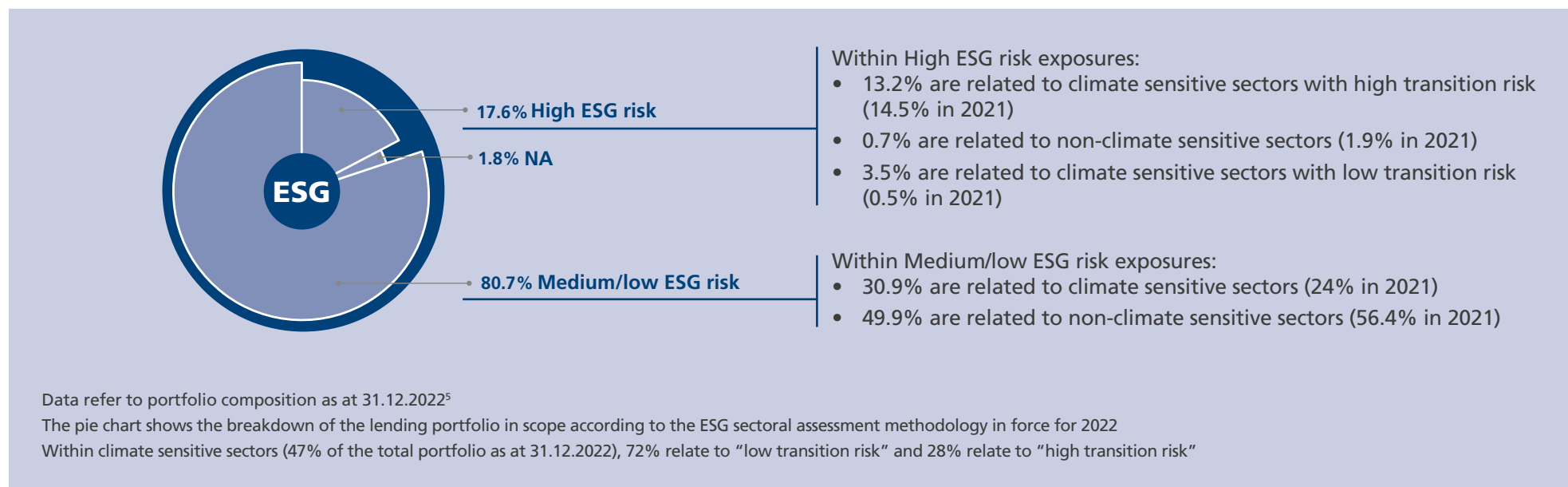
The ESG sectoral assessment conducted with reference to the corporate and SME corporate portfolio, allow to identify sectors potentially more exposed to transition and physical risk. The analysis highlighted some sectors as particularly exposed to transition risk (so called High Transition Sectors) as, in example, Oil&Gas, Power Generation, Automotive and Coal mining.

In order to assess credit risk materiality of transition and physical risks, a concentration analysis was carried out, considering also the geographical driver. This driver may be incorporated with different granularity (i.e. company's headquarter or assets geolocalization).

In fact, considering the geolocalization by registered residence of corporate counterparties, about 80% of the corporate credit portfolio is concentrated in Italy, so risks deriving from physical hazard outside Italy are considered not material. On the other hand, considering the geolocalization of asset plants (for Automotive, Power generation and Oil&Gas sectors), other geographies different from Italy were considered relevant, such as the United States and the United Kingdom.

The following graph shows views of the lending portfolio breakdown paired with the outcome of the sectoral assessment.

Potential ESG risk materiality (lending portfolio)



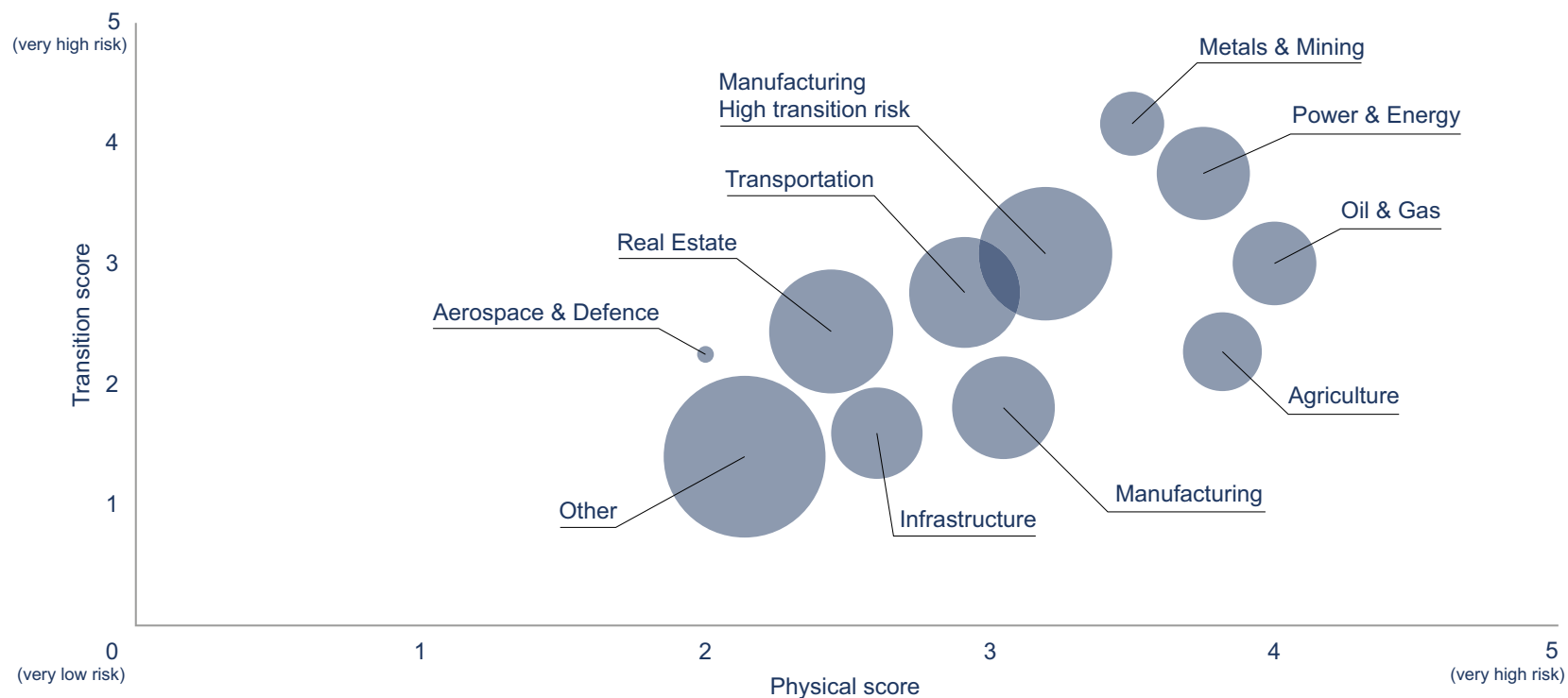
The exposure of the lending portfolio to transition risks was also analysed according to the CPRS⁶ approach which maps the NACE economic activities into categories which are relevant for climate transition risk. This approach was used in the 2020 EBA pilot exercise on climate change risk. Based on this

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

⁵ Cash and endorsement loans, net of retail exposures

⁶ The Climate Policy Relevant Sectors (CPRS) is a classification of economic activities to assess transition risk, developed in Battiston et al. (2017) and refined over the years. The CPRS methodology is fully compatible with the EU Taxonomy for the sustainable activities. CPRS provide a standardized and actionable classification of activities (at the NACE Rev2, 4-digit level) whose revenues could be affected positively or negatively in a disorderly low-carbon transition, based on their energy technology (e.g. based on fossil fuel or renewable energy). For this reason, the CPRS classification is regarded as a reference for climate financial risk assessment and has been used by several international financial institutions to assess investors' exposure to climate transition risk. In simple terms, CPRS are economic activities that could be affected, either positively or negatively (including "stranded assets") in a disorderly low-carbon transition. As such, they allow to consider the economic and financial risk stemming from the (mis)alignment to the climate and decarbonization targets of firms and sectors (recorded at the NACE 4-digit level) that contribute to the Gross Value Added (GVA). CPRS include fossil fuel, utility, energy intensive, buildings, transportation, agriculture, identified considering (i) the direct and indirect contribution to GHG emissions; (ii) their relevance for climate policy implementation (i.e. their costs sensitivity to climate policy change, e.g. the EU carbon leakage directive 2003/87/EC); (iii) their role in the energy value chain

Focus on Potential climate change risk materiality (corporate lending portfolio)



Note: Bubbles refer to the size of exposures.

In order to assess the effective riskiness of the portfolio the potential risks highlighted by the sectoral assessment must be compared with the results of a bottom up evaluation (scenario analysis) able to seize the real resilience of the counterparties.

Focus on Market risk

As concerns investment portfolios (market risk), the ESG sectoral assessment is applied on a quarterly basis and is shared within the Group's Financial Risks Committee, drawing attention to exposures to sectors considered to be most at ESG risk, identified by the ESG score and a high transition risk. The top-down analyses (ESG Sectoral assessment) show limited exposures towards high-risk sectors. Moreover, the scenario analyses performed as part of the Single Supervisory Mechanism (SSM) Climate Stress Scenario exercises showed no material impact under the transition risk scenario.

Future developments are ongoing for climate scenario analysis in order to include other risk types (e.g. physical risk) and positions (e.g. sovereigns) and to strengthen the overall framework.

Focus on Liquidity risk

With regard to liquidity risk, relevant climatic and environmental risks may lead to an increase in net cash outflows or affect available liquidity reserves. Although, as per general consensus in the banking industry, the link between ESG risks and liquidity is mainly of an indirect nature and with potentially longer-term manifestations, it is considered important not to overlook these risks and their potential transmission, appropriately incorporating the assessment of their potential effects on the current and prospective liquidity position of the Group.

To this end, after the prior identification of the climate and environmental risk factors that could negatively affect the Group's liquidity positions, specific analyses and monitoring of the exposures are carried out for the materiality assessment of risk factors identified, maintaining close connection with the qualitative assessments adopted by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes. In assessing the various scenarios, including stressed ones, on incoming and outgoing time flows and on the quantitative and qualitative adequacy of liquidity reserves, particular attention is also paid to analyzing the impact of climatic and environmental risk factors that could compromise liquidity positions on a forward-looking basis over different time horizons. These analyzes have been already incorporated in the annual report of the "Internal Liquidity Adequacy Assessment Process" (ILAAP) over a time-horizon up to 3 years which does not highlight material absorption of the Group's liquidity reserves.

Focus on Operational risk

The ESG Risk has been assessed as part of the Operational Risk Scenario Analysis process through the estimates of scenarios referring to:

- Physical Risk (Climate Change Risk): the main source of risk has been identified in floods that may involve data centers; the location of properties does not seem to expose the Group to very significant risks and, therefore, the relevance of such kind of scenarios has been deemed relatively small compared to the total estimates;
- The risk of ESG-related litigation (i.e. lawsuits related to investments in products with an adverse environmental impact, financing of companies with significant polluting activities, social or environmental disputes linked to business activities of the Group): a specific scenario pertinent to the risk of losses due to a violation of fiduciary obligations with clients or with Financial Markets regarding ESG issues was assessed for the first time in 2022, with a forward looking perspective, and included three cases:

- Violation of the current ESG regulatory framework - consisting of a complex set of binding and non-binding measures and regulations issued at international, EU and national level;
- Non-fulfillment of contract and possible non-contractual liability (e.g.: Bank/customer for own or third-party products; Bank/shareholder; Bank/subscriber of own Green Bond issues; Bank for roles assumed in customer issues; Bank for activities financing or related to it);
- Greenwashing and violation of ESG disclosure obligations - disputes of a civil and/or administrative nature deriving from false, misleading, incomplete or inconsistent communications from the Bank in which a product or an activity is declared as green or sustainable, or from the violation of ESG disclosure obligations.

The contribution to the total estimates was limited as, on the basis of evidence provided by an external Law Firm, operators in the banking/financial sector have so far been involved in a limited number of disputes, even if the most recent trend is growing.

Furthermore, the taxonomies used within Loss Data collection (process aimed at detecting historical operational events affecting the Group) have been enriched in order to include categories specifically dedicated to disasters that can be related to Climate Change risk (e.g., floods, heat waves) and to ESG-related litigations.

CREDIT RISK SCENARIO ANALYSIS AND STRESS TEST

Scenario analysis represents a fundamental element for integrating risks and opportunities associated with climate change into corporate strategies, taking also into consideration medium-long term implications. In general, the Climate Scenario Analysis is used to explore potential portfolio vulnerabilities, especially as concerns the lending portfolio, in the context of regulatory or internal stress testing processes.

During 2022, in order to assess the vulnerability of banks to climate and environmental risks, Intesa Sanpaolo participated in the 2022 SSM Climate Risk Stress Test conducted by the ECB. The results of this first pilot exercise were fed in a qualitative way into the Supervisory Review and Evaluation Process (SREP).

THE 2022 CLIMATE STRESS TEST EXERCISE

In 2022, the ECB carried out a climate risk stress test with the participation of 104 significant institutions.

Climate change and the transition to net zero carbon emissions pose risks to households and firms, and therefore to the financial sector. Accordingly, exposure to climate-related and environmental risks is among ECB Banking Supervision's strategic priorities for 2022-24. This first exercise was meant to create awareness of climate risk among the supervised institutions and make it easier to ascertain banks' vulnerabilities to, and resilience against, the materialization of these risks. The exercise was carried out to assess the internally built climate risk stress-testing capabilities of the banks in scope. Specifically, it explored:

- the progress banks have already made in developing climate risk stress-testing frameworks;
- the capacity of banks to assess the transmission channels of climate risk factors to customers and collaterals, an intermediate step towards developing climate risk stress test estimates;
- the capacity of banks to produce climate risk stress test projections;
- the risks banks are facing in the form of transition risks (both short-term and long-term) and acute physical risk events. To assess these points, the ECB requested information on a wide set of qualitative and quantitative information such as governance-related aspects, data availability, adequacy of transmission channels, scenario development capacity, asset class coverage, concentrations of sectoral income, financed greenhouse gas emissions and hypothetical stress test projections.

In order to perform the ECB climate stress test, the Bank implemented several enhancements into its internal Risk Management Framework. The climate scenario analysis and stress testing process is based on dedicated projection engines as described in the following paragraph.

As concerns physical risk, the exercise considered only flood and drought & heat risks, referring to the Network of Central Banks and Supervisors for Greening Financial System - NGFS "hot house world" comparable to the RCP 8.5 scenario. For flood risk, NUTS 3 codes (for Italy these correspond to provinces) were assigned on the basis of information available in the Group's internal database. For drought and heat risks, the model used a risk coefficient based on the exposures grouped by NACE sector codes. Additionally, the adoption of specific approaches was developed to define the "long-term strategic response" for the dynamic balance sheet part of the exercise. The 2022 climate risk stress test was mainly a useful learning exercise for financial institutions, acting as a catalyst to strengthen efforts to develop climate risk stress-testing frameworks, in accordance with the expectations laid out in the ECB Guide on climate-related and environmental risks.

MODELS AND MEASUREMENT FRAMEWORK

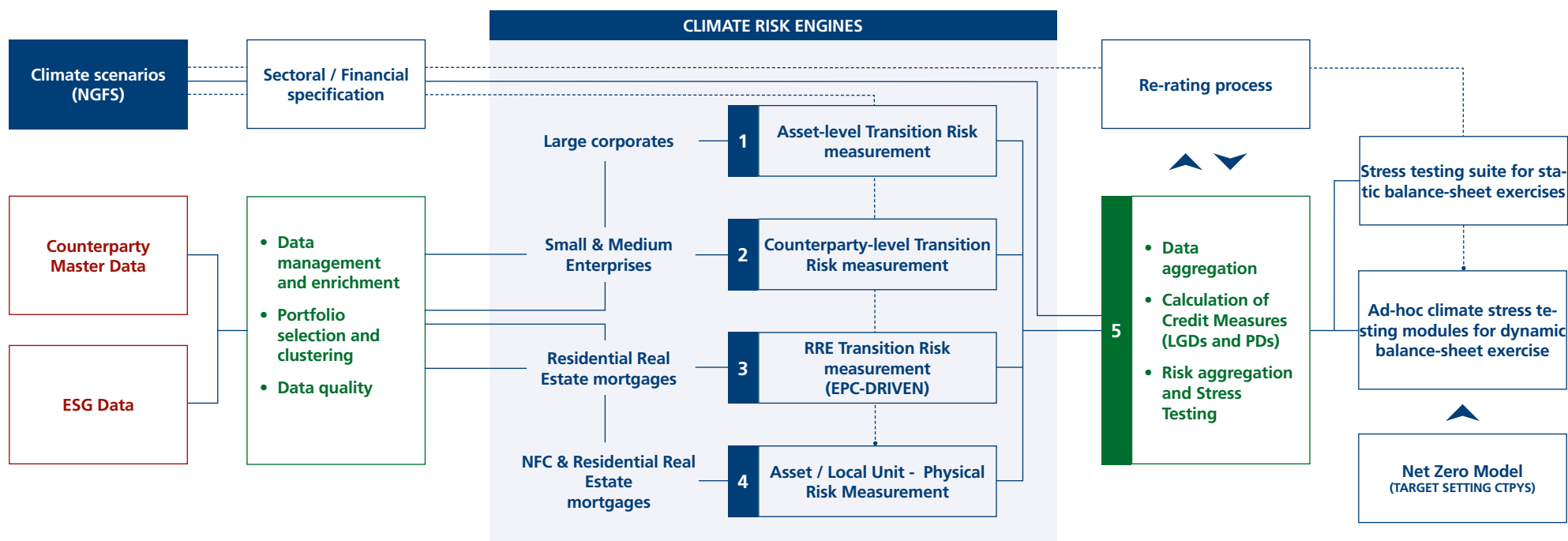
Capabilities and methodologies have been developed for the identification and assessment of climate risk (i.e. transition risk and physical risk), aimed at introducing specific analyses, both on the long and short term.

During 2023, the climate scenario analysis framework will be further strengthened, also by leveraging solutions from qualified suppliers, in order to expand the assessment perimeter of the physical and transition risk impacts.

To conduct scenario analysis activity, Intesa Sanpaolo adopts an approach that integrates the following components:

- a dedicated solution to assess the impact of transition risk on the NFC - Non Financial Corporate portfolio: the assessment is carried out through a shock on the individual company's financial statements, differentiating between Corporate and SME Corporate. For the former, the impact of the climate scenario on financial statements is derived through a bottom-up approach, while for SME Corporate the model provides top-down modelling, where the impact on the company's financial statements is determined with reference to the relevant economic sector;
- a dedicated solution for verifying the impact of transition risk on the Residential Real Estate portfolio: the assessment is carried out at asset level and is aimed at measuring the loss in value of real estate collateral in relation to the energy class to which it belongs (so-called EPC);
- a methodology for quantifying physical risk underlying collateral relating to the mortgage portfolio secured by immovable properties: the impact in this case depends on the geolocalization of the properties and on the types of damage resulting from the different risks presented by acute and chronic climatic events.

The overall picture of the measurement framework is represented in the table below and includes also the data management and the stress testing and integration procedures and is strictly connected with the Net Zero Model.

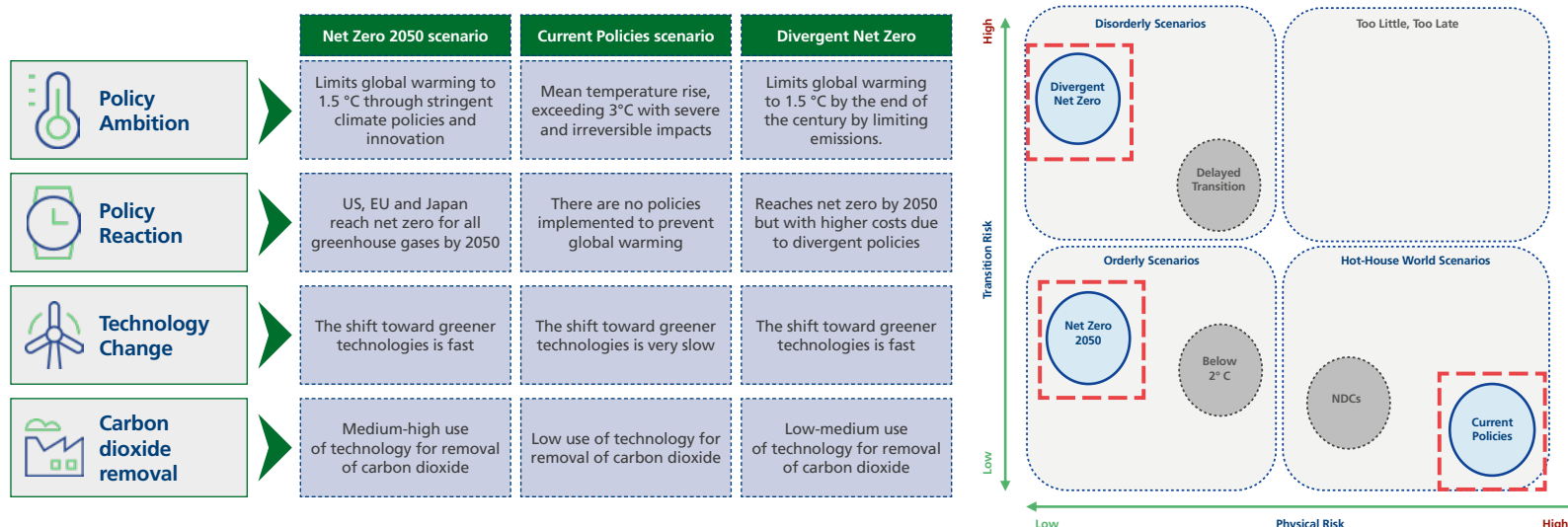


NGFS scenarios are applied in the scenario analysis and stress test as they represent a common practice for climate stress testing. The internal risk engines have been calibrated on the following three paths:

- Orderly transition (“Net Zero 2050”): assumes that climate policies are introduced early and gradually become more stringent;
- Disorderly transition (“Divergent Net Zero”): explores risks due to delayed or divergent policies across countries and sectors;
- Hot House World (“Current Policies”): assumes that some climate policies are being implemented in some jurisdictions, but that globally efforts are insufficient to halt significant global warming.

Some example scenarios selected from these three broad categories of NGFS scenarios are described and explained in the below Figure.

Climate Risk Reference Scenarios



Additionally, with the aim of providing a comprehensive view of the Bank main vulnerabilities due to climate risk, the scenario and stress testing analyses are usually realized taking into account different perspectives:

1. a short-medium term perspective aimed at evaluating possible impact of climate events, under a macro scenario that also considers the current context (e.g., recent conflicts, energy crisis);
2. a long-term perspective aimed at evaluating, under the last available NGFS scenarios (version 3.4), how the Bank can face an orderly transition or, on the other hand, a current policies context (hot house scenario).

All these climate risk drivers are then used to measure the impact of the given scenario onto the main risk measure (e.g. PD). This estimate is able to adopt several direct transmission channels (e.g. carbon price shocks) and to produce projections at counterparty level.

Consequently, for the corporate exposures, the effects of the scenarios were reflected by projecting balance sheet forecasting figures at counterparty/single name level. As introduced above, the forecasting models are differentiated based on the client’s data availability and on the forecasting approach:

- balance sheet forecasts for larger corporate clients for which information concerning production and/or emission as well as – where available - transition plans were obtained at counterparty level, using bottom-up approach;
- balance sheet forecasts for SME Corporate clients without the information described in the previous point were obtained with a top-down sectoral approach and then enriched with single-name data.

The current approach is being evolved taking into account the most relevant developments currently available.

INTEGRATION OF CLIMATE, ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISK FACTORS INTO THE RISK MANAGEMENT FRAMEWORK

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

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

The potential impacts of climate-related risks are assessed within the risk management framework by the risk identification process of the Group. An initial representation of climate-related risks drivers with reference to both indirect and direct risks is set out in the Strategy chapter. Furthermore, the short, medium and long-term effects in the risk framework have been defined according to the reference scenario analysis horizon, outlining the possible impacts on each traditional risk category in order to integrate the risk management framework. Time horizons are defined as follows:

- Short term: 0 – 5 years
- Medium term: 5 – 10 years
- Long term: 10 – 30 years

MANAGING ESG RISK FACTORS IN CREDIT RISK

As far as credit risk management is concerned, climate and environmental risk factors are considered in assessing the creditworthiness of counterparties and in the credit granting process, ensuring their monitoring within portfolios, in particular with reference to the credit ratings attribution processes, as part

of the Credit Risk Appetite (CRA), in the assessment of collateral for credit granting purposes and in the corporate credit granting process.

The corporate credit granting process includes, with reference to credit risk, the adoption of a corporate rating model, which includes social and environmental elements (intangible qualitative factors such as, for example, environmental certifications, research and development activities) which can lead to an improvement in the rating.

The new rating model was further strengthened through the definition and the introduction within the model of ESG information at corporate counterparty level.

For Italian corporate counterparties, in the qualitative part of the rating model, the assessment of aspects connected to catastrophic events was also envisaged according to the geographical area to which they belong.

The importance of physical risk has in fact been carefully analyzed by Intesa Sanpaolo, especially as Italy is considered one of the European countries most exposed to the effects of climate change. Intesa Sanpaolo has therefore developed an ad hoc module, "CAT RISK", for measuring physical climate risks related to domestic counterparts with a company turnover of less than €500m, assessing the risk of natural disasters potentially affecting the plants and equipment of enterprises. The module ascertains the degree of risk of the Italian territory at the municipal level. The percentage of the area at high CAT risk is transformed and normalized in order to obtain a continuous indicator of the level of risk for different natural disasters.

Several factors related to physical risk were analyzed and three variables were included in the final model: fire, earthquake and flood. The model identifies a specific impact on credit standing ranging from neutral (absence of CAT risk) to negative (exposure to CAT risk). CAT risk exposure is calculated automatically; a questionnaire ascertains the presence of insurance against the risk of natural disasters which, where present, can neutralize the impact of CAT risk.

MANAGING ESG RISK FACTORS IN MARKET RISK

In managing market risk, Intesa Sanpaolo also assesses the effects of climatic and environmental factors on its current positions exposed to market risk. The Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the measurement of financial instruments at fair value, with particular focus on the main asset classes, payoffs and positions explicitly linked to climate & environmental risk factors, as well as on future investments proposed by business units;

- classifies current positions subject to market risk using ESG indicators available internally (e.g. ESG Sectoral Assessment, ESG Sectoral Strategy and ESG Score per counterparty) and externally (e.g. industry sectors, ESG rating), including through qualified providers.

MANAGING ESG RISK FACTORS IN LIQUIDITY RISK

In managing liquidity risk, Intesa Sanpaolo intends to assess the direct or indirect effects of climate and environmental risks on the Group's current and prospective liquidity position. This includes an impact assessment of relevant climate and environmental risks in terms of potential net cash outflows and potential erosion of liquidity reserves. The Group therefore:

- identifies climate and environmental risk factors that could adversely affect the Group's liquidity positions in connection with the Bank's qualitative assessments at the sector, sub-sector and counterparty levels using the classifications developed (e.g. ESG Sectoral Assessment) for all key analysis relevant to liquidity risk;
- carries out the analysis and monitoring of exposures for the assessment of the materiality of the risk factors identified on the Group's current and prospective liquidity risk position;
- carries out sensitivity analyses based on the potential impact of ESG High Risk exposures on relevant liquidity metrics (e.g. Liquidity Coverage Ratio - LCR), by applying different scenario assumptions;
- conducts stress tests on liquidity risk, including forward-looking analyses, and includes results in the ILAAP reporting.

MANAGING ESG RISK FACTORS IN OPERATIONAL RISK

In managing operational risks, Intesa Sanpaolo also considers the possible adverse impact of climatic and environmental events on its real estate properties, on business continuity as well as on litigation risk. In particular, the Group:

- identifies within operational events collected (Loss Data Collection), those related to climate and environmental risks and those related to climate/environment-related litigations;
- assesses, during the Operational Risk Assessment process, the possible losses deriving from damage to real estate properties, from possible interruptions to its operations and from possible legal liabilities, by means of specific risk scenarios dedicated to climatic and environmental risks;

- to protect business continuity, assesses the impact of physical risks associated with IT centers and sites (including outsourced IT services), identifying alternative locations in case of disaster recovery. As regards litigation risk, according to the Supervisory Authorities and international institutions, this type of risk could grow in relation to climate and environmental issues. This trend requires careful monitoring also by financial institutions.

With specific reference to climate/environment-related litigation risk, the framework defined by the Group takes into consideration the possible emergence of issues related to critical climatic and/or environmental issues and their monitoring over time, such as, for example:

- liabilities and/or disputes relating to products placed by the Group (e.g. investments in products with a negative environmental impact, financing of companies with a high environmental impact);
- social or environmental disputes related to the Group's business activities.

In this respect, Intesa Sanpaolo has activated the monitoring of lawsuits impacting peers (domestic and international), fine-tuned the process for monitoring its own disputes and carried out specific training initiatives addressed to dedicated personnel.

MANAGING ESG RISK FACTORS IN REPUTATIONAL RISK

In managing reputational risk, the Group assesses ex-ante the potential ESG and reputational risks associated with business operations and the selection of Group suppliers/partners through the ESG & Reputational Risk Clearing process.

The Group also monitors its web reputation by integrating specific assessments on events related to environmental risks/climate change (e.g. events deriving from protests or adverse campaigns deriving from the bank's financing activity). Finally, specific scenarios relating to ESG and climate issues are included in the annual reputational risk assessment process by top management.

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

The RAF integrates and translates into specific controls what has been defined in terms of strategic guidelines, ESG/Climate Materiality Assessment and ESG Sectoral Strategy, identifying year by year, limits, Key Risk Indicators and specific actions aimed at containing ESG risks, in particular with reference to the sectors most exposed to such risks. In this context, there are also specific provisions related, for example, to the Group's adherence to the Net-Zero objectives. The development of RAF controls in the ESG area also takes into account the main evidences from the most relevant risk assessment processes including Stress Test, Scenario Analysis and ESG & Reputational Risk Clearing. From 2021, the Group RAF has introduced a section dedicated to ESG, climate change and reputational risks, "ESG Climate Change and Reputational Risks", which includes qualitative and quantitative elements, progressively enhanced, that integrate:

- awareness that climate change constitutes a significant risk factor for both current and future credit risk, as well as influencing investor preference;
- the bank's commitment to be a responsible financial intermediary and to support the transition to a low carbon economy;
- the now consolidated role of social media as highly effective tools for creating public opinion, directing the behavior of consumers and counterparties and influencing the bank's reputation.

Within 2023 RAF:

- the existing limit exposure towards the coal mining sector was furtherly tightened, consistently with the established phase out target;
- the existing limit on Oil&Gas sector was fine-tuned, introducing new evaluation criteria, consistently with the Net Zero objectives declared by ISP in its 2022-2025 Business Plan;
- the existing limit on sectors (mining, gambling, tobacco) considered extremely sensitive under a "social" perspective was revised;
- the monitoring of new underwriting was also introduced, broken down by energy performance classes (EPC certifications), with the aim of improving the quality of the residential properties taken as collateral and therefore reducing the transition risk relating to retail residential mortgages;
- a physical risk monitoring of the Real Estate portfolio was activated, in order to integrate the impacts of physical risk into long-term strategic planning.

Furthermore, within the scope of the RAF, the main limitations and exclusions to the financing of sectors/counterparties most exposed to ESG risks are defined and are then integrated into self-regulation policies and/or within the operational processes. In particular, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector" and the "Rules for lending operations in the unconventional Oil&Gas sector", aimed at defining general and specific criteria for the limitation and exclusion of credit operations with counterparties belonging to these sectors. Finally, all transactions with counterparties presenting elements of significant environmental/climate risk (e.g. top polluting companies) are classified as Most Significant Transactions (MST) and therefore subject to a strengthened assessment and the binding opinion of the Chief Risk Officer.

With reference to the Credit Risk Appetite (CRA), an indicator that guides relationship managers in assessing counterparties in the credit origination phase, specific risk and resilience factors are envisaged to consider the sustainability of the counterparty also in socio-environmental terms. These factors contribute to the categorization of the counterparty for the purpose of being subject to the CRA limits envisaged for transactions considered most risky or to be monitored. These ESG factors, introduced into the framework starting from 2020, have been progressively evolved; in particular, during 2022, the counterparty's internal ESG score was factored into the CRA framework.

Lastly, with reference to reputational risk and its correlations with ESG risks, monitoring of specific Key Risk Indicators relating to transactions with controversial counterparties, the Group's web reputation and any ESG disputes to which the Group may be exposed are envisaged.

COAL AND UNCONVENTIONAL OIL&GAS POLICIES

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

At the same time, a policy “[Rules for lending operations in the unconventional](#)

[Oil&Gas sector](#)” was issued including limitations and restrictions for unconventional resources such as Shale Oil&Gas and those resources extracted in fragile ecosystems in geographical areas such as the Arctic region and the Amazon. Namely the policy prohibits the financing of projects aimed at the development, construction and expansion of exploration and extraction activities relating to unconventional resources and the related transport infrastructures. In addition, the Group undertakes to terminate its exposure linked to unconventional Oil&Gas resources by 2030.

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



THE ESG AND REPUTATIONAL RISK CLEARING PROCESS

The ESG & Reputational Risk Clearing process is aimed at identifying and assessing in advance the potential ESG and reputational risks associated with credit transactions involving counterparties operating in the sectors most exposed to ESG and/or reputational risks. This clearing process is applied, in line with the principle of proportionality, in a differentiated manner according to the complexity of the counterparties/transactions and provides for differentiated escalation mechanisms according to the ESG/reputational risk class assigned to the transaction/counterparty.

The process is divided into two levels of control:

- a first level by the line functions, which verify some potentially critical elements of the ESG profile of the transaction and counterparty (e.g. internal ESG score), the feasibility with respect to limits and exclusions defined by company regulations and carry out. Starting from 2023, in the case of selected high transition risk sectors, an assessment of the counterparty's transition plan;
- a second level, activated on the basis of the outcomes of the first level controls, by the risk management function, which carries out an in-depth assessment of the ESG and reputational risk associated with the transaction and with the counterparty, considering both structural elements of the company's sustainability profile (e.g. corporate governance model), and more contingent elements (e.g. adverse media campaigns). The second level assessment attributes an ESG/reputational risk class to the transaction; in the presence of risk classes that are not consistent with the Bank's risk appetite, they activate specific escalation mechanisms.

The second level assessment includes:

- with reference to reputational risk profiles, the analysis of the counterparty's media exposure caused by information campaigns by NGOs or by negative news reported by the media;
- with reference to environmental risks, the risks associated with the environmental impacts of the sector and the operations of the counterparty are assessed, for example with reference to polluting emissions and the consequences on biodiversity, together with the

adoption by the counterparty of any containment and mitigation measures to improve business sustainability; with particular regard to climate change risk (transition risk), the degree of exposure to this risk is assessed, examining the counterparty's commitment to adopt transition plans aimed at reducing GHG emissions and to set, within a defined time-frame, any carbon neutrality objectives, to increase the use and/or production of energy from renewable sources and, for the sectors subject to target setting, an assessment of consistency with the commitments taken by Intesa Sanpaolo;

- with reference to social risks, the analysis takes into consideration the impacts that the counterparty's business generates on communities, territories and people and also the degree of disclosure and information that the borrower makes available, for example through its non-financial statement, to assess whether the actions undertaken or planned in the business plan can mitigate any social impacts generated. The assessment also considers the adoption, within the internal organization, of measures aimed at promoting the protection of health and safety, gender balance, clarity of remuneration policies;
- with reference to governance risk, the level of transparency of the corporate organisation, control systems and independent bodies, the adoption of ethical standards, the governance model and any negative media exposure of top management are examined.

FOCUS ON MOST SIGNIFICANT TRANSACTIONS

A reinforced process is provided for Most Significant Transactions, intended as transactions of particular importance, of the proprietary type or with individual customers or counterparties or that potentially have a significant impact on the overall risk profile and/or on the specific risks of the Group as defined in the RAF. The same reinforced process is envisaged for transactions subject to reputational, climate and ESG risks (belonging to specific sectors, countries) and included in a shortlist of controversial names.

FOCUS ON THE EQUATOR PRINCIPLES

The ESG & Reputational Risk Clearing process also includes transactions subject to the [Equator Principles \(EP\)](#), international guidelines which Intesa Sanpaolo has adhered to since 2007 (the Group currently adopts the "EP IV", updated version of the guidelines). The loans subject to the screening of the Equator Principles that reached financial close in 2022 amounted to 18 (for a total of 404 since 2007) for a total amount of approximately €1.08bn.

The EPs provide for the assignment of a risk category to projects to be financed (A high, B medium, C low) based on variables such as the socio-environmental characteristics of the country, the industrial sector to which they belong and the specific characteristics of the project. Higher risk projects and, if appropriate, medium risk projects are assessed by an independent consultant who identifies their main social and environmental impacts.

The table below shows the number of projects that reached financial close in 2022, broken down by category:

	Total	Category A	Category B	Category C
Project Finance	14	1	6	7
Business loans for projects	4	2	2	0

2023 DEVELOPMENTS

On the basis of the developments envisaged in the new ESG/Climate Credit Framework, starting from 2023 the scope of the ESG and reputational risk clearing will be enlarged to large exposures above a certain level of RWA for all business sectors and counterparties with low ESG score or for transactions with critical ESG/reputational issues identified at the first level of assessment and for every Red and Orange sectors transactions.

DIRECT ENVIRONMENTAL RISKS

With reference to direct environmental risks, in consideration of the increasingly strategic importance of the CO₂ emissions topic, in 2022 Intesa Sanpaolo drafted a new plan, called Own Emissions Plan, which replaces the previous Climate Change Action Plan, setting for 2030 a carbon neutrality objective for own emissions through energy efficiency actions and greater use of energy from renewable sources. The activation of a number of corporate structures is envisaged in relation to the hydrogeological risk (floods and landslides) also linked to climate change and the potential occurrence of crisis scenarios in Italy that may have repercussions on Intesa Sanpaolo properties. In order to guarantee operational continuity in the areas most affected by bad weather, the contact persons for the crises of the territorial and central structures are activated for the timely reporting of critical issues, with particular reference to delays in the transport of valuables and correspondence, difficulties for personnel in reaching their workplaces, operational issues and problems with branch physical plant. At the same time, as early as the first weather alert, the corporate Critical Event Management structure is activated and in the event of very serious calamitous events, the Emergency Management Operations Centre of the Business Continuity Management Department is also activated which, having monitored the situation, evaluates the temporary closure of the buildings and activates any other intervention. The analysis conducted in relation to hydrogeological/ landslide risk revealed that in Italy there are approximately 290 owned properties that are in areas with medium or high flood risk, while only 16 properties are in areas with high or very high landslide risk.

In 2022, a project was launched aimed at mapping the exposure to all physical risks from climate change, both acute and chronic, of all bank assets, in line with the provisions of the Bank's Business Plan. The project provides for the assessment of environmental vulnerabilities through the use of a platform, aimed at identifying a danger risk for each real estate asset of the Intesa Sanpaolo Group linked to climate change risks and other risks of a territorial nature.



METRICS & TARGETS

This chapter sets out Metrics and Targets related to initiatives described in the previous TCFD sections. Reference should therefore be made to those sections for further details on single initiatives.

INTESA SANPAOLO CLIMATE & ENVIRONMENTAL HIGHLIGHTS

Main Targets

KPI	Target	Timeframe
Green, Circular Economy and green transition financing	€76bn	By 2026 NRRP
Green financing to individuals	€12bn	
Circular Economy plafond	€8bn	
Eurizon Sustainable investments	€156bn (60% of expected total AUM)	By 2025 in line with 2022-2025 Business Plan horizon
ISP People ESG Training	100%	
NZBA	Net-Zero emissions in terms of loans and investments portfolios	By 2050
	Intermediate Net-Zero aligned emissions reduction targets: <ul style="list-style-type: none"> • Oil&Gas • Power Generation • Automotive 	By 2030
Coal mining	Exclusion policy: zero exposure	By 2025
Own Emissions	Net-Zero in terms of Own emissions	By 2050
	Carbon neutrality Purchase of 100% of electricity from renewable sources	By 2030

Main 2022 Results

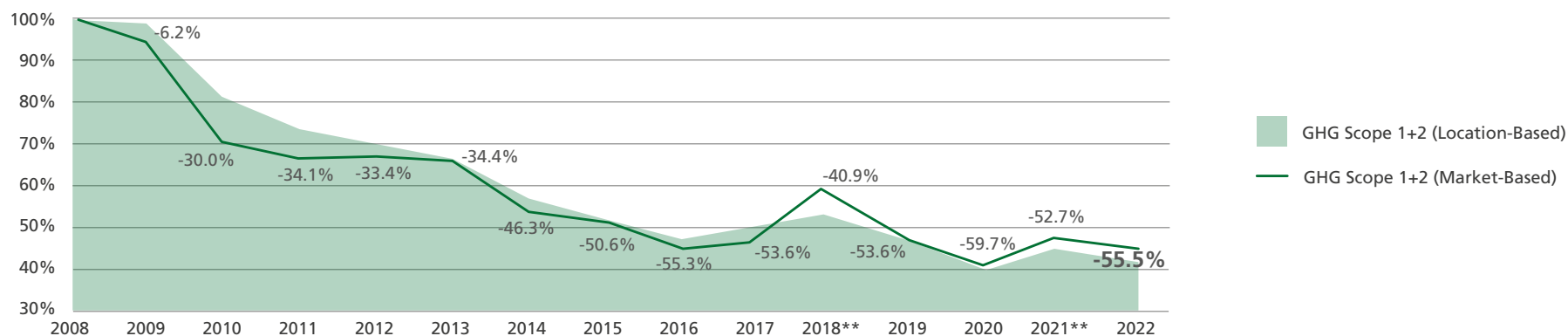
Green, Circular Economy and green transition financing	~€6.3bn disbursed in 2022 ~€2.2bn of S-Loan in 2022 420 circular and green economy projects assessed and validated, within the Circular Economy plafond, for an amount of €9.1bn; €3.1bn disbursed in 2022
Green financing to individuals	~€2.6bn of Green Mortgages in 2022
Eurizon Sustainable investments	€110bn (54% of total AUM)
Electricity purchased from renewable sources	91% (88% in 2021)
Financed emissions (4 sectors in scope)	-62% vs 2021
Own emissions	Scope 1+2 market based -5.8% vs 2021



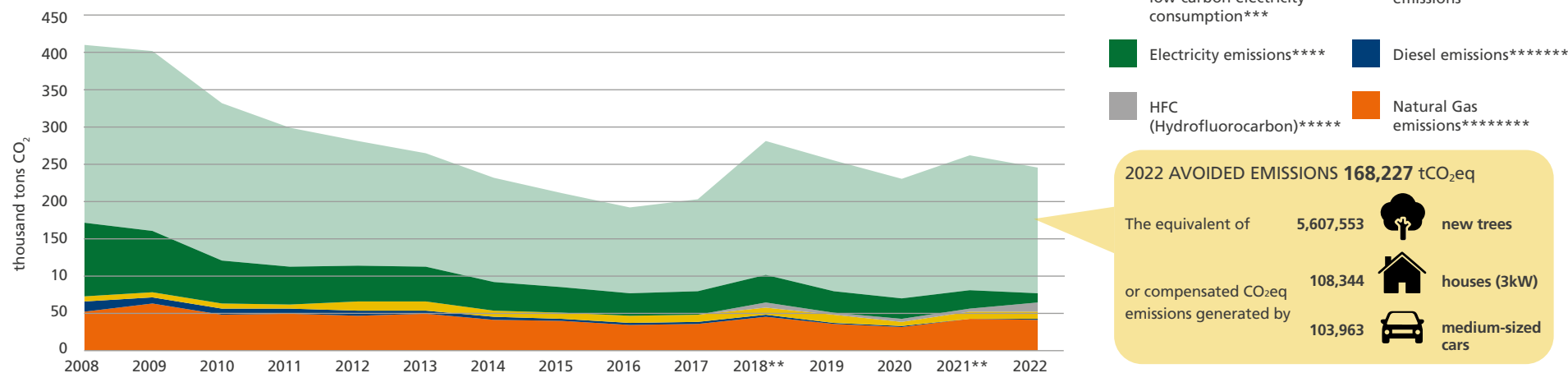
OWN OPERATIONS

As a result of the medium-long term plans implemented since 2008, major reductions in electricity and thermal energy consumption and in the resulting emissions were achieved by the Group, with a drop of -55.5% in Scope1 + Scope2 Market-based emissions in 2022 compared to 2008 (-5.8% in 2022 vs 2021).

Trend in GHG emissions (Scope1 + Scope2 Market-based*) from 2008 to 2022



Trend in GHG emissions by source from 2008 to 2022



* Market based: for purchased electricity, the Scope2 data consider the contribution, agreed contractually, of the guaranteed renewable source certificates, which therefore have zero emissions. Location-based: for purchased electricity, the Scope2 data consider the transformation factors of national emissions. The location-based method highlights the actual emissions reduction deriving from energy efficiency without considering the positive contribution resulting from the purchasing of certified renewable energy (Market-based)

** The increase in emissions recorded in 2018 and 2021 is mainly due to a wider reporting perimeter. Banca Popolare di Vicenza and Veneto Banca figures are included from 2018 while UBI Banca Group figures are included from 2021

Emission factors for the calculation of CO₂ established by Intesa Sanpaolo, in accordance with the Italian Banking Association (ABI) Guidelines on environmental matters issued by ABI Energia and on the basis of the main 2022 publications (UNFCCC, IEA, IPCC, AIB, etc.)

For further information please refer to: [Greenhouse gas emissions section in Intesa Sanpaolo website](#)

*** Low-carbon electricity is the sum of electricity generated from nuclear and renewable sources. Renewable energy sources include hydropower, solar, wind, geothermal, bioenergy, wave and tidal

**** Emissions from Market-Based electricity consumption

***** HFC fugitive emissions from refrigeration and air conditioning equipments

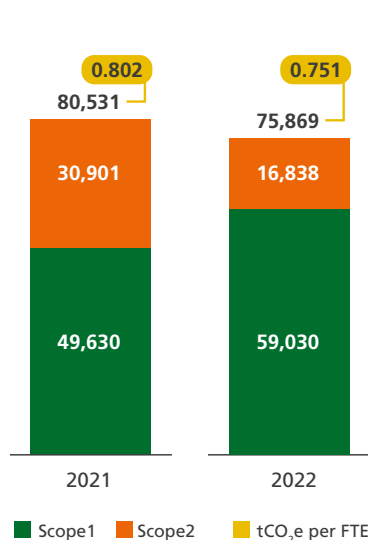
***** Vehicles emissions from fuel combustion

***** Fuel combustion emissions for heat generation

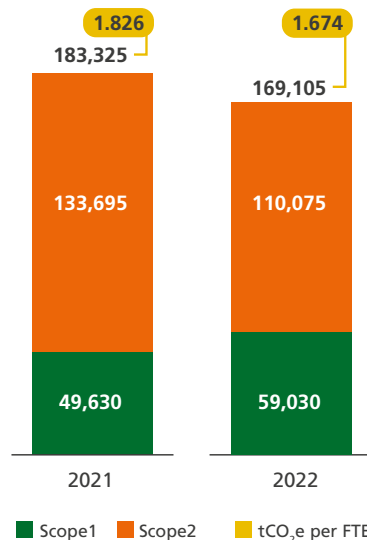
***** Fuel combustion emissions for heat generation and trigeneration (CCHP - combined cooling, heat and power)

OWN OPERATIONAL FOOTPRINT (2022 VS 2021)

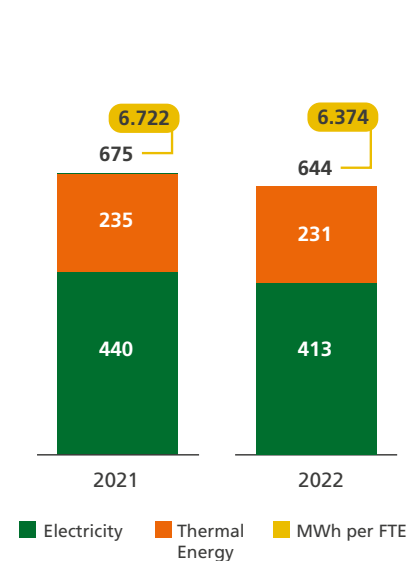
Market Based GHG Emissions (tCO₂e)



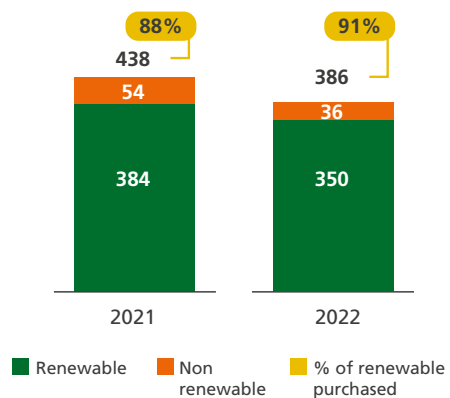
Location Based GHG Emissions (tCO₂e)



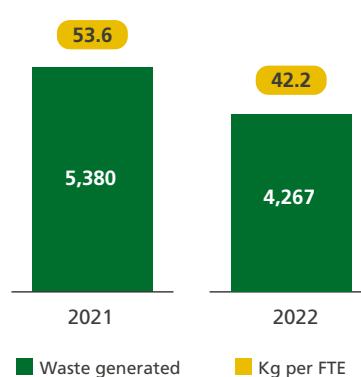
Energy consumption (GWh)



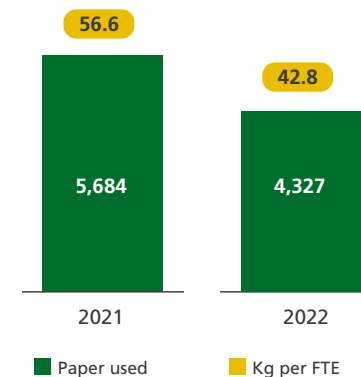
Electricity purchased (GWh)



Waste generated (t)



Paper used (t)



OWN EMISSIONS PLAN

As a demonstration of the strategic relevance of climate change, in 2021 the Bank's commitment to contain CO₂ emissions has resulted in the definition of the new Own Emissions Plan which identifies specific medium-long term actions aimed at reducing its consumption of natural gas, diesel and traditional electricity. The Own Emissions Plan replaces the previous Climate Change Action Plan (CCAP) whose results will be reported until end 2022, the first medium-term target set by the CCAP itself. Scope 1 and 2 reduction in the Own Emissions Plan is more than compliant with SBTi reduction requirement (4.2% annual linear reduction).

The 2030 targets of the Own Emissions Plan

Scope	Base year	% of emissions in scope	Base year emissions covered by target (tCO ₂ eq)*	Target year	% reduction target vs base year	2021 result	2022 result
Scope 1+2 (Market based)	2019	100%	96,192	2030	-53%	-16%	-21%
Scope 3: Paper	2019	100%	6,025	2030	-40%	-35%	-52%

* base year emissions include UBI data

The Own Emissions Plan provides for the purchase of 100% of electricity from renewable sources at Group level by 2030 (level already reached in 2021 in branches and buildings based in Italy). It is to be noted that in 2022 approximately 91% of Group electricity purchases already come from renewable sources.

Renewable sources	Base year	Renewable electricity base year (%)	Target year	Target renewable electricity (%)	2021 result % re-newable electricity	2022 result % re-newable electricity
Purchasing of electricity from renewable sources	2019	87.7%	2030	100%	87.7%	90.7%

2022 Reporting on the 2017 Climate Change Action Plan (CCAP)

The tables below show the CCAP main targets (on a like-for-like basis, including UBI Banca in the base and target year). Results achieved in 2022 vs the 2012 baseline were significantly better than targets set.

Scope	Base year	% of emissions in scope	Base year emissions covered by target (tCO ₂ eq)	Target year	% reduction target vs base year (*)	2021 result with unchanged emission factors	2022 result with unchanged emission factors
Scope 1+2 (Market based)	2012	100%	128,479	2022	-36%	-40%	-42%
Scope 1+2 (Market based)	2012	100%	128,479	2037	-42%	-40%	-42%
Scope 3: Paper	2012	100%	21,069	2022	-30%	-50%	-62%
Scope 3: Business Travel	2012	57% (Trains, flights)	10,281	2022	-35%	-88%	-76%

* targets are net of the change in emission factors

Renewable sources	Base year	Renewable electricity base year (%)	Target year	Target renewable electricity (%)	2021 result % re-newable electricity	2022 result % re-newable electricity
Renewable electricity consumption	2012	80.4%	2022	84.0%	87.5%	85.1%
Production of renewable energy (photovoltaic power)	2012	0.09%	2022	0.31%	0.31%	0.33%
Purchasing of electricity from renewable sources	2012	81.7%	2022	89.0%	87.7%	90.7%

For completeness of information, results on a non-homogeneous perimeter (UBI Banca data included only from 2021) are available on the Intesa Sanpaolo website in the "Direct Environmental Impacts" section.

NZBA TARGET SETTING: ANNUAL REPORTING OF EMISSIONS

ESTIMATED FINANCED EMISSIONS

The NZBA requires its members to follow a set of commitments and identify targets with the final objective to limit global warming to 1.5°C from pre-industrial levels, in line with the Paris Agreement. After joining the NZBA in October 2021, within the 2022-2025 Business Plan, Intesa Sanpaolo published its net-zero aligned emissions reduction targets for 2030 in the Oil&Gas, Power generation, Automotive and Coal mining sectors, which represented over 60% of the non-financial corporates portfolio financed emissions in the sectors identified by the NZBA. With regard to coal mining in particular, the exposure target is zero by 2025, in line with the phase-out present in the "Rules for lending operations in the coal sector", updated in July 2021.

As per the commitment, targets should:

1. prioritize sectors based on GHG emissions, GHG intensities, and/or financial exposure in the banking member's portfolio;
2. align with low/no-overshoot 1.5°C transition pathways, as specified by credible science-based climate scenarios.

Results for 2022 show a significant **decrease in absolute emissions** compared to the baseline referred to the four sectors in scope.

The table below shows in detail, for each sector, the metrics applied, the baseline, the target for 2030.

Sector and Scope*	Metrics	Baseline (30.06.2021)**	Target (2030)***
Oil&Gas****(Scope 1, 2, 3)	gCO ₂ e/MJ	64	52-58
Power generation (Scope 1, 2)	kgCO ₂ e/MWh	214	110
Automotive (Scope 3 TTW*****)	gCO ₂ e/vkm	162	95
Coal mining (exclusion policy)	€ bn exposure	0.2	zero by 2025

* Sectors consistent with Net-Zero Banking Alliance. Reference scenario: IEA Net-Zero 2050. The design choices, regarding the value chain, the perimeter of the emissions considered and any proxies, are in line with PCAF methodologies and preliminary to SBTi validation. The exposures considered (drawn amount; Hold-to-collect (HTC) bonds, Equity banking book) for the purposes of the target setting include Non-Financial Corporates in the sectors considered net of SMEs. Oil&Gas - focus on "upstream operations" and "integrated players", with the exclusion of refining and distribution companies; Power Generation - Only included the "Generation" and "Integrated Power Generation" companies, with the exclusion of transport and distribution companies; Automotive - Only car manufacturers included, with the exclusion of component suppliers

** Portfolio composition as at 30.06.2021; emissions data at 2019

*** Targets could be updated over time based on the evolution of the emission calculation methodology, the updates required by NZBA, the SBTi and the publication of new guidelines

**** The Group has already adopted a policy to phase out unconventional Oil&Gas by 2030

***** Tank-to-Wheel (TTW) refers to a portion of a vehicle energy chain that extends from the point from which energy is absorbed (charging point; fuel pump) to discharge (exhaust)

The table below shows in detail, for each sector 30.06.2021, 31.12.2021 and 31.12.2022 data.

Sector and Scope*	Metrics	Baseline 30.06.2021**	31.12.2021 ***	31.12.2022 ****
Oil&Gas***** (Scope 1, 2, 3)	gCO ₂ e/MJ	64	64	65
Power generation (Scope 1, 2)	kgCO ₂ e/MWh	214	154	253
Automotive (Scope 3 TTW)	gCO ₂ e/vkm	162	162	155
Coal mining (exclusion policy)	€ bn exposure	0.2	0.1	0.1

The table below shows the details of the absolute emissions as at 30.06.2021, 31.12.2021 and 31.12.2022 for each sector.

Sector and Scope*	Financed emissions** 30.06.2021 Mt CO ₂ e	Financed emissions*** 31.12.2021 Mt CO ₂ e	Financed emissions**** 31.12.2022 Mt CO ₂ e
Oil&Gas***** (Scope 1, 2, 3)	44.8	43.5	19.0 ¹
Power generation (Scope 1, 2)	2.7	6.2	4.1
Automotive (Scope 3 TTW)	13.3	13.5	0.9 ²
Coal mining***** (exclusion policy)	0.5	0.2	0.2
Total	61.3	63.4	24.2

* Sectors and scope selection rationales as described in note * in the previous page

** Portfolio composition as at 30.06.2021; emissions data at 2019

*** Portfolio composition as at 31.12.2021; emissions data at 2019

**** Portfolio composition as at 31.12.2022; emissions data at 2020

***** The Group has already adopted a policy to phase out unconventional Oil&Gas by 2030

***** Estimated top-down emissions based on average sectorial emission intensity per euro of exposure

¹ The decrease is mainly attributable to the reduction in portfolio size

² The decrease is mainly attributable to the reduction in portfolio size

Data could be updated over time based on the evolution of the emission calculation methodology

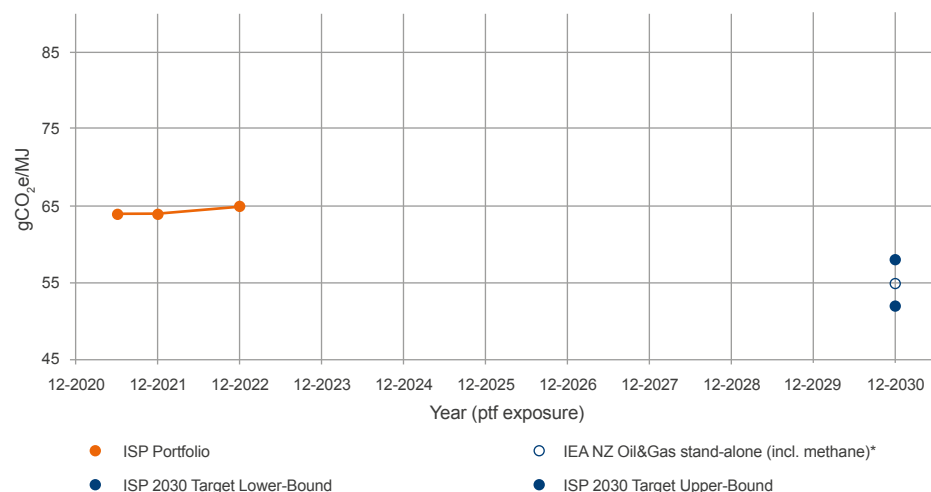
The portfolio coverage for each sector in scope for Target Setting methodology with respect to the total drawn amount of consolidated balance sheet of the ISP Group is: Oil&Gas: 1.3%; Power Generation: 2.1%; Automotive: 0.5%; Coal mining: 0.02%.

Portfolio-wide emissions intensity (MtCO ₂ e/ €Bn lent and invested)	30/6/21	31/12/21	31/12/22
1 Oil&Gas (Scope 1,2,3)	4.8	5.2	3.4
2 Power Generation (Scope 1,2)	0.4	0.8	0.4
3 Automotive (Scope3 TTW)	1.6	1.6	0.4
4 Coal mining*	2.7	2.7	2.7
Total Portfolio-wide emissions intensity	2.5	2.5	1.4

Note: each value is calculated as the ratio between financed (lent and invested) emissions in scope (numerator) and total of lent and invested exposure (denominator) in scope (e.g., exclusion of SMEs, Value Chain refinements, etc.); Data could be updated over time based on the evolution of the emission calculation methodology.
* Exclusion policy.

Analysis by portfolio sector

Oil&Gas (scope 1, 2, 3) - Sector level physical intensity



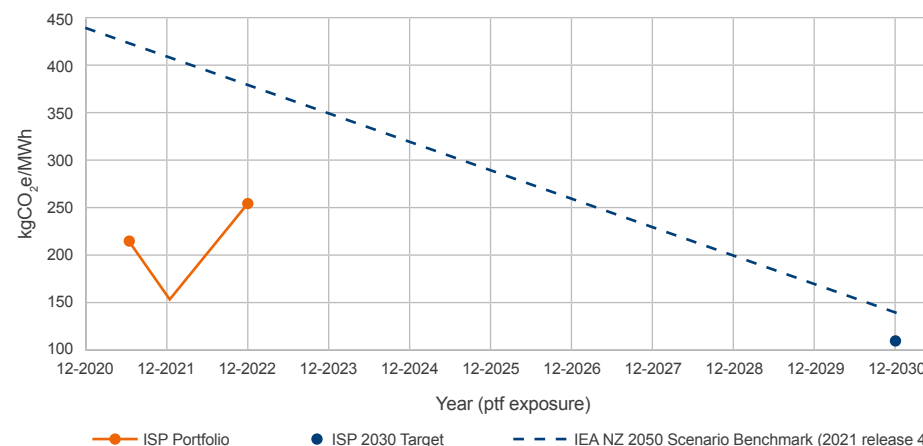
Note: there's a two-year lag between the emission year and the exposure year. E.g., Physical Intensity at 2021-12 is calculated using 2019 emission data and 12-2021 exposures

* The benchmark was built on top of the IEA Net Zero Oil&Gas stand-alone benchmark without renewables (50 gCO₂e/MJ in 2030) adding the contribution of methane emissions (2 gCO₂e/MJ) and adding back the carbon captured outside of the Oil&Gas (3 gCO₂e/MJ) as it is not under direct control/influence of the Oil&Gas players, driving the benchmark to 55 gCO₂e/MJ in 2030

As a result of the geopolitical context, in the second half of the year Intesa Sanpaolo significantly reduced its exposure to Russia, with a particular impact on the Oil&Gas portfolio.

As concerns physical intensity trends shown in the table, the reduction in exposure was mainly related to the Gas sector which has a lower emission intensity than the Oil sector and this explains the trend in 2022.

Power Generation (scope 1, 2) - Sector level physical intensity



Note: there's a two-year lag between the emission year and the exposure year. E.g., Physical Intensity at 2021-12 is calculated using 2019 emission data and 12-2021 exposures.

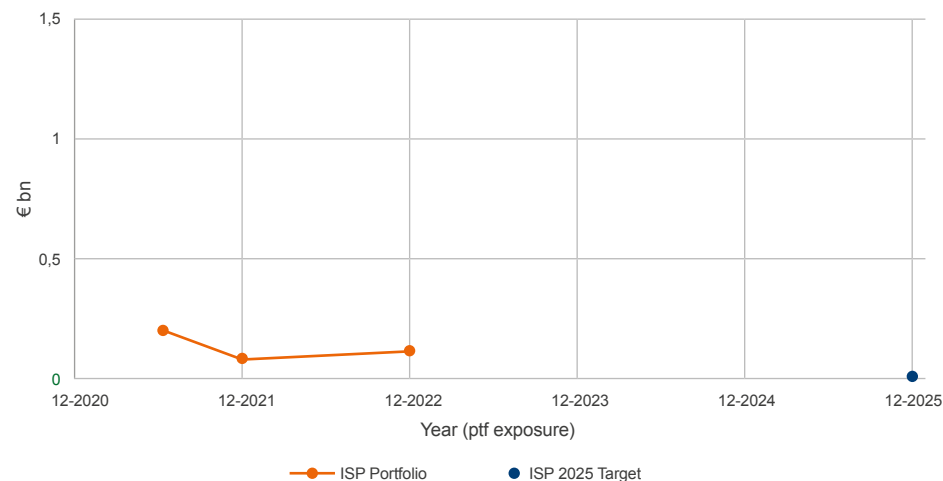
The physical intensity at 31.12.2022 of 253kgCO₂e/MWh (which is computed using 2020 emissions), is significantly lower than the sector curve.

2022 was an extraordinary year for price dynamics (the price of European gas in 2022 saw an increase of about three times compared to 2021) and investment volumes, attributable to the growth in capital and financial needs from power generation companies, drawing also on existing lines.

It should be noted that some positions have already been repaid at the beginning of February, also thanks to a normalized price scenario, bringing the portfolio intensity emission in line with the baseline data.

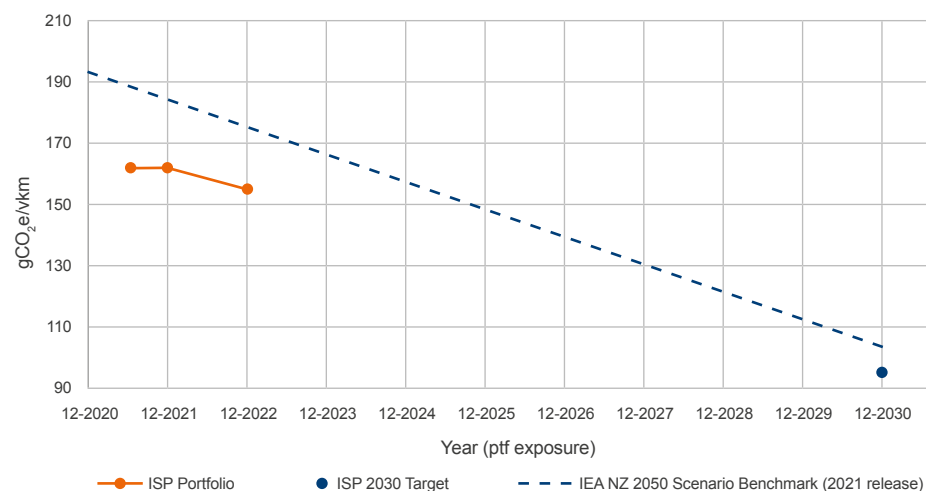
Green exposures as a proportion of the total power generation portfolio also increased at the end of 2022 vs the baseline data as a result of the important commercial effort in pursuing Intesa Sanpaolo supports to the energy transition and the focus on renewable project finance operations.

Coal Mining - ISP Portfolio



The marginal increase between 2021 and 2022 is technical and not related to incremental new business.

Automotive (scope 3TTW) - Sector level physical intensity



Note: there's a two-year lag between the emission year and the exposure year. E.g., Physical Intensity at 2021-12 is calculated using 2019 emission data and 12-2021 exposures.

The trend of the curve is in line with the target at 2030 and with the slope of the IEA Net Zero reference benchmark.

METHODOLOGY

Net Zero aligned interim targets are approved by the Board of Directors, pursuant to UNEP FI guidelines and “UNEP FI Principles for Responsible Banking” (PRB).

The methodology adopted by Intesa Sanpaolo, on NZBA base line, metrics and targets setting and progress against those targets, has been prepared in compliance with the “Guidelines for Climate Target Setting for Banks” issued by UNEP-FI in its latest applicable version (April 2021). Therefore, climate targets set by the Group aim at aligning with the temperature goals of the Paris Agreement and support the transition towards a net-zero economy by 2050.

The design choices, regarding the value chain, the perimeter of the emissions considered and any proxies, are in line with PCAF (Partnership for Carbon Accounting Financials) methodologies and preliminary to SBTi validation.

The Bank applies the reference science-based scenario IEA Net-Zero 2050, whose curves are aligned with the temperature goals of the Paris Agreement.

1. Selection of the perimeter in scope

The Intesa Sanpaolo net-zero emissions reduction targets are related to the accounting of the significant majority of the bank's portfolio emissions among the carbon-intensive sectors identified by NZBA¹. The Bank analyzed its non-financial corporates portfolio in order to prioritize the sectors that account for the largest share of absolute financed emissions.

This assessment led to identify, in the first round of target setting, four sectors, namely the Oil&Gas, Power generation, Automotive and Coal mining sectors.

1.1 Exposure in scope

Exposure in scope for target setting exercise includes the Bank's lending and investment activities (Scope 3 Financed Emission – Category 15 emissions as defined in the *The Global GHG Accounting and Reporting. Standard Part A: Financed Emissions. Second Edition*, Chapter 4) and, in detail the following asset classes:

- Drawn amount² on short-term and medium-long term loans
- Hold-to-collect (HTC) bonds
- Equity banking book³

1.2 Exclusion of SMEs

For the scope of the exercise small or medium-sized enterprises (SMEs) defined as specified by Article 501(2)(b) CRR which refers to Commission Recommendation 2003/361/EC and identified through the “Regulatory segment” (flag in Bank's IT systems) are excluded only if they are a non-subsidiary, independent company.

Rationale for potential exclusion of SMEs depends on the limited data availability on smaller, non-listed counterparties, that implies an extensive leverage on sectorial proxies to estimate their emissions and production data and might lead to a strong convergence of the portfolio average target to sectorial average.

1.3 Value chain coverage

In line with industry standards, to avoid double counting only selected segments of the value chain of each sector are considered for the scope of the Target Setting exercise. Sectors and related segments considered are defined according to NACE classification codes at counterparty Group level. For each sector, a definition of the value chain is performed in accordance with the main portfolio alignment methodologies and with the following principles: 1) incentivizing positive climate impact, 2) pragmatic and actionable, 3) transparent, 4) simple to implement, 5) easy to communicate, 6) minimize double counting.

In the following charts the subset of activities covered and the rationales for each sector:

- Oil&Gas: focus on upstream operators and integrated players to encourage operational efficiency in extraction and fosters companies' transition from high emitting fossil fuels to lower emitting fuels (e.g., natural gas) and renewables. Exclusion of refineries, pipelines and downstream to avoid double counting;
- Power: focus on generation and integrated players to encourage generation of electricity from low emission energy sources. Exclusion of transportation and distribution to avoid double counting;
- Automotive: focus on passenger cars production to encourage the manufacturing of vehicles with low emission technologies. Exclusion of manufacturing components (e.g., tires, brakes) because these products are independent of final vehicle emissions. Exclusion of automotive distribution to avoid double counting.

¹ Agriculture; Aluminium; Cement; Coal; Commercial and Residential Real Estate; Iron and Steel; Oil&Gas; Power generation; and Transport

² Financial and commercial guarantee excluded

³ In scope if material

2. Definition of the methods and metrics

2.1 Scope of emissions covered

For each sector, the scope of emissions was selected to maximize the share of emissions captured.

- Oil&Gas: Scope 1, 2 and 3
- Power Generation: Scope 1 and 2
- Automotive: Scope 3 TTW

Scope selections are aligned with market practices, cover the bulk of industry's emissions and are the data typically disclosed by industry players.

2.2 Metrics

For Oil&Gas, Power Generation and Automotive, the Bank has decided to use a sectorial decarbonization approach (SDA) aimed at measuring and reducing a physical intensity emission metric defined as the ratio between financed emissions and financed production for each sector.

Specifically, the unit measures used for the metric of each sector are the following (sector-specific emissions intensity metrics):

- Oil&Gas: gCO₂e/MJ
- Power Generation: kgCO₂e/MWh
- Automotive: gCO₂e/vkm

Note, that for Coal Mining Intesa Sanpaolo did not define a target based on emission intensity but adopted a policy to completely phase-out within 2025. However, for the financed emission reported, a conversion factor (average of fossil fuel emission in Europe) on the Coal Mining exposure has been applied.

Counterparties' emissions data are collected in accordance with PCAF⁴ guidelines:

- reported emissions, verified or unverified emissions collected directly from the borrower or investee company directly (e.g., company sustainability report) or indirectly via verified third-party data providers;
- physical activity-based emissions, for the "core" scope (Scope 3 for Oil&Gas, Scope 1 for Power Generation and Scope 3 -TTW for Automotive), estimated based on production data collected from data provider (e.g., bottom-up approach);
- economic activity-based emissions, for the "other-no core" scope, estimated based on region and sector specific average emission factors computed by the tool and expressed per revenue (peers' group).

Intesa Sanpaolo approach to estimate future portfolio emissions considers companies' commitments first. If not available, a reference scenario reduction rate is applied.

3. Aggregation at portfolio level

For Oil&Gas, Power Generation and Automotive sectors to aggregate emission intensity of each counterparty at portfolio level, a production weighted approach is applied. This means that the relative weight of each counterparty in the portfolio emission intensity is directly proportional to the Intesa Sanpaolo's financed production. Financed production calculation is based on an attribution factor computed as: Exposure/(Total equity + debt). This approach is aligned to PCAF recommendation.

Counterparties fully dedicated to renewable activities and project finance dedicated to "green" activities receive an emission intensity equal to zero in the computation of the overall portfolio emission curves.

Disclaimer: Metrics and data may be updated over time following: evolution of the emission calculation methodology, NZBA, SBTi updates, refined data sources and accepted market practices.

⁴ Partnership for Carbon Accounting Financials

FINANCING THE TRANSITION TO A SUSTAINABLE, GREEN AND CIRCULAR ECONOMY

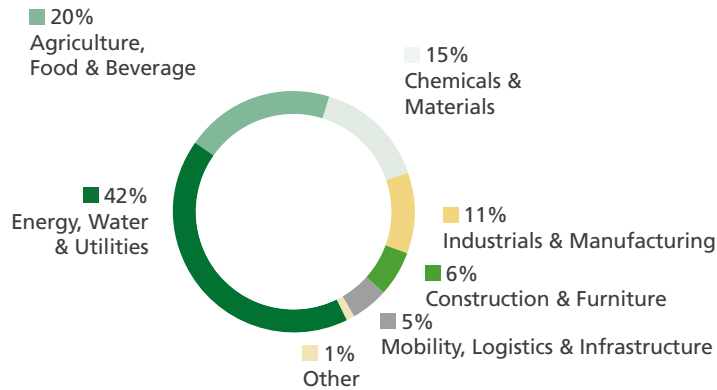
In 2022, around €6.3bn were disbursed for the Green and Circular Economy.

FOCUS ON THE CIRCULAR ECONOMY PLAFOND

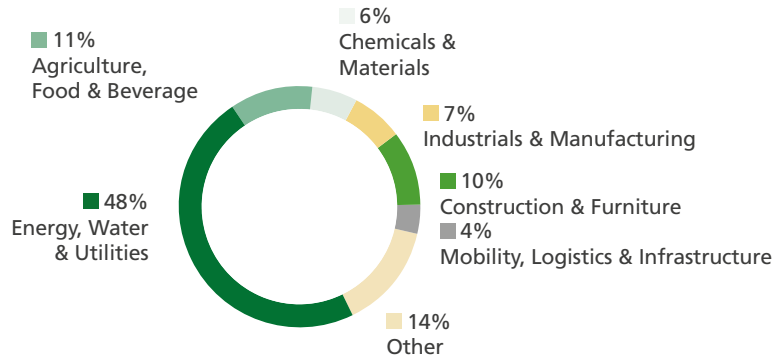
The Group's commitment to the Circular and Green Economy, was confirmed in the 2022-2025 Business Plan with a new dedicated plafond of €8bn. Disbursements in 2022 totaled to €3.1bn (of which €2.2bn related to green finance).

Focus on Circular Economy plafond projects (% amounts disbursed by sector)

2021



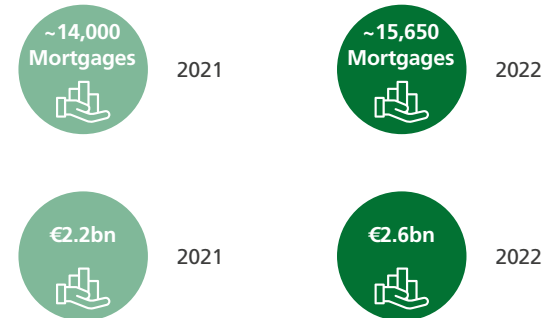
2022



FOCUS ON S-LOANS



FOCUS ON GREEN MORTGAGES



GREEN BONDS AND USE OF PROCEEDS⁵

In 2017, Intesa Sanpaolo was the first Italian bank to issue a €500m Green Bond connected with environmental sustainability projects. In 2019 and 2021, 3 new Green Bond issuances were made for a total of €2.5bn (including one by UBI Banca).

Under the updated Green, Social and Sustainability (GSS) Bond Framework, in 2H2022 Intesa Sanpaolo issued a new Green Bond and its first Social Bond. Issuance under the Framework continued in 1Q2023 with dual tranche and £-denominated Green Bonds.

Green Bonds Issuance

	Green Bond for renewable energy and energy efficiency	Green Bond for renewable energy (ex UBI Banca)	Green Bond for the Circular Economy	Green Bond for Green Mortgages	Green Bond All GSS Framework Green categories	Green Bond All GSS Framework Green categories	Green Bond All GSS Framework Green categories
Amount	€500m	€500m	€750m	€1.25bn	€1bn	Dual Tranche €1.5bn – 5y €0.75bn – 10y	£600m
Underwriting	N/A	N/A	N/A	>50% from ESG investors	75% from ESG investors (54% Dark Green & 21% Light Green)	80% from ESG investors	88% from ESG investors
Value date	June 2017	April 2019	December 2019	March 2021	September 2022	March 2023	March 2023
Maturity date	June 2022	April 2024	December 2024	March 2028	September 2027	March 2028/2033	March 2029
ICMA Principles alignment	2017	2018	2018	2018 GBPs, 2020 SBPs and SBGs 2018	2021	2021	2021
Second Party Opinion	Moody's	ISS-oekom	ISS ESG	ISS ESG	ISS ESG	ISS ESG	ISS ESG

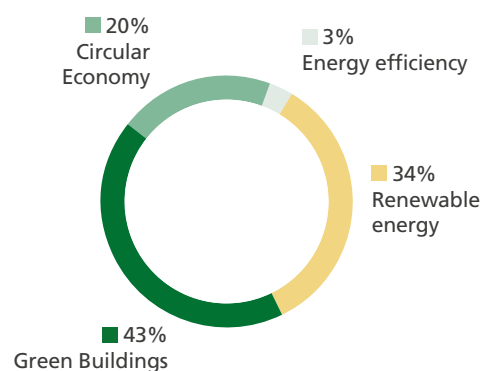
⁵ Use of proceeds as at 31.12.2022. Data of the Green bonds issued in 2023 will be disclosed in the next Green and Social Bond Report

March 2023 saw the publication of the [2022 Green and Social Bond Report](#) covering the five Green Bonds issued to that date. The report is based on the “Portfolio approach” which, rather than reporting on the allocation of the proceeds and the environmental benefits of each loan, through to the coverage of the complete amount of the bond, estimates the impacts and benefits obtained for the entire portfolio of eligible loans for each of the green categories. In addition, by looking at the estimated average impact per million euro financed, it is possible to calculate the tons of CO₂ avoided directly attributable to the bond purchased.

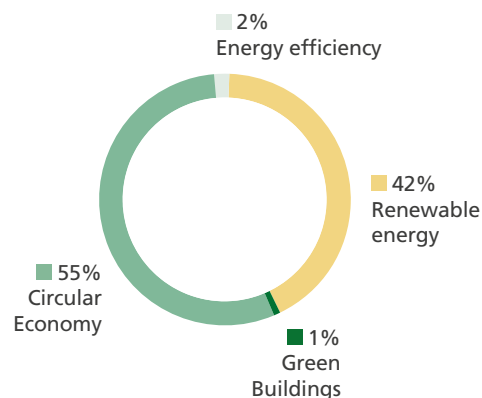
As shared in the report, the proceeds of any Intesa Sanpaolo Green Bond issued under the framework have been allocated exclusively to Eligible Loans.

2022 Green Bond Report

€9.8bn eligible Green Loan Portfolio



7.5m avoided GHG emissions (tCO₂e)



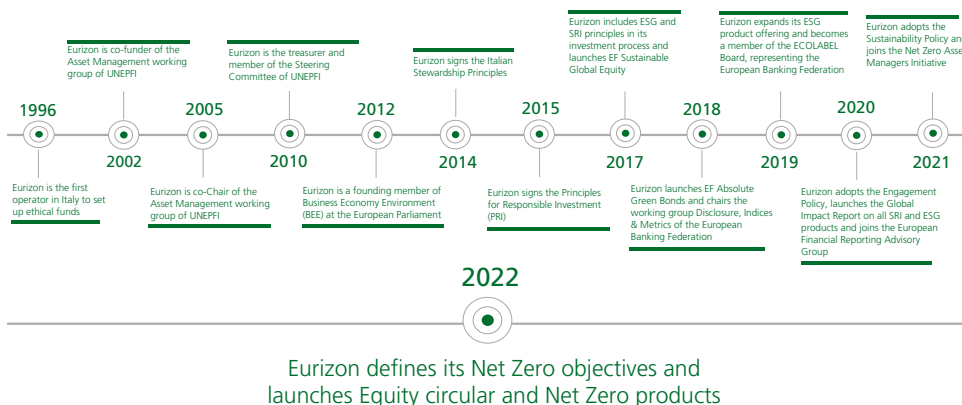
When considering the use of proceeds and their effects on GHG emission reduction, 34% of the proceeds have been allocated to loans used for Renewable Energy, 3% for Energy Efficiency, 43% for Green Buildings, and 20% for Circular Economy projects. In total, €9,759m have been allocated and they were responsible for avoided GHG emissions equal to 7,541,300 (tCO₂e). Estimated Impact per €1m invested is equal to 773 tCO₂e of avoided GHG emissions⁶. The avoided emissions have been calculated, adopting a conservative approach, in compliance with the Global GHG Accounting and Reporting Standard for the Financial Industry and the Life Cycle Assessment approach and they have been proportionally allocated according to an Attribution Factor.

⁶ Avoided emissions only refer to outstanding eligible loans of the Portfolio



EURIZON ESG & CLIMATE COMMITMENT AND IMPACT REPORTS

In light of its fiduciary duty to clients and investors and, more broadly, to its stakeholders, Eurizon attributes great importance to sustainability and in particular to climate related issues.



In order to implement the commitments stemming from becoming a signatory of NZAMI in November 2021, Eurizon joined the Institutional Investors Group on Climate Change (IIGCC) and in November 2022, Eurizon published its interim Net Zero targets, as approved by its Board of Directors.

EURIZON NET ZERO TARGETS

The commitments of the NZAMI signatories are articulated in four areas of action (Asset Level Alignment Target, Portfolio Level Reference Target, Stewardship & Engagement Target and Investment in Climate Solutions). The methodology that Eurizon has followed to define its targets is the "Net Zero Investment Framework 1.5°C" ("NZIF"); as suggested by the NZIF, the first three targets were set taking into account Scope 1 and Scope 2 emissions only, as Scope 3 emissions will be included only when data availability is improved.

Asset Level Alignment Target

Asset managers undertake to identify the portfolio of assets, so called "Portfolio In-Scope"⁷, that will be managed with the goal of achieving climate neutrality by 2050. Based on the analyses carried out, Eurizon reported a Portfolio In-Scope of €67.5bn, equal to 15.39% of its AUM as of 31 December 2021.

Portfolio Level Reference Target

It reflects a decarbonization target for the Portfolio In-Scope to be achieved by 2030. Eurizon⁸ announced its goal of halving financed emissions - expressed in terms of intensity - by 2030 compared to the baseline year (2019⁹), as required by the IPCC (Intergovernmental Panel on Climate Change), through actions that include stewardship & engagement activities and investments in climate solutions.

Stewardship & Engagement Target

It represents a commitment to establish solid engagement plans with investee companies in order to incentivize them to implement effective decarbonization pathways. Eurizon has set the goal of engaging with 48 companies by 2025 (covering 70% of the Portfolio In-Scope's financed emissions) and another 107 companies by 2029 (to reach 90% of financed emissions) focusing on issuers in sectors that are considered "material" for the decarbonisation.

Investments in Climate Solution

Asset Managers commit to increasing their investments in environmentally sustainable activities. In setting this target, Eurizon considered projects that can be financed with green bonds, estimating that around 4% of its AUM could be invested in green bonds by 2025 (versus 1.53% at the end of 2021).

EURIZON ENGAGEMENT ACTIVITIES REGARDING NET ZERO

In 2022, Eurizon has conducted 538 engagements, of which 271 concerned ESG matters (~50%).

In July, Eurizon began engagement activities regarding companies' plans and actions to achieve Net Zero with the goal of engaging with 155 companies by 2030. Companies have been prioritized taking into account several factors, including the current level of carbon emissions, the estimated future level of carbon emissions, the company's jurisdiction, and its progress to date with respect to its decarbonization targets.

Notably, Eurizon is involved in the following working groups with the aim of further innovating and contributing to the development of methodologies and tools that could help to achieve Net Zero:

- IIGCC Bondholder Working Group aimed at developing guidelines for Fixed Income investor engagement;
- IIGCC's Proxy Advisor Engagement Working Group aimed at involving Proxy Advisors in the definition of guidelines dedicated to the evaluation of climate governance best practices;
- PRI Listed Equity Working Group aimed at identifying best valuation methodologies for equity investments in listed companies.

⁷ The portfolio refers to listed equity and corporate fixed income
⁸ Target calculated as Scope 1 greenhouse gas emissions (from sources that are controlled or owned by the company) and Scope 2 greenhouse gas emissions (generated by the energy purchased and consumed by the company) relative to an issuer's revenues
⁹ Portfolio composition at 2021, emissions data at 2019

EURIZON IMPACT REPORTS

As at 31 December 2022, Eurizon offers a range of 232 funds (of which 59 launched in 2022), with total assets managed of over €110bn, which promote, among others, environmental and social characteristics or have sustainable investment objectives as defined in Article 8 and Article 9 of Regulation (EU) 2088/2019. In 2022, Eurizon launched Eurizon Step 50 Obiettivo Net Zero, a product that invests in global companies committed to achieving Net Zero by 2050.

Global Impact Report

According to the most recent [Global Impact Report](#)¹⁰ and specifically as concerns environmental impacts, the investments made by a selection of Eurizon ESG funds have helped achieve the following results:



POLLUTION REDUCTION

2,174,063

Tonnes of CO₂ emissions saved

29,204,552

CO₂ saved expressed in numbers of car trips from Milan to Rome



WATER SAVINGS

216,920,258,605

Litres of water saved

86,768

Water saved as measured in Olympic size swimming pools



WASTE MANAGEMENT

97%

Percentage of companies that implement major programs for the management and reduction of waste
+7% compared to the Mainstreet Partners composite index

Green Bonds Impact Report

In 2018 Eurizon was the first Italian asset management company to establish a Green Bond fund (Eurizon Fund – Absolute Green Bonds) through Eurizon Capital SA. Assets managed by the Fund amounted to over €1.45bn as at 31.12.2022.

In February 2021 Eurizon launched Eurizon Fund - Green Euro Credit. Assets managed by the Fund amounted to over €0.6bn as at 31.12.2022.

In May 2022, the Asset Manager released the [Green Bonds Impact Report](#)¹¹ of the Eurizon Fund Absolute Green Bonds and Eurizon Fund Green Euro Credit sub-funds in which the results of the quantitative impact analysis and the contribution to the United Nations SDGs are reported.

The investments made by Eurizon Fund Absolute Green Bonds and Eurizon Fund Green Euro Credit have contributed to important environmental and social impacts.

Eurizon Fund - Absolute Green Bonds Environmental Impacts

The plants financed for the production of renewable energy have a generation capacity of **965 Megawatt**



Equal to **3,016,434 solar panels** installed on homes

The energy production deriving from these plants is equal to **2,253,793 Megawatt/hour**



Equal to the energy consumed by **626,054 European citizens** in a year

Investment in sustainable infrastructure (real estate and transport) have contributed to energy saving of **121,728 Megawatt/hour**



Enough to make **1,308,908 trips** between Milan and Rome with an electric car

Investments in production plants and production processes have allowed **590,230,014 litres of water**



Equal to **236 olympic swimming pools**

Overall annual emissions were reduced by **1,913,475 tons of CO₂**



Equivalent to the amount absorbed by **9,122 square kilometres of forest** in a year

Funding for waste management projects has led to the recycling of **56,476 tons of waste**



Equal to **11,295,156 recycled garbage cans**. Equal to the annual waste production of **112,502 people**

¹¹ Green Bonds Impact Report (published in May 2022 – based on 2021 data). Impact results are calculated based on the amount invested in each thematic bond in relation to the nominal amount issued together with the holding period of the investment. Impact results are expressed according to the following metrics: greenhouse gas emissions avoided, renewable energy capacity installed, renewable energy generated, energy efficiency savings, water savings, waste avoided. For full details please also refer to the methodological notes in the Green Bonds Impact Report. Eurizon Fund – Absolute Green Bonds allows to finance projects related to the environment, with diversification by both issuer and geographic area, aiming to achieve a positive absolute return in the medium term. In particular, from 1 January, 2021 to 31 December, 2021, Eurizon Fund - Absolute Green Bonds invested in 508 Green and thematic bonds. Eurizon Fund - Green Euro Credit, which has been operational since February 2021, is a benchmark fund that invests in mainly euro-denominated corporate bonds issued to finance environment-related projects. Eurizon Fund - Green Euro Credit is taken here into consideration over the period from 1 June, 2021 to 31 December, 2021 in which it invested in 263 Green and thematic bonds.

¹⁰ Global Impact Report (published in May 2022 – based on 2021 data). Impact metrics and SDG alignment are analyzed on €44bn AUM. For further details please refer to the methodological notes in the Global Impact Report.

FIDEURAM ESG & CLIMATE COMMITMENT

In November 2021 Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland) dac joined the NZAMI and, in October 2022, published their interim targets aimed at achieving net zero greenhouse gas emissions from assets under management by 2050.

FIDEURAM NET ZERO TARGETS

Initially, assets on which to apply the zero net emissions targets by 2050 were analyzed and identified, with the intention of increasing the percentage over the years until reaching totality by 2050. An interim target has already been set, among others, for "in scope" assets to halve CO₂ emissions by 2030.

The feasibility of this target has been verified by applying decarbonization trajectories identified by models developed, by sector, by leading research organizations: the One Earth Climate Model (OECM) and the Science Based Target initiative (SBTi).

In order to achieve targets, Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland) dac are committed to increasing investments in climate solutions over time and are working to incentivize awareness and proactive collaboration between asset managers and investees, through targeted engagement and stewardship activities.

Fideuram's intermediate targets aimed at achieving net zero GHG emissions from AUM by 2050, approved by the Board of Directors, cover four areas:

Asset Class Alignment	Asset managers undertake to identify the portfolio of assets, so called "Portfolio In-Scope" ¹² , that will be managed with the goal of achieving climate neutrality by 2050. Fideuram Asset Management's Portfolio in Scope stands at €7.9bn, equivalent to 13.86% of its AUM, while that of Fideuram Asset Management (Ireland) dac stands at €13.1bn, equivalent to 29.79% of its AUM.
Portfolio Level Reference Target	It reflects a decarbonization rate target for the Portfolio In-Scope to be achieved by 2030. Fideuram - ISPB Asset Management SGR and Fideuram Asset Management (Ireland) dac, have expressed the ambition to halve by 2030 the financed emissions - expressed in terms of intensity - compared to the baseline year (2019), as required by IPCC (Intergovernmental Panel on Climate Change), including through investment in climate solutions and stewardship & engagement activities.

¹² The portfolio refers to listed equity and corporate fixed income

Stewardship and Engagement Target	It represents a commitment to establish solid engagement plans with investee companies in order to incentivize them to implement effective decarbonization pathways. In this regard, Fideuram Asset Management has estimated that it will need to take action with 53 companies by 2025 to reach the target of covering 70% of financed emissions and with 165 companies by 2030 (thus reaching 90 percent of financed emissions). Fideuram Asset Management (Ireland), for its part, will have to perform the same activity on 66 companies by 2025 (70% of financed emissions) and 195 by 2030 (thus covering 90% of financed emissions).
Investment in Climate Solutions	Asset Managers commit to increasing their investments in climate solutions as defined by the EU Taxonomy Mitigation Criteria. In setting this target, the Division's product companies considered projects that can be financed by "Green Bonds", estimating that by 2025, about 1% and 4% of their AUM will be invested in projects financed by Green Bonds, respectively.

FIDEURAM INVESTMENT PRODUCTS

At 31 December 2022, Fideuram Asset Management SGR and Fideuram Asset Management (Ireland) dac had 197 products under art. 8 and 9 of the SFDR Regulation, for a total of €46.4bn in assets under management: €26.6bn in investment funds, €17.6bn in asset management and the remaining part in insurance products.

As for the scope of the funds, the offer of the Fideuram Group consists of 183 funds, of which 77 ESG classified pursuant to art. 8 and 4 to art. 9 of the SFDR Regulation, for a total of about €26.6bn in asset under management at 31 December 2022, representing about 61% of the total assets of the Funds managed.

To complement the Group's product offering according to the Guided Open Architecture Approach in order to meet the most sophisticated needs, customers can also find in the catalog the offer of third-party ESG products in collaboration with leading international investment houses.

As of 31 December 2022, 57% of customer assets is classified ex art. 8 and 9 of the SFDR Regulation.

FIDEURAM - ISPB ASSET MANAGEMENT SGR AND FIDEURAM ASSET MANAGEMENT (IRELAND) DAC ENGAGEMENT ACTIVITIES

Within Fideuram Division, ESG & Strategic Activism team defines the proposals related to voting instructions based on the analysis of public documents, the results of interaction with the issuing company ("engagement") and the Advisor indications.

Fideuram Asset Management, in exercising the rights of intervention and vote at the Shareholders' Meetings, places particular attention to the strategies to combat change climate (say on climate), proposed by issuers.

The Asset Manager, in line to the United Nations "Principles for Sustainable Investment" (UN PRI), pays particular attention to the policies implemented by issuers, in the belief that sound corporate governance policies and practices (incorporating environmental, social and governance issues) can create value for shareholders in the long term.

In this context, the research adopted by the Asset Manager in support of investment decisions and the exercise of voting and intervention rights, also includes information on issuers' environmental responsibility, to identify possible impacts in terms of reputation, competition and business opportunities determined by corporate governance choices.

In terms of customers' engagement on sustainability issues in 2022, 45 events were held for customers (26 in person and 19 virtually) with 8,330 participants (2,180 in person and 6,150 virtually).



INTESA SANPAOLO VITA NET ZERO COMMITMENT

By adhering to the NZAOA, since December 2021, the Insurance Division has had a commitment to bringing to zero GHG emissions from the investment portfolio of insurance group companies by 2050 through the definition of specific intermediate targets on the investment portfolio (i.e. carbon intensity), engagement activities with key counterparties to develop and promote transition pathways, and incentives for climate transition financing and new green technologies.

NZAOA TARGETS

In October 2022, the Division published its first Intermediate Climate Targets for the investment portfolio, which were set up on the following UN-Convened Net Zero Asset Owner Alliance (NZAOA) areas of action:

Sub-portfolio	Cutting the emissions of "Direct Investments" - for the Listed Equity and Publicly Traded Corporate Bond asset classes - equal to 50% of the Carbon Intensity by EVIC by 2030, considering 2021 as the baseline year. At 31 December 2021, AUM of €19.6bn is subject to the target.
Engagement	Bilateral discussions with the top 20 issuers, which account for about 70% of the emissions in the Insurance Group's In-Scope Portfolio - with the end aim of evaluating, discussing and enabling their respective decarbonization pathways and strategies. The Group will also cooperate with the NZAOA by sharing input for collaborative position papers on related topics.
Financing the Transition	Commitment to report annually to the NZAOA on the amount of investments supporting the green transition (Climate Solution Reporting). At 31 December 2021, the investments supporting the transition accounted for roughly 5% of the Group's In-Scope Portfolio (Direct and Indirect Investments). Additionally, the Group will contribute to one of the Financing the Transition working groups to promote the development and awareness of new green investment solutions, reporting standards and possible new methodologies for similar issues.

NZIA TARGET SETTING PROTOCOL

The Insurance Division also adhered to the NZIA in December 2021, committing to zero GHG emissions from the underwriting portfolio by 2050 through the definition of intermediate targets focused on non-life business, approved by the Board of Directors.

Net Zero Insurance Alliance provides for the commitment to zero GHG emissions of the underwriting portfolio by 2050 through the definition of intermediate targets focused on non-life business.

The Insurance Group actively participated in Alliance meetings during the year and responded to the consultation on the NZIA draft protocol published in November 2022.

Intesa Sanpaolo Vita is among the signatories of first Target-Setting Protocol, launched in January 2023 by the Alliance.

According to the protocol, NZIA has identified three areas of action that are:

- (i) Emissions reduction target category;
- (ii) Engagement target category;
- (iii) Other targets (i.e. Re/insuring the transition). Ideally over time NZIA Joiners will deal with all three target categories, that combined could lead to the greatest impact and contribute to the desired transition towards a net-zero economy.



Figure 1: Summary of the Protocol's five target types in three target categories

As required by the protocol Intesa Sanpaolo Vita, within 6 months from the Protocol publication is expected to set the 1st Target on at least one of the 3 Target Types.

In addition, given the increasing interest in understanding and shaping the role of life & health insurance business in the Net-zero transition, Intesa Sanpaolo Vita will contribute as leader to the exploratory workstream, launched by NZIA in late 2022 that will work on understanding the approaches that these insurers can take to contribute to a net-zero economy.



TRANSITION PLAN

INTESA SANPAOLO 2022 CLIMATE TRANSITION PLAN ON NZBA TARGETS

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1 FOUNDATION AND GOVERNANCE

Intesa Sanpaolo has long embraced the sustainability path. Over time, it built a strong **ESG Governance**, where strategic decisions are taken at Board of Directors' level, with the support of the Risks and Sustainability Committee, and implemented throughout the whole organizational structure of the Group where persons, procedures and processes increasingly reflect awareness of ESG aspects. In fact, **ESG topics** have become part of everyday operations and included, among others, in **credit frameworks** and **risk assessments**, following a progressive and accelerated roadmap which is leading to their full integration in the Group's activities.

The **2022-2025 Business Plan** presented in February 2022 further confirms ISP's **commitment to sustainability**, first by reiterating the social commitment which was already widely present in the previous Plan, then by providing, as concerns climate-related issues, a quick follow up to the ambition expressed with the **adherence to the Net-Zero Banking Alliance** in 4Q2021. The Group has in fact committed to Net-Zero on its loans and investment portfolios by 2050¹, publishing, within its Business Plan, **Net-Zero aligned targets** on the banking book for 2030 on **Automotive, Power generation** and **Oil&Gas** sectoral portfolios, and confirming the phase-out from the **Coal mining** sector by 2025. The approach was to prioritize the most carbon intensive sectors in the lending portfolio, representing at the time of target setting over 60% of the emissions financed by the portfolio of non-financial companies in the sectors indicated by the NZBA.

A specific Target Setting project was set up to implement the **roadmap to Net-Zero**, under the leadership of the **CFO Area, CRO Area** and **Strategic Support Department**, with the involvement of the Business Divisions and other structures of the bank (e.g., **COO Area, CITDIO² Area**).

The project defined the first interim targets on the **Net-Zero Banking Alliance (NZBA)** sectors in line with the requirements for the **SBTi** validation and identified and implemented the related **monitoring** process. It will also follow the extension of targets to other sectors.

The project mainly focused on the calculation of the baseline and inertial emissions trajectories and fine tuning of the methodology for the **Oil&Gas, Power Generation** and **Automotive** sectors³, definition of the 2030 Net-Zero interim targets for the 3 sectors, and the starting of the monitoring process leveraging the technological solution based on a specific climate analytics platform.

In particular, the platform, that is being integrated into the existing bank IT infrastructure, computes the **current and projected yearly physical intensity**

metrics and emissions curves (including absolute emissions and industrial production mix) at sector and counterparty level also retrieving data from external data providers and public reports.

Regarding the **periodic monitoring**, the process (involving the CRO Area, the CFO Area and with the support of the Business Divisions) ensures the calculation of the updated **emissions curves/metrics**, the comparison of the **inertial curves** with the reference Net Zero **benchmark** scenario and the analysis of the results in order to also activate, if necessary, the competent steering structures and evaluate potential **"consequence management" actions** to foster Net Zero target achievement. Moreover, within the origination process, the largest deals are tested to ensure coherence with the target setting path.

Within the Business Plan time horizon, the Group will extend its Net-Zero interim targets to other sectors as required by the **NZBA**. Furthermore, Intesa Sanpaolo will submit data for validation by the **SBTi**, as per the commitment taken in March 2022 and published on SBTi's website, within the required time frame (within 24 months from commitment).

In the implementation of the path to Net-Zero, the Group will progressively follow methodological developments and updates suggested by NZBA, SBTi and external guidelines and best practices.

Intesa Sanpaolo has drafted its first Transition Plan, in line with NZBA requirements and GFANZ (Glasgow Financial Alliance for Net Zero) guidelines. The Transition Plan on NZBA aligned targets is **included in the Group TCFD Report**, which provides full information on wider Climate-related Governance, Strategy, Risk Management and Metrics and Targets, representing the framework within which the Transition Plan is embedded and to which reference should be made. The chapters which follow focus specifically on Implementation Strategy and Engagement Strategy sections as per **GFANZ guidelines**.

The **TCFD Report, Net Zero aligned interim targets** and the **Transition Plan** are **approved** by the **Board of Directors**. Also, pursuant to UNEP FI guidelines, "UNEP FI Principles for Responsible Banking (PRB) signatory banks⁴ shall obtain third-party independent verification or assurance within four years of signing the PRB on progress made against PRB targets, including where relevant on NZBA metrics and targets (...)" Intesa Sanpaolo's interim NZBA metrics and targets⁵, as well as progress against PRB targets, are covered by limited assurance by EY.

¹ As well as on its own emissions, where the Group has committed to reach carbon neutrality already by 2030, with 100% of electricity purchased from renewable sources

² Chief IT, Digital and Innovation Officer

³ "Rules for lending operations in the coal sector" apply for coal mining, for which a phase out date is set

⁴ Intesa Sanpaolo signed up to the PRB in September 2019

⁵ Please see relevant Auditor's Report attached to this TCFD

2 IMPLEMENTATION STRATEGY

The Group has recently strengthened its architecture to enable steering of the lending portfolio towards transition to a low-carbon economy. This involved an evolution of frameworks and internal processes, the acquisition of new tools and the focus on transition finance to support real-economy emission reductions.

2.1 THE LENDING ARCHITECTURE

2.1.1 The ESG/Climate Credit Framework and the RAF

The design of the **ESG/Climate Credit Framework** was finalized in 2022. It provides for the integration of ESG/Climate metrics (i.e., ESG sectoral strategy, counterparty ESG score and Sustainable Lending Products framework) within the whole Credit Framework, namely Risk Appetite Framework, Credit Risk Appetite (CRA), Credit Strategies and the Underwriting process.

a) **The ESG sectoral strategy:** an ESG Sectoral **Heatmap** was defined on the basis of a **sectoral risk assessment** and publicly available data, including the three E (climate and other environmental risks), S, G components, assigning each economic sector a “color” linked to a specific approach/intervention strategy. Colors identified are as follows: **red** (exclusion strategy as per Credit Policy); **orange** (selective disengagement strategy); **yellow** (selective engagement strategy); **white** (neutral); **blue** (positive engagement strategy).

b) **Counterparty:** an ESG Score was developed which applies a measurement methodology at counterparty level. Flexible and modular, the ESG Score takes into account the size of the customer and the availability of data relating to the counterparty. Three different pillars (E, S, G), more than 20 “descriptors” and more than 100 parameters are used to define the score.

c) **Transaction (Underwriting):** the “Rules for the classification of sustainable credit products and lending transactions”, published in October 2022, identify product categories - based on market standards (**Loan Market Association principles**) – included in “**dedicated financing**” or “**general purpose financing**” according to the intended use of the funds. In terms of underwriting - with focus on larger counterparties/transactions - the process, integrated with the key ESG metrics (at sector/counterparty and transaction level), also envisages an opinion performed by the ESG & Reputational Risk Clearing for counterparties/transactions with higher ESG risk profile.

Since 2021, the Group **Risk Appetite Framework (RAF)** was **enhanced** with a section dedicated to **ESG**, climate change and **reputational risks** which includes qualitative and quantitative elements. Among others, **specific limits** have been defined in relation to the **exposure to the business sectors most exposed to transition risk** (coal mining and Oil&Gas) as well as specific **KRI relating to CO₂ emissions** aimed at achieving the commitments undertaken within the Net-Zero Banking Alliance for the Oil&Gas, Power Generation and Automotive sectors. **Specific rules on Coal and Unconventional Oil and Gas** set, among others, phase out dates for coal mining (2025) and envisaged unconventional Oil&Gas transactions (2030).

As part of the **Credit Risk Appetite**, an indicator that guides relationship managers in the credit origination phase in assessing counterparties, the **risk and resilience factors connected to ESG elements** have been evolved by integrating the ESG score into the framework which enhances the ESG characteristics of the counterparty analyzed.

Finally, with reference to **reputational risk and its correlations with ESG risks**, specific indicators are defined within the RAF, relating to operations with controversial counterparties (so-called dodgy deals), monitoring of the Group’s web reputation and any ESG disputes to which the Group may be exposed.

For detailed information related to the enhanced Credit Framework and Risk Management Framework and policies in force, please refer to Strategy and Risk Management chapters.

2.1.2 Tools

In addition to the climate analytics platform also used to monitor Net-Zero interim targets, as described in chapter 1, Intesa Sanpaolo has already launched several activities aimed at defining a **comprehensive ESG database** and a **dashboard for monitoring and reporting** purposes.

In particular, a specific **ESG dashboard** (in PowerBI) is being developed and will be used to represent the data gradually made available by the Bank’s ESG data architecture. The dashboard (implemented in its first version) is currently used to **monitor** the **Business Plan’s ESG KPIs** (on a periodic basis), to track stock and flows of the main green and transition financing products (e.g., green

and circular economy loans) and to perform **credit sectorial analysis** with a focus on climate sensitive sectors stock, profitability and new originations.

By **2024**, the dashboard's views will integrate the **classification** of additional **green** and **sustainable** products offered by Intesa Sanpaolo and will fully integrate the **results** of the analysis related to **Net-Zero interim targets**.

2.2 PRODUCTS AND SERVICES

In line with the Net-Zero ambition, Intesa Sanpaolo's strategy has continued to be focused on actively **supporting its clients in the transition towards a low carbon economy**, promoting renewable energy, energy efficiency and the distinctive circular economy model, and encouraging clients to reduce their environmental footprint through the offer of climate-related loan products and services also within innovative financial solutions.

While Intesa Sanpaolo has currently developed Net-Zero aligned **targets in 4 sectors** (i.e., **Automotive, Power generation, Oil&Gas, Coal mining**⁶), the objective is to support the transition of all clients so that the offer can be applied across multiple sectors. As detailed in the next chapters, an **extensive portfolio** offering was built including different types of **products** (e.g., Circular Economy Plafond, sustainability-linked loans, green loans, green / social / sustainability bonds, sustainability-linked bonds, ESG secured bonds and other securities, sustainable hedging) and **advisory services** (e.g., financial, technical, specialized). The Group is continuously working to enrich the product/services suite to properly support clients.

It is worth highlighting that while the scope of disclosed Net-Zero targets⁷ covers lending products and HTC⁸ bonds, Intesa Sanpaolo's transition finance offering is more comprehensive and includes capital market products and advisory services, to better reflect the holistic nature of the relationship with clients and to ensure that support can meet all their needs.

Within the sustainability path started years ago, and confirming the commitment taken with the adherence to the NZBA, Intesa Sanpaolo is increasingly focusing on:

- **Facilitating the necessary transition in real economy decarbonisation** through prioritizing client engagement, and offering products and services to support clients' transition;

- **Engaging on corporate and industry** (financial and real economy) **action**, as well as public policies, to help support a net-zero transition of economic sectors in line with science and considering associated social impacts;
- **Supporting innovation**, the near-term deployment of existing viable technologies, and scaling up the financing of credible, safe, and high-quality climate solutions compatible with other Sustainable Development Goals.

2.2.1 Financing the transition through lending products

Intesa Sanpaolo's 2022-2025 Business Plan provides for several transition finance objectives. In particular, strong support to the green and circular economy, as well as the ecological transition is to be underpinned by **€88bn** in **new lending** made available as follows:

- **€76bn**, out of a total of over €410bn, in relation to the National Recovery and Resilience Plan⁹ Mission 2 - Green revolution and ecological transition (€32bn disbursed in 2021 and 2022). Within this amount, a total of €8bn was specifically dedicated to a Circular Economy plafond (€3.1bn disbursed in 2022);
- **€12bn** to individuals¹⁰ (mainly green mortgages, €2.6bn granted in 2022).

Intesa Sanpaolo has created dedicated instruments to incentivize lending to counterparties with a strong climate performance or which have started a transition towards more circular and sustainable business models.

Intesa Sanpaolo is committed to the **Circular Economy** by promoting the spread of circular models, drawing on the support of the **Ellen MacArthur Foundation** as a strategic partner since 2015. By its nature, a circular economy has lower emissions than a "linear" economy thanks to lower resource utilization based on the reuse and regeneration of materials or products, as well as reduced waste. Moreover, **the Circular Economy** helps to rethink production also with the objective of **reducing emissions**, on the right path to the Paris Agreement target of reducing the Earth's temperature by 1.5 degrees. The switch to a circular economy could also, as pointed out in the white paper "The circular economy as a de-risking strategy and driver of superior risk-adjusted returns"¹¹, serve as a de-risking strategy.

6 The Group is committed to phase out from the Coal mining sector by 2025

7 Net-Zero targets have been disclosed for Automotive, Power generation, Oil&Gas and Coal mining in their [presentation](#) (page 69)

8 Held to collect

9 2021 - 2026

10 2022 - 2025

11 Produced in collaboration with Bocconi University, the Ellen MacArthur Foundation and Intesa Sanpaolo

In this context, Intesa Sanpaolo decided to make available a **credit line of €8bn** (i.e. **Circular Plafond**) in the 2022-2025 Plan horizon to Italian and international companies which adopt the circular model with innovative approaches, granting the best conditions for accessing credit. The plafond includes lending granted under 5 circular economy and 3 green economy eligibility criteria. For the full description of the plafond's eligibility criteria, please refer to chapter Strategy.

As an example of the use of the Circular Plafond to finance green projects aimed at facilitating the transition in the **Power Generation** industry, in October 2022 Intesa Sanpaolo participated in the €50m pool financing for **Start Romagna** (local public transport company), to renew the bus fleet by introducing new fully-electric vehicles or vehicles powered by natural gas, liquid natural gas and hybrid natural, with a total of 241 vehicles, 43% of the total, to be replaced over the 2022-2025 period.

Also in 2022, as concerns sustainability-linked loans, Intesa Sanpaolo granted a Term Loan of €150m to **Iren S.p.A.** (a leading multi-utility Italian operator active, among others, in electricity and integrated solutions for energy efficiency). The margin of the new credit line is linked to strategic targets related to the energy transition and the circular economy that were defined in the Iren Group's Business Plan for 2030 and included in the recently published Sustainable Financing Framework.

The **Intesa Sanpaolo Innovation Center** (Innovation Center), a subsidiary of the Intesa Sanpaolo banking Group fully dedicated to innovation is responsible for providing an assessment on the level of circularity of customer initiatives proposed by business divisions and on green projects, based on the above-mentioned eligibility criteria.

Moreover, the Innovation Center also develops multidisciplinary applied research projects, supports startups, and accelerates business transformation for companies according to the criteria of open innovation and circular economy.

Lending products are offered to clients by all Business Divisions: IMI Corporate & Investment Banking (IMI C&IB), Banca dei Territori (BdT) and International Subsidiary Banks (ISBD).

IMI C&IB Division supports national and international large corporates in structuring financial transactions that promote a more sustainable business model. The Division's **dedicated professionals** (e.g., across Global Strategic

Coverage, Corporate Solutions, DCM & Debt Syndication, Project & Industry Specialised Lending, Real Estate, Leveraged & Acquisition Finance, Corporate Loans Structuring) combine specific climate knowledge with sector and product expertise. IMI C&IB participates in climate working groups and international roundtables and can support clients throughout the entire process of developing and implementing **sustainable propositions** from the definition of the optimal financial structure (in terms of product mix, duration, amortization, guarantees and covenants) to the preparation of the legal documentation, to the possible involvement of other banks or institutional investors during the syndication phase.

IMI C&IB Division supports clients with a suite of products covering both **green instruments** (i.e., financing to support green projects in line with the Green Loan Principles) and **sustainability-linked instruments** (in line with the Sustainability-Linked Loans Principles).

IMI C&IB Division has launched several financing initiatives to support **Power generation** clients in the transition, for example, among others, in 2022:

- A **bilateral ESG-linked Term loan** for a total amount of €300m was granted to Terna S.p.A., the leading Italian electricity transmission system operator. The transaction reinforces Terna S.p.A.'s business strategy, which aims to combine sustainability and growth through a mechanism linked to the company's performance in relation to ESG indicators;
- a **sustainability-linked loan** for a total amount of €118m was granted to Cogenio, an Italian energy service company. The loan, which is linked to sustainability KPIs, is aimed, among others, at financing the cogeneration and trigeneration plants portfolio currently held by Cogenio;
- Intesa Sanpaolo acted as the Joint-Green Structuring Bank in the financial close on the first stage of the 125 MW Wandoan South Solar Project of Vena Energy, Asia-Pacific's leading renewable energy company. With the Wandoan South Solar Project, Vena Energy provides its customers with clean electricity whilst helping them decarbonise and contributes towards Australia's net-zero targets.

In addition to the IMI C&B Division, Intesa Sanpaolo also supports the transition of Corporates and SMEs clients through the **Banca dei Territori Division**¹² (BdT) and the **International Subsidiary Banks Division (ISBD)** by offering several **sustainable and green financing products**.

As a distinctive offer¹³, the “**S-Loan**” range of products, offered by BdT, similarly to the sustainability-linked loans offered by IMI C&B Division, involves the sharing of sustainability performance improvement goals by businesses, through precise commitments undertaken with the Group via specific ESG KPIs subject to annual monitoring, certified by the businesses in the notes to their financial statements. Favourable conditions are awarded to businesses that meet their fixed goals. Within the range, specific products provide for environmental KPIs, among which “S-Loan” Climate Change. Since the launch of the “S-Loan” offering by the BdT Division in July 2020, approximately 2,200 transactions, worth approximately €3.5bn, have been finalized (as of December 31st, 2022). For additional details, please refer to Strategy and Metrics & Targets chapters.

In order to support the transition towards renewable energy, BdT Division offers **Energia Impresa**, a loan aimed specifically at supporting medium/long-term investment programs in the energy-related projects. This loan is particularly flexible both in terms of the personalization of the loan (project financed and choice of instalments) and its adaptability to 4 different lines of intervention:

- Renewable Energy (photovoltaic, wind energy, hydroelectric energy, residual gas from purification processes).
- Biogas, for the production of electricity.
- Biomethane, for the production of biomethane for transport.
- Energy Efficiency measures, for energy efficiency investments in buildings, plants and processes.

Since the launch of the product, 26 transactions for €86m have been finalized (as of December 31st, 2022).

Intesa Sanpaolo is also cooperating with **international and supranational institutions / organizations** in order to provide a wide and comprehensive offer to clients. For example, the Group has established cooperation with the **EIB** (European Investment Bank) and **SACE** (Sezione speciale per l'Assicurazione del Credito all'Esportazione, the Italian Export Credit Agency), in offering medium/long-term financing to support various projects related to

renewables, energy efficiency, environmental impact reduction and circular economy. EIB provisions are dedicated to SMEs and Mid-Caps operating in sectors classified as eligible by the EIB. Moreover, in October 2022 an agreement with the **EIF (European Investment Fund) – InvestEU**, has led to the creation of a new **portfolio guarantee** capable of supporting up to **€100m of financing for transition**. The guarantee will facilitate access to financing for SMEs and Mid-Caps.

As concerns the collaboration with **SACE**, in March 2021 Intesa Sanpaolo IMI C&B Division was part of a pool of banks that granted to **EF Solare Italia** (the largest owner of solar energy plants in Italy) a €160m loan assisted by a SACE guarantee and aimed at modernizing and repower the photovoltaic plants, in order to improve their efficiency and increase the productivity.

Moreover, as part of its **Motore Italia** initiative (i.e., a strategic programme aimed to support SMEs in their sustainable and digital transitions), in 2022 Intesa Sanpaolo together with SACE made available **€10bn** to, among others, provide consultancy and advisory services, promote investments aimed at reducing energy dependency and support in the management and mitigation of rising costs of raw materials.

As an example of implementation of this initiative, in January 2023, Intesa Sanpaolo granted to **Italian Cable Company S.p.A.** (company leader in the production of cables for the industrial and energy transmission sectors, special connections and cabling systems) a 10-year loan for a total amount of €7.5m, assisted by the SACE Green Guarantee and aimed at improving the existing photovoltaic system and the production capacity of green products.

As mentioned above, ISBD also offers several sustainable and green financing products. For example, in 2023, the Division, together with IMI C&B and through VÚB Banka, participated in the pool financing of a sustainability-linked loan of CZK 7bn (€300m) for **Prague Airport** which provides for the periodic monitoring of social and environmental KPIs.

¹² Departments involved include: Business Development e Coordinamento Marketing Imprese, Finanziamenti Imprese e Terzo Settore, Finanza Agevolata, providing climate knowledge and product expertise to support clients in their transition

¹³ In March 2022, ISP won the Milano Finanza Banking Awards for its S-Loan product and for the dedicated ESG training platform for corporate clients (Skills4ESG)

2.2.2 Other innovative climate-related solutions

While plain vanilla lending products represent a focus of Intesa Sanpaolo's business and are the primary financial instruments in scope to achieve Net-Zero targets, the Group also recognizes the importance of supporting the upscaling of sustainable finance through innovative climate-related solutions.

For example, in 2022 IMI C&IB Division granted its first **sustainability-linked guarantee** transaction related to sustainable initiatives and in which the pricing of the guarantee is linked to selected sustainability indicators consistent with the climate objectives of the client.

The BdT Division launched in 2021 a new version of **NOVA+**, a medium/long-term financing product aimed at supporting companies investing in Research and Innovation (R&I), with a particular focus on climate and transition. The concept of the product includes a technical-industrial evaluation of the research project conducted by Intesa Sanpaolo through a team of engineers specialized by sector, in order to assess the climate and transition potential of the project.

Intesa Sanpaolo also works to support the transition by leveraging on its relationship with leading industrial companies to foster **decarbonization of client supply chains**, with a particular focus on the **Power generation sector**.

For example, BdT signed, jointly with IMI C&IB Division, an [agreement with Enel S.p.A.](#), the Italian global leader for electricity generation and distribution, to facilitate access to credit for SMEs in the Enel supply chain, subject to specific sustainable and environmental criteria. A similar initiative was also extended to the luxury industry, where Intesa Sanpaolo signed a [sustainable supply chain project with Gucci](#) and its supply chain, providing financing through dedicated **S-Loans** to support investments related to energy efficiency, renewable energy production, circular economy, sustainability and diversity.

A further example of Intesa Sanpaolo's role in creating an enabling ecosystem for sustainability is the **collaboration with Regalgrid** (an Italian provider of technology related to sustainable, advanced and innovative renewable energy management systems) on Renewable Energy Communities¹⁴ (RECs). This collaboration is aimed at providing incentives for companies to create and participate in RECs, as well as giving Intesa Sanpaolo the opportunity to

support investments aimed at achieving companies' sustainability goals (e.g., installation of renewable energy production facilities).

In February 2023, Intesa Sanpaolo and **Enel X** signed an **agreement** aimed at encouraging **agricultural companies** in adopting circular economy models and sustainable energy production and supply, in line with the goals of the NRRP's Mission 2 (Green Revolution and Ecological Transition). In particular, the agreement will focus on the **construction of agrisolar parks** on farm buildings.

In terms of the development of innovative energy sources, the **Italian Hydrogen and Fuel Cell Association** and **Innovation Center** have created **INNOVAHY**, an initiative aimed at fostering the growth of innovative SMEs and start-ups in the hydrogen sector to give a significant boost to the development of the supply chain in Italy. The partnership also aims to enhance projects under development involving Universities, Competence Centres, Start-ups and innovative SMEs through ad hoc initiatives (e.g. workshops, communication activities, awards, etc.).

In terms of rental solutions, **Intesa Sanpaolo Rent Foryou** (the Group's company offering medium and long-term rental solutions) provides its clients with an offer also aimed at optimizing and reducing energy consumption (e.g., through Internet of Things sensors for energy consumption control and optimization, Software and Artificial Intelligence for electrical systems regulation and consumption reduction or solar panels).

Finally, **Neva SGR**, the Venture Capital firm part of the Intesa Sanpaolo Group, that, among others, invests in climate tech and energy transition, recently participated in an equity investment in **Cool Planet Technologies Limited (CPT)**, the sustainable technology company focused on affordable carbon dioxide capture.

2.2.3 Financing the transition through capital markets and complex products

In line with Intesa Sanpaolo's effort to offer clients a comprehensive suite of products supporting their transition goals, since 2018 IMI C&IB Division has developed customized green and sustainability-linked capital market instruments in addition to traditional lending products. Those instruments provide clients with financing, liquidity, investment and hedging solutions with climate and ESG features, giving additional support to the overall economy's transition towards Net-Zero.

¹⁴ An Energy Community is an association that produces and shares renewable energy, generating and managing cost-effective green energy autonomously, reducing CO₂ emissions and energy waste. The community may be composed of local citizens, businesses, public administrations, small and medium-sized enterprises, etc.

Through **continuous interaction with international ESG investors**, IMI C&IB Division supports clients in structuring transactions and placing them on the market - such as, but not limited to:

- **Green/Social/Sustainability bonds:** bonds whose proceeds will be exclusively applied to finance or refinance new and/or existing eligible green and/or social projects, according to the ICMA Green Bond Principles, ICMA Social Bond Principles and ICMA Sustainability Bond Guidelines.

For example, in the **Power Generation infrastructure** industry, Intesa Sanpaolo was part of the pool of banks that placed the **first hybrid green bond by Terna S.p.A.**¹⁵, the leading Italian electricity transmission system operator, for a total amount of €1bn. The net proceeds from the issue will be used to finance green projects and they will facilitate the strategy of the Group focused on combining sustainability and growth to promote energy transition. In the **Automotive** industry, Intesa Sanpaolo was among the Joint Lead Managers of the operation that led to the issuance of two **General Motors** Green Bonds for a total amount of \$1bn and \$1.2bn, respectively. In the **Power generation** industry, Intesa Sanpaolo participated in the placement of **Iberdrola S.A.**'s €1bn Green Bond, whose funds will be used to partially finance the group's investments in renewable offshore wind installations in France and Germany.

- **Sustainability-linked bonds:** environmentally friendly instruments not linked to a specific use of proceeds, but to predetermined Key Performance Indicators and Sustainability Performance Targets to be achieved. These bonds are issued according to the ICMA Sustainability-Linked Bond Principles.

For example, in the **Power Generation infrastructure** industry, Intesa Sanpaolo was among the bookrunners of the offering of the first **sustainability-linked Bond** of **Snam S.p.A.**, an Italian energy infrastructure company, for a total amount of €1.5bn. The transaction facilitates the fulfilling of Snam S.p.A. commitment to sustainable finance, in order to reach carbon neutrality by 2040 and develop its energy transition businesses. It will also contribute to the target of achieving more than 80% of its funding through sustainable finance by

2025 compared to 60% as of end 2021. Moreover, in January 2023, Intesa Sanpaolo was one of the two Joint Lead Managers in the placement of **Eni S.p.A. sustainability-linked Bond** for a total amount increased to €2bn, to meet the high number of requests. The interest rate at maturity is linked to Eni's targets in terms of reduction of net greenhouse gas emissions (Scope 1 and Scope 2) associated with upstream activities and increase of renewable installed capacity.

- **ESG Secured bonds and other securities:** bonds collateralized by one or more specific sustainable projects, including, but not limited to, covered bonds, ABS (Asset-backed securities), MBS (Mortgage-backed securities) and other structures, according to the ICMA Principles.

In 2022 IMI C&IB Division participated as bookrunner in the issuance of 25 SDG-linked Bonds, Green Bonds, Social Bonds and Sustainability Bonds in the Euro market.

IMI C&IB Division also offers **bespoke hedging products** with specific climate features. Intesa Sanpaolo was among the first banks worldwide to offer sustainable hedging products that incorporate certain pre-agreed performance indicators and predefined sustainability targets into conventional and standardized instruments. In particular, the Group was among the first financial partners in Europe to offer **ESG-asymmetric derivatives** for interest rate risk management, which provides for a pricing mechanism linked to the achievement of sustainability targets.

For example, in March 2021 Intesa Sanpaolo signed the **first Circular Economy (CE)-linked interest rate swap** with **Feralpi Siderurgica S.p.A.** (a steel manufacturer company), after having granted €40m in financing aimed at achieving specific targets related to sustainability and circular economy. The CE-linked interest rate swap, which was a **first in the Italian market**, is aimed at rewarding the virtuous behaviour of the company by improving the terms of the derivative if **circular economy targets are met**.

IMI C&IB Division has also further expanded its climate offering in its **securitization and asset-based financing transactions** qualifying the Group as a pioneer in this field, in line with its positioning as one of the main players in Italy for structuring, financing and placing of **securitizations**. Securitizations with climate characteristics envisage mechanisms of reduction/increase of

¹⁵ Considering the subordinated nature of the hybrid bond and the potential to defer interest payments. The bond is perpetual, non-callable for six years

pricing (intended as spread) considering certain targets on climate parameters. These solutions allow the linking of the sources of financing of working capital to indicators relating to the sustainable development of the originator company.

Finally, Intesa Sanpaolo has taken part, as structuring advisor to the Framework and lead manager, in the issuance of the **first Green BTP** (i.e., Italy's first sovereign green bond) the proceeds of which are intended to finance expenses incurred by the Italian State with a positive environmental impact to support the country's ecological transition.

2.2.4 Facilitating the transition through advisory services

Following the ambition of Intesa Sanpaolo's 2022-25 Business Plan and in order to meet the dynamic needs of clients, the Group has significantly widened its offering in terms of advisory services connected to the green transition. **Advisory support operates in close coordination with product offer** as described in the previous section and can be targeted to drive change also in the highest emission intensive sectors where the Group has made commitments.

At Group level, this support consists of multiple **sustainability advisory services** that help clients in defining and implementing the transition finance opportunities.

In this context, **IMI C&B Division** provides a comprehensive set of **advisory services** to corporate clients, especially in relation to transition financing. IMI C&B Division **analyses** clients' **sustainability strategies**, annual reports, capex plans and also assists them as **ESG structuring advisor** in the definition of **tailored financing** (e.g., green, sustainability, sustainability-linked). This is in addition to advisory services provided by the **Automotive & Industrials and Energy Desks**, well equipped as already mentioned, with sustainability experts which provide clients with technical and financial advisory on most suitable solutions to finance clients' transition.

BdT Division, mainly dedicated to SMEs, has set up a similar advisory offering and contributes to providing **specialized advisory** to its clients through specific collaborations such as:

- **Nativa** and **Circularity**: **ESG advisory** enables clients to understand their ESG starting point through an assessment that identifies strengths and areas for

improvement. The client's **sustainable strategy** is then outlined, by defining key initiatives for intervention based on the initial assessment and the identified objectives, also with the aim of obtaining the main certifications in the market;

- **Circular Economy LAB**: the partnership between the **Intesa Sanpaolo Innovation Center** and **Cariplo Factory** led to the creation in 2018 of the Circular Economy Lab in Milan, an expertise center that supports companies in the **transition to circular business** models, guiding innovation through a systemic approach. Among others, as an example, the Circular Economy Lab realized an open innovation project for a client in the mobility sector, which aims to identify enabling technologies and solutions, on the one hand, to enable the supply of renewable energy and digitalize the internal systems of the petrol stations, on the other hand, to manage and regenerate resources in stations and ensure their energy independence.

Within the continuous dialogue with the customer, and with the aim of helping to raise awareness of environmental/ESG topics among business customers, in 2022 BdT Division launched an **ESG Survey** (which followed a Climate Change Survey launched in 2021), based on 32 questions (out of which 9 related to environmental topics), that allows the client to carry out an assessment of its sustainable performance and to receive a report containing a **benchmark of its ESG positioning** with respect to both the companies in the sector to which it belongs and the Italian market average. The report is also aimed at supporting customers in the definition of initiatives to be implemented to enhance their ESG profile.

Finally, as part of the initiatives being planned, BdT is also defining a **dedicated ESG platform** that would allow its clients to assess their own ESG performance, thus gaining an indication of their sustainable positioning compared to the average of other client companies, also in consideration of the reference sector, and access educational content on key sustainable issues and recent market trends. This platform will be used, among others, to monitor client supply chains and, in particular, the ESG performance of suppliers, giving the opportunity to implement sustainability initiatives along the supply chain.

All Divisions are supported by the Innovation Center which provides **training to colleagues** (also through the implementation of the **Innovation Newsletter platform**¹⁶) and **specialized literature** to customers on the topic of **Circular and Green Economy**, and drafts reports, available on the [website](#), concerning for,

¹⁶ Platform available for all Group employees, in which the Innovation Center covers sustainability issues and periodically releases reports

example, “Decarbonization” (which analyses the most advanced technologies for reducing CO₂ in the air), “Energy, Environment & Utilities - Energy and NRRP: the Green Revolution” and “Automotive, Transportation & Logistics, Future of Mobility. Decarbonization and NRRP impacts”, all published in 2022.

Moreover, the Innovation Center directly supports clients in achieving net-zero targets providing strategic market studies and technologies scouting. For example, it has promoted several **programs** and **awards**, among others:

- **Sustainable Energy Venture**, a program in partnership between Pietro Fiorentini Group and the Innovation Center, aimed at identifying the most innovative technologies in the renewable energy sector, accelerating projects relating to the development of the hydrogen supply chain and the reduction of CO₂ emissions;
- **Iren StartUp Award “Call4Circular – Circular products and materials”**, a circular open innovation initiative created in collaboration between the Iren Group and the Circular Economy Lab aimed at fostering projects and partnerships in line with the decarbonization and energy transition objectives of the company.

In addition to the above, and coherent with Intesa Sanpaolo commitments towards transition, in 2022 the Group designed a new proposition in the **voluntary carbon market**, aimed at supporting clients in reducing gross CO₂ emissions, managing residual emissions and protecting and safeguarding forestland.

2.3 FINANCING STRATEGY AND DECISION MAKING

Net-Zero targets are rapidly becoming an additional factor that financial institutions need to take into account in their strategic planning. This is reflected in the **decarbonization commitments** that Intesa Sanpaolo has taken on its most emission intensive sectors and for which sectoral financing strategies have been defined to support client's transition and the Group's portfolio steering.

2.3.1 Financing strategy and policies

As already mentioned, Intesa Sanpaolo fully supports the transition goals of its clients, and provides financing directed towards initiatives and projects aligned with these objectives.

The Group has and will continue to finance technologies, tools and processes that enable the **reduction of GHG emissions**, also in line with the initiatives implemented by the European Union, aimed at accelerating investments also in renewable energy development.

In the **Power generation** sector Intesa Sanpaolo is supporting the **decarbonization plans** of Power Generation companies, both through financing (i.e., sustainability-linked loans and green loans) and through advisory services (e.g., green bond issues and M&A for the acquisition of pure renewable players). The Group has in fact historically provided financing for **renewable assets and projects**, such as **solar** photovoltaic (PV), concentrating solar power (CSP), onshore **wind**, offshore wind and **biomass** and, more recently, it has also assessed the financing of other types of assets, such as **green hydrogen** and **battery energy storage**.

At the international level, Intesa Sanpaolo was the first Italian bank to join the **Climate Investment Platform (CIP)**, which brings together public and private financial institutions to support the implementation of renewable energy projects around the world. Intesa Sanpaolo makes available to CIP, the participating countries and entities, its experience gained at an international level in financing the **construction of large plants to produce clean energy**, its network of relationships in the major capital markets and assistance to make ESG projects bankable. Thanks to this collaboration, Intesa Sanpaolo has the opportunity to expand its interventions in support of the transition to clean energy in rapidly growing countries, especially in Africa.

The **Automotive** sector is in a phase of profound transformation, also in the light of European institutions' stance on electric cars. A revision of the traditional business model, structural changes in investments, an acceleration of the growth of scale for all companies in the supply chain are inevitable for the auto sector. Intesa Sanpaolo is eager to participate in this **transformation**, also enabling the shift to **electric vehicles (EVs)** of main automotive players, through both financing and advisory services.

Intesa Sanpaolo aims at actively supporting:

- companies in establishing and integrating **battery supply chains** (i.e., **gigafactories**) which represent one of the main drivers to accelerate the energy transition to a more sustainable mobility;

- companies which invest in additional technologies that enable **low-carbon mobility solutions**;
- companies which are investing in the shift from traditional production to a more sustainable one through the **conversion of their plants**;
- on a case-by-case basis, companies involved in the **automotive supply chain**, which actively invest in the energy transition (i.e. gigafactory, carbon neutrality, hydrogen).

Similarly to the Power Generation and Automotive sectors, in the **Oil&Gas sector** Intesa Sanpaolo is supporting the **decarbonization plans** of most relevant Oil&Gas players, both through **financing** and **advisory services** (e.g. sustainability-linked loans, green bond issues and M&A for the acquisition of pure renewable players and generation assets from renewable energy sources).

The Group committed **not to finance** any project relating to the **exploration and extraction of unconventional Oil&Gas resources**, such as shale Oil&Gas, and to **terminate** its current exposure **by 2030**. For more details, please refer to chapter Risk Management.

Finally, regarding the **Coal mining** sector, since July 2021 Intesa Sanpaolo does not provide financial products and services to projects aimed at the construction or expansion of new coal mines or the purchase of companies operating in the **Coal mining** sector. The Group also undertakes to phase out by 2025 the share of financial services to counterparties in the Coal mining sector. For more details, please refer to chapter Risk Management.

As part of the Net Zero commitment on financed emissions, Intesa Sanpaolo is also willing to foster its **cooperation with leading climate corporates** within each industry, including financing of counterparties that have disclosed credible transition plans and that are reporting advancements against it.

2.3.2 Clients Transition Plans

In order to properly support clients' transition to Net-Zero, Intesa Sanpaolo is developing a framework for a structured analysis of Transition Plans, conducting a sectoral benchmarking, and assessing the disclosed level of clients' investments to achieve decarbonization targets.

In particular, Intesa Sanpaolo is currently working on **pilot projects** in specific sectors in order to define the **internal methodology** for an in-depth assessment of counterparties' transition risk, with the perimeter of application being large and long tenor exposures. Such internal methodology, which will gradually involve a growing number of sectors impacted by transition risk, will enable Intesa Sanpaolo to evaluate the existence of a company's climate strategy and the **credibility** of its Transition Plans and to support clients to enhance the Transition Plan alignment and consistency with sector best practice and net-zero pathway guidelines. According to the internal methodology under development, the client's transition plan is going to be evaluated on 3 different levels: **GHG overall reduction** (peer benchmarking in the same sector, assessment of targets consistency vs Intesa Sanpaolo targets under different climate scenarios), **Technical Robustness** (assessment of a client's emission reduction plans compared to their main sectorial activities and guidelines consistent with the maturity and availability of existing technology involved) and **Financial and Economic impact** (sensitivity analysis and assessment of capex gaps/needs to finance the Transition Plan and overall impact on EBITDA).

Monitoring of client performance vis-à-vis transition plan and the results of the credibility assessment are being taken into consideration both during the **origination discussions** with the clients and as part of the **credit underwriting process**. In case of **low credibility transition plan** assessment, the bank will **engage** with the client to **further investigate** the plan (remedial action), considering, when necessary, any potential **adjustment** to the financing terms and conditions.

3 ENGAGEMENT STRATEGY

In conducting its activities, Intesa Sanpaolo **interacts** with a wide range of different **stakeholders**. Intesa Sanpaolo's engagement aims to achieve a meaningful and lasting impact and a broad reach, spanning across corporate and SME clients, the financial industry, the wider public sector (through public consultations) and civil society. For a comprehensive list of Intesa Sanpaolo's initiatives, please refer to chapter Strategy.

Intesa Sanpaolo's engagement strategy overall is geared towards fostering an ecosystem which can **support** and **facilitate** the **transition of clients**, their **supply chains**, and the **broader economies** of the countries in which the Group operates.

3.1 CLIENTS AND PORTFOLIO COMPANIES

Intesa Sanpaolo's engagement initiatives include sustainability-linked **events** and **forums** on climate-related topics. The IMI C&IB Division organizes and actively participates in many of them as sponsor or contributor. In 2022, these included:

- The forum "**Transformation and Sustainability for the Automotive Supply Chain**" organized with the objective of outlining the need for a structural investment shift within the sector towards low-carbon and smart mobility solutions;
- several ESG-focused webinars, including "**Cross Assets View and the ESG Angle**" and "**ETF on green bonds**", as well as webinars linked to the use of Italy's National Recovery and Resilience Plan (NRRP) resources for sustainability-linked initiatives, such as "**NRRP: Roadmap for the transition. Opportunities and solutions for clients in the ESG and digital fields**".

The Banca dei Territori Division also inaugurated the creation of **working groups** to **facilitate** the sharing of **climate-related information** among businesses.

Intesa Sanpaolo also launched the **ESG Laboratories**, created to help companies rethink their business in a more sustainable and green way, in line with the second mission of the NRRP which supports the green revolution and the ecological transition. These are **physical** and **virtual meeting points**

between entrepreneurs from the same or different supply chains and/or sector, aimed at facilitating **networking** among businesses, **promoting discussions** and **stimulating awareness** on climate issues also through the sharing of successful experiences. Companies involved in this process share their experiences and are supported in identifying the improvement actions and initiatives necessary to **develop a strategic evolution plan**. Workshops organised in 2022 included an **event** dedicated to **Circular Economy** opportunities in the **Automotive sector** and provided clients with insights on market trends, regulatory frameworks, successful business cases and new technologies and it is worth mentioning an additional events on the Circular Economy and Carbon Neutrality in January 2023. As of December 2022, **8 laboratories** were launched out of 12 forecasted in the 2022-2025 Business Plan, at least one for each regional governance center involving overall around 100 dedicated ESG specialists.

The Group is highly engaged in producing and financing cutting-edge **research**, which is made available to its clients to foster awareness and engagement on climate topics. Among others, the **Intesa Sanpaolo Research Department** (also in cooperation with specialized external organizations), develops **studies** and **research** projects in the wider environmental field, which are available mainly in Italian on the Group's website.

During 2022, Banca dei Territori Division also signed **cooperation agreements** with the most important and representative industry, trade and craft associations, with the aim of sharing with them initiatives to **support** their **member companies** towards **sustainable investments** through **dedicated financing products**. Agreements signed at the national level included: Federalberghi, Confesercenti, Confcommercio, Confartigianato, Finco, Confapi, Federlegno Arredo, Faita Federcamping, Confindustria Alberghi, Federterme.

Finally, in October 2022 the Innovation Center organized the **Climate Change & Innovation Tour** in collaboration with the Israel-Italy Chamber of Commerce. The aim of the Tour was to raise awareness among Italian companies on environmental and business challenges in compliance with SDG (Sustainable Development Goals) standards, promoting technological cooperation also around climate change within the Israeli market.

3.2 INDUSTRY

Intesa Sanpaolo is committed to proactively engaging with peers in the financial industry to support the global transition to net zero. The Group's engagements with the industry are aimed at sharing best practices and expertise, as well as partnering to act cohesively on common challenges across the industry.

Forums and events are a key enabler of **industry-wide coordination** and sharing of best practices. Throughout the past years, Intesa Sanpaolo took part in several forums organized by third-party stakeholders within the financial sector in Italy and abroad with a focus on **ESG and sustainable finance**. For example, IMI C&IB Division took part in several workshops and initiatives by the **Sustainable Finance Partnership**, a collaboration with Borsa Italiana, including the flagship event "**Sustainability Week**".

Besides ad-hoc forums, Intesa Sanpaolo participates in a number of climate-related **initiatives** and **partnerships** demonstrating the Group's adhesion to the sector's collective effort to achieve Net-Zero and other environmental goals. The initiatives span a broad range of industries and topics including, as concerns climate related issues, among others, **UNEP FI, NZBA, European Clean Hydrogen Alliance, Climate Investment Platform, Principle for Responsible Investment, CDP and Renewable and Low-Carbon Fuels Value Chain Industrial Alliance**. For a comprehensive list of Intesa Sanpaolo's initiatives and partnerships, please refer to chapter Strategy.

3.3 GOVERNMENT, PUBLIC SECTOR AND CIVIL SOCIETY

Intesa Sanpaolo's engagement with **public sector institutions** on sustainability-related topics aims to work with public institutions in developing and delivering a Net-Zero-aligned agenda. Intesa Sanpaolo is actively engaged in **contributing to the regulatory landscape** it operates in, and constantly monitors the regulatory framework on the topic of climate change at the international, European and national level through its Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area. The information collected by the relevant structures within the CIAECO Governance Area are then disseminated across the Group through seminars, regulatory alerts, newsletters and other tools (such as the ESG regulatory vademecum). In 2020, 2021 and 2022 (and, generally speaking, on a regular basis) Intesa Sanpaolo expressed its position responding to relevant climate

and/or ESG-related **public consultations**, drafting **position papers** or contributing to those of the relevant **trade associations** and, where relevant, overseeing the **European legislative processes** on these topics, also, proposing **amendments**.

Furthermore, Intesa Sanpaolo through its Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area regularly **engages with civil society, associations and institutions** leading institutional projects having direct impact on ESG targets. In this regard, Intesa Sanpaolo is currently working on different lines of action with dedicated projects (e.g., with reference to the **Water** line of action, Intesa Sanpaolo participates in the report activities and institutional positioning event of the *Italian water Community* promoted by The European House Ambrosetti).



AUDITORS' REPORT



Intesa Sanpaolo S.p.A.

Independent Auditors' report on the disclosure "NZBA target setting: annual reporting of emissions" reported in section "Metrics and Targets" of the Task Force on Climate-related Financial Disclosure Report of the Intesa Sanpaolo Group for the year ended 31 December 2022



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Independent Auditors' report on the disclosure "NZBA target setting: annual reporting of emissions" reported in section "Metrics and Targets" of the Task Force on Climate-related Financial Disclosure Report of the Intesa Sanpaolo Group for the year ended 31 December 2022

To the Board of Directors of Intesa Sanpaolo S.p.A.

We were engaged to perform a limited assurance engagement on the disclosure "NZBA target setting: annual reporting of emissions" (the "Subject Matter") reported in the section "Metrics and Targets" of the Task Force on Climate-related Financial Disclosure Report of the Intesa Sanpaolo Group for the year ended 31 December 2022 (the "2022 TCFD Report"), approved by the Board of Directors of Intesa Sanpaolo S.p.A. (the "Bank") on 16 March 2023.

The Subject Matter has been prepared to disclose Net Zero Banking Alliance ("NZBA") annual reporting of emissions against targets. The Subject Matter has been prepared in accordance with the criteria defined in the section "Methodology" of the 2022 TCFD Report, based on the "Guidelines for Climate Target Setting for Banks" issued by the United Nations Environment Programme Finance Initiative ("UNEP FI") (the "Suitable Criteria").

Management's responsibility

Management is responsible for the preparation of the 2022 TCFD Report in accordance with the criteria described in the Task Force on Climate-related Financial Disclosures issued by the Financial Stability Board. The Subject Matter has been prepared by Directors of the Bank in accordance with the Suitable Criteria.

Management is also responsible for the internal controls as management determines is necessary to enable the preparation of the 2022 TCFD Report, that is free from material misstatement, whether due to fraud or error.

Independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Auditors' responsibility

Our responsibility is to express a conclusion on the Subject Matter based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the provisions of the standard "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised") issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and

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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale al numero di iscrizione 09434000584 - numero R.E.A. di Milano 698158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Comodo al progressivo n. 2 dell'elabora n. 10831 del 16/7/1997
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perform our procedures to obtain limited assurance whether the Subject Matter is free from material misstatement.

The procedures we performed were based on our professional judgment and included inquiries, primarily of persons responsible for the preparation of the Subject Matter, inspection of documents, recalculation, agreeing or reconciling with underlying records and other evidence-gathering procedures that are appropriate in the circumstances.

Our limited assurance engagement also included:

- ▶ understanding of the internal rules underlying the preparation of the Subject Matter through acquisition and analysis of the relevant internal documentation (policies, procedures, process guides and methodologies);
- ▶ interviews and discussions with Bank's management to gather information on the reporting and technology systems used in preparing the Subject Matter and on the processes and internal control procedures used to gather, combine, process and transfer data and information for the preparation of the Subject Matter;
- ▶ sample-based analyses of documentation supporting the preparation of the Subject Matter to obtain evidence of the application of the processes put in place to prepare the data and information presented therein;
- ▶ analysis of the consistency of the information reported in the Subject Matter with the relevant disclosures reported in the 2022 Principle for Responsible Banking Report ("PRB Report") and in the 2022 Consolidated Non-Financial Statement approved by the Board of Directors of the Bank on 16 March 2023;
- ▶ obtaining a representation letter from management on the compliance of the Subject Matter with the Suitable Criteria and on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ISAE 3000 revised and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Conclusion

Based on the procedures we have performed, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with the Suitable Criteria.

Others matters

This report has been prepared solely for the purposes described in the first paragraph and, accordingly, it may not be suitable for other purposes.

Milan, 23 March 2023

EY S.p.A.

Matteo Caccialanza
(Auditor)



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Graphic, layout and hypertexts	Agema s.r.l. - Milano
Published in	March 2023