



Environment  
and climate change

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### WHY THESE ISSUES ARE RELEVANT

Climate change is an extremely relevant phenomenon whose consequences are not only limited to the environment but have major repercussions also for the social dynamics of the present and future generations. This view was confirmed in October 2018 in the report of the Intergovernmental Panel on Climate Change (IPCC), which highlights that, at the current rate of CO<sub>2</sub> emissions, the increase in average global temperature by 2030 will be over 1.5°C, considered by experts to be the maximum safety threshold.

In November 2018, the European Commission published a long-term strategy to outline the transition towards achieving net-zero greenhouse gas emissions by 2050, while, in December, the UN Climate Change Conference (COP24), held in Katowice, reiterated the need to implement the Paris Agreement, preparing a series of technical standards aimed at limiting the rise in global temperature to within 1.5°C. It is important to define the process of transition towards a sustainable economy, including through a financial policy which seeks to mobilise and direct private capital towards green investments.

Awareness of the consequences of climate change on the financial sector has facilitated international cooperation, with contributions from representatives of civil society, industry, the academic world and institutions, both at international and European level. On this point, it is worth mentioning the European Commission Action Plan on sustainable finance, for its contribution in terms of accelerating the transition towards a low-carbon economy, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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

This commitment was reaffirmed in the 2018-2021 Business Plan, with objectives concerning support to the production system with an environmental perspective, with a specific plafond of up to 5 billion euro, aimed at companies which adopt the circular model. As regards direct impacts, the Intesa Sanpaolo Group Environmental Plan – Climate Change Action Plan – identifies mid and long-term objectives for reducing CO<sub>2</sub> emissions and increasing energy consumption and production from renewable sources.

## PERFORMANCE INDICATORS, RESULTS ACHIEVED AND OBJECTIVES

Macro-theme	Project/Indicator	2018 Actions/Results	2021 Objectives
Direct environmental impacts	Greenhouse gas emissions*	<ul style="list-style-type: none"> <li>Scope 1 + 2 Market-based**: 100,626 tCO<sub>2</sub>eq vs 2008 -40.9%</li> <li>0.027 tCO<sub>2</sub>eq/m<sup>2</sup></li> <li>1.049 tCO<sub>2</sub>eq/staff member</li> </ul>	<ul style="list-style-type: none"> <li>Containment of CO<sub>2</sub> emissions</li> </ul>
	Energy consumption	<ul style="list-style-type: none"> <li>Electricity: 475,481 MWh</li> <li>Thermal energy: 240,616 MWh</li> </ul>	<ul style="list-style-type: none"> <li>Containment of energy consumption</li> </ul>
	Responsible management of resources	<ul style="list-style-type: none"> <li>Renewable electricity consumption vs total: 80.5%</li> <li>Electricity produced from renewable sources: 1,010 MWh</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the use of renewable energy sources</li> <li>Maintenance of electricity production levels from photovoltaic energy</li> </ul>
Green economy	Loans and services for the green economy and Circular Economy	<ul style="list-style-type: none"> <li>Paper purchased: 6,805 t</li> <li>Environmentally-friendly paper purchased vs total: 89.6%</li> <li>Paper saved (digitisation): 3,424 t</li> <li>Water: 1.97 million m<sup>3</sup></li> <li>Waste: 3,997 t</li> <li>Business travels: 179 million km</li> </ul>	<ul style="list-style-type: none"> <li>Responsible use of resources</li> </ul>
		<ul style="list-style-type: none"> <li>Loans for environmental purposes: 1,922 million euro disbursed</li> <li>3.2% of total loans</li> <li>Circular Economy: Creation of a plafond of up to 5 billion euro</li> <li>Launch of the Circular Economy Lab, with Fondazione Cariplo</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the green economy</li> <li>5 billion euro in credit for companies that adopt the circular model using innovative methods</li> <li>Launch of a specific investment fund dedicated to the Circular Economy</li> </ul>

\* Emission factors for the calculation of CO<sub>2</sub> established by Intesa Sanpaolo, in accordance with the ABI Energia Guidelines "Linee guida sull'applicazione in banca degli Standards GRI in materia ambientale" and on the basis of the main 2018 publications (UNFCCC, IEA, IPCC, AIB, etc.).

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

## Direct environmental impacts

### COMPANY POLICIES

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

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

The Group takes heed of the impacts generated by customers and suppliers, contributing to the spread of virtuous processes and conduct as regards the environment. Moreover, it also closely manages the risks connected with climate change by promoting adaptive behaviour or conduct designed to mitigate this phenomenon, while simultaneously developing a culture focused on prevention. The monitoring of these risks is based on the processes established for the governance and implementation of the Group's Code of Ethics, the Background Analysis of the Environmental and Energy Management System and the sustainability reporting, which make it possible to identify goals and action plans aimed at guaranteeing their effective monitoring (see page 50).

A dedicated structure – Corporate Social Responsibility (CSR) – has the task of overseeing the areas that fall under the Group's social and environmental responsibility, including the more specific issue of climate change. The Safety and Protection Head Office Department, which reports directly to the Managing Director and CEO, is responsible for the coordination and maintenance of the Environmental and Energy Management System adopted by the Group, along with activities connected with Energy Management.

### CLIMATE CHANGE ACTION PLAN

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

In 2017, CSR, in association with the Real Estate and Logistics, Procurement and Safety and Protection Head Office Departments, the International Subsidiary Banks Division and the Chief Operating Officer and Chief IT, Digital and Innovation Officer Governance Areas, drafted a new Environmental Plan – the Climate Change Action Plan – with targets for 2022 and 2037. This Plan was reviewed by the Risks Committee and approved by the CEO.

In the Plan, the Intesa Sanpaolo Group outlines its goals as regards reducing the CO<sub>2</sub> emissions associated with its activities, taking 2012 as its base year, also for the emission factors. CSR will monitor the achievement of the targets on an annual basis and the results will be analysed with the relevant competent structures. In 2018, the initial monitoring of the Environmental Plan highlighted performance broadly consistent with the CO<sub>2</sub> emission reduction forecasts.

The goals for 2022 include a reduction of 37% in absolute emissions connected with energy consumption (direct and indirect) compared with 2012 (a 31% reduction was recorded in the period 2012-2016).

The Plan also includes objectives related to consumption and energy production from renewable sources, and more specifically:

- an increase in the use of renewable energy sources, from 76% at the end of 2012 to 81% by the end of 2022;
- the maintenance of electricity production levels from photovoltaic energy (over 1,000 MWh in 2016), taking account of the restrictions and characteristics of the real estate assets.

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

The extension of the perimeter which has occurred in the meantime will lead to a recalculation of the aforementioned objectives.

## ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

In Italy, over ten years ago, Intesa Sanpaolo adopted an Environmental Management System, later combined with its Energy Management System, (EEMS), which is subject to an annual certification and auditing process by an independent body. In particular, the certification scope currently covers a sample of around 250 operating units which, also in 2018, were awarded compliance certification pursuant to the ISO 14001 and ISO 50001 international standards. The System monitors all activities and operations carried out in the above operating units which have, or may have, an effect on the surrounding environment, and is subject to periodic controls and internal audits aimed at guaranteeing the compliance of the System with the requirements of the reference standards and the principles of the continuous improvement of environmental and energy performances.

The top management of Intesa Sanpaolo is committed to the development and application of the EEMS through an annual plan that includes the review of all significant environmental and energy aspects and the definition of annual objectives that are consistent with the Rules for the environmental and energy policy. Various company functions are involved in applying the Management System: the Safety and Protection, the Real Estate and Logistics Head Office Departments and the training functions. In addition, there is an EEMS Delegate in every operating unit with whom the various structures interface for aspects in their remit.

In 2018, the certification scope was extended and now contains a sample of operating units found in every region of Italy, which, taken as a whole, in terms of system type, climate zone, size and organisational characteristics, ensure that the sample is representative.

The goals pursued, through the attentive monitoring of environmental aspects and energy uses, have made it possible to improve performances in terms of the supervision of environmental risks, the reduction and optimisation of consumption, the awareness of employees and the involvement of internal departments contributing to the System's operation. For these reasons and with a view to continually improve, as per the reference regulations, the certification scope will be further extended.

CIB Bank (Hungary) has also maintained its certification in compliance with the ISO 50001 standard. At the end of 2018, the Bank renewed the certification of its properties (81) and services thanks also to the installation of data loggers in some branches, improving the management of the data centres and replacing old systems with highly energy-efficient systems.

## GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

The mitigation and containment of CO<sub>2</sub> emissions play an important role in the policies of the Group which, with the Climate Change Action Plan, has identified specific medium-term actions for reducing its environmental footprint and, as a result, its emissions. This is done with a view to continually improve its environmental performance, which has already seen major reductions in electricity and thermal energy consumption, and in the resulting emissions, over the last decade (40.9% reduction in Scope1 + Scope2 Market-based emissions compared to 2008).

In 2018 electricity and thermal energy consumption increased (+10.6% compared to 2017) mainly due to the extension of the reporting perimeter.

Scope1 + Scope2 Market-based greenhouse gas emissions were also up by 27.4%, mainly because of the rise in consumption mentioned above, as well as the introduction of the new calculation method, which involved the use of higher emission factors compared with 2017, as recommended in the ABI Guidelines "Linee guida sull'applicazione in banca degli Standards GRI in materia ambientale" (Guidelines on the application in Banks of the GRI Environmental Standards).

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

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

With the goal of continuous improvement, the reporting perimeter of Scope3 indirect emissions was extended in 2018 by including the assessment of emissions connected with the cash-in-transit (CIT) activities of the Intesa Sanpaolo Group.

## EFFICIENCY AND OPTIMISATION OF ENERGY CONSUMPTION

In accordance with the provisions in the Environmental Plan, the actions and measures to reduce electricity and thermal energy consumption continued in 2018 both in Italy and in International Subsidiary Banks, where there is an increasing awareness of energy efficiency issues. The actions undertaken confirm that the Intesa Sanpaolo Group also assesses the potential risks connected with climate change that may influence future

management costs of the properties (see page 50).

Below are some of the initiatives:

Project	Description	Forecast annual savings
Measurement of electricity consumption (Italy and Croatia) Investment: 90,000 euro	37 new electricity consumption measurement systems were installed. Managed online, they allow to turn the lighting and HVAC systems on and off	Energy saving: 232,000 kWh Economic saving: 43,000 euro Reduction in potential CO <sub>2</sub> emissions: 109 t
Replacement of lighting systems (Italy, Croatia, Egypt, Serbia and Ukraine) Investment: 175,000 euro	Traditional or low energy lamps were replaced with new LED technologies in various branches and central offices	Energy saving: 293,000 kWh Economic saving: 24,000 euro Reduction in potential CO <sub>2</sub> emissions: 130 t
Replacement of HVAC systems (Italy, Croatia, Hungary, Albania and Serbia) Investment: 7,650,000 euro	The replacement of heating and air conditioning systems continued. Furthermore, in line with the regulatory obligations, in Italy 34 systems containing R22 were replaced with refrigeration units containing R410A gas.	Energy saving: 2,158,000 kWh Economic saving: 315,000 euro Reduction in potential CO <sub>2</sub> emissions: 846 t
Other optimisation and energy efficiency measures (Italy and Albania) Investment: 837,000 euro	Renovation work was carried out on sites with the replacement of fixtures and the improvement of the exterior insulation system, alongside energy optimisation measures.	Energy saving: 155,000 kWh Economic saving: 25,000 euro Reduction in potential CO <sub>2</sub> emissions: 65 t

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

Thanks to the measures introduced in recent years, in Italy the Group was able to claim tax deductions of around 7 million euro in 2014-2018, around 1 million euro in 2018.

## RENEWABLE ENERGY

One important measure for reducing the Intesa Sanpaolo Group's environmental impact is the purchase and production of energy from renewable sources.

As regards the purchase of zero-emissions electricity, in 2018 the Group reached an overall consumption percentage of around 80.5%.

Notwithstanding the use of self-produced energy from cogeneration at the Parma site (3.1% usage with economic savings of over 700,000 euro), in Italy the purchase of energy from fossil fuels was extremely limited, at 2.1%.

In the International Subsidiary Banks, the situation differs, also in relation to the limits imposed by certain national regulations. Once again, this year, Intesa Sanpaolo Bank (Slovenia) has eliminated its emissions by purchasing all its energy from hydroelectric sources, while Privredna Banka Zagreb (Croatia) purchases around a third of its electricity from renewable sources. Additionally, thanks to the national energy mix part of the electricity used by Intesa Sanpaolo Bank Albania (100%), VÚB Banka (Slovakia) (15%) and CIB Bank (Hungary) (5%) comes from renewable sources.

The Group itself produced over 1,010 MWh of energy from renewable photovoltaic sources, generated from the 13 sites in Italy (nine small and four large) and two sites in Slovenia.

In Italy, photovoltaic plants generated an energy saving by not purchasing electricity, totalling approximately 190,000 euro in 2018.

Finally, in line with Italian Legislative Decree 28/11, consideration was given to the thermal energy produced in Italy using heat pump air conditioning systems, with around 2,800 tonnes of CO<sub>2</sub> emissions avoided as a result.

## MOBILITY

The Mobility Management function part of the Labour Affairs and Policies Head Office Department, is dedicated to supporting employee commuting, to improve their quality but also to promote sustainable means of transport. The goal is to translate the feedback from employees into concrete actions in order to provide a structured range of options for daily commutes and implement the actions of the Home-Work Commuting Plans. The questionnaire issued to employees in 2017 was an attempt to gain a better understanding of the demand for home-work mobility, how the employees' behaviour had changed, and which areas of improvement were to be focused on.

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

As regards the last objective, the two most significant initiatives are as follows:

- the spread of Flexible Work and Training, which innovatively combine the management of people's private lives with the company's organisational requirements (see page 130);
- signing a union agreement on work-life balance, which also introduced measures to help people that work a long way away and that have specific personal needs to move closer to their residence or home;
- the Mobility Office platform which promotes the use of public transport, enabling employees to request annual season tickets directly from their workstation and also to take advantage of discounted rates with the option of paying in instalments (the service is available in certain cities – Bologna, Florence, Milan, Naples, Padua, Rome, Turin and Venice – and will be gradually extended). Contributions to promote the use of public transport have been implemented at CIB Bank (Hungary) and Privredna Banka Zagreb (Croatia);
- company shuttle service available in Turin/Moncalieri, Milan/Assago, Naples, Padua/Sarmeola di Rubano and Venice/Mestre, which have a positive impact on the environment (an estimated 508 tonnes of CO<sub>2</sub> avoided) as well as on people's quality of life; at the Bank of Alexandria (Egypt), a shuttle service to Cairo and Alexandria is available;
- development of car and/or bike sharing services. In Italy, ALI - the Intesa Sanpaolo employees' association - has entered into agreements with the main networks in a number of cities (Bologna, Carrara, Como, Cremona, Cuneo, Florence, La Spezia, Milan, Modena, Monza, Padua, Perugia, Rome, Turin and Treviso). Bicycles owned by the Bank are available at Intesa Sanpaolo Bank Romania, Intesa Sanpaolo Bank (Slovenia) and CIB Bank (Hungary). At Privredna Banka Zagreb (Croatia) and CIB Bank (Hungary) employees can take advantage of special parking facilities and services (changing rooms and showers) and the application of discounts on purchases of bicycles and accessories. In addition, in April 2018, the Hungarian bank signed a contract for the use of car sharing to replace taxis, which will only use electric cars. Lastly, for the fifth year in a row, VÚB Banka (Slovakia) took part in the Cycle to Work campaign, the objective of which is to encourage the use of the bicycle as a means of transport for travelling to work;
- management of the company fleet through precise selection criteria and usage guidelines that respect the environment. In this context, the process of updating the company fleet with Euro 6 vehicles continues;

- development of remote communications for both listening activities (internal communications web focus groups managed online) and work activities, with the use of Skype for Business (instant messaging, voice over IP or online meetings) instead of business travels.

### COMPANY CARPOOLING

With the aim of inverting the trend observed in internal surveys, which show that a large number of employees go to work in their own car, a pilot company carpooling project was launched in November 2017 at the Milan-Bisceglie site. The initiative has since been extended to all employees working within the municipality of Milan and Assago, Turin New Headquarters, Moncalieri Data Centre and Florence-Novoli sites. It is also planned to extend the project to other locations. Carpooling is a mode of transport based on the sharing of private cars by multiple people with compatible routes and timetables. The aim is to share the car for commutes in order to improve the quality of transfers, make savings on transport expenses, and reduce traffic, pollution and road accidents. Using an app, created for the specific needs of Intesa Sanpaolo, a trial initiative was developed that facilitates the matching of travel supply and demand and the sharing of the relative costs, with the possibility of managing the provision of incentives, in the form of fuel and parking vouchers, and forming a network of users.

Other forms of car sharing have been implemented at Intesa Sanpaolo Bank Albania, CIB Bank (Hungary), Banca Intesa Beograd (Serbia), Praxex-Bank (Ukraine) and Intesa Sanpaolo Bank Romania.

## RESPONSIBLE MANAGEMENT OF RESOURCES

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

### PAPER

In 2018, the Group continued to reduce the use of paper per staff member, which fell by 1.3% compared with 2017. Additionally, there was an increase in the use of recycled paper of 3.4% which, together with certified sustainable paper, now represents 89.6% of the total.

In Italy, these results were also achieved through the implementation of various paperless initiatives. Among these measures, particularly worthy of note are the paperless contracts and accounts project, extended during the year to other banking products and services, the consultation of information sheets on screens, online statement and the Zero Carta ("*Zero Paper*") project in training initiatives. Thanks to these initiatives, it was possible to avoid the use of over 3,265 tonnes of paper, corresponding to a reduction in CO<sub>2</sub> emissions of around 6,330 tonnes, with cost savings of over 4.7 million euro.

The paperless contracts project, involving the exclusive use of graphometric or remote digital signature for signing documents, instead of paper, available in all Retail and Personal branches, enables a simple and innovative interaction with customers.

Managers' activities have been simplified within the internal paper management and archiving processes and through the creation of a digital document archive which ensures, in accordance with the legislation in force, better storage and a reduction of back office activities to zero.

Eurizon in order to promote sustainable conduct, launched the sustainability contest - Risparmio della carta (*Paper saving*) - for employees of Eurizon Capital SGR and Epsilon SGR. 37 teams were selected and took part in a competition to reduce paper consumption: during the two-month period between May and June 2018, around 106,000 pages were saved (-25%) compared with October-November 2017.

A significant contribution to the reduction of paper consumption is made by the multichannel projects in Italy and the DigiCal project for the Group's International Subsidiary Banks (see page 78).

In the International Subsidiary Banks, the development of dematerialisation processes/paperless branches, being a component of the DigiCal model, has been implemented at Privredna Banka Zagreb (Croatia), CIB Bank (Hungary), Intesa Sanpaolo Banka Bosna i Hercegovina and VÚB Banka (Slovakia), enabling an overall saving of around 159 tonnes of paper in 2018, while also simplifying archiving activities.

The DigiCal environment of the paperless branches has been enhanced with a series of cutting-edge technologies, such as tablets enabling customer interaction, as well as an IT platform that allows managers to optimise the time spent on banking activities - to the benefit of the customers.



## OTHER GREEN PURCHASES

In 2018, around 45 tonnes of environmentally-friendly stationery was purchased in Italy.

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

## WATER

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

In 2018, the Group's water consumption per person was around 20.6 cubic meters per staff member.

In Italy, the New Headquarters is an excellent example of efficient water management: in 2018, drinking water consumption was again well below the Group average at around 7 cubic metres per staff member, partly due to the installation of low-consumption and timer taps, double-flush toilets, and the dual network for toilets using a rainwater collection system combined with (if necessary) groundwater.

With a view to sustainable and efficient management of resources, the HVAC systems of the New Headquarters also use a heat exchange system with groundwater that is taken and put back into the aquifer without affecting the water quality.

## HAZARDOUS WASTE MANAGEMENT

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

Radon is a gas normally present in the subsoil which can however penetrate into closed environments due, for example to the presence of cracks or the permeability of the foundations of buildings; in such cases it can accumulate and reach concentrations that are damaging to health.

In line with current legislation, which for underground work spaces sets warning and action thresholds depending on the concentration level, the Safety and Protection Head Office Department carries out campaigns for the measurement of the average annual concentration in order to protect the health of employees. Should the warning threshold be exceeded, a notification concerning the matter is issued so employees and their representatives are properly informed about the issue in question. In addition, a Qualified Radiation Protection Expert is appointed, an external consultant who assesses employees' exposure to radon through the calculation of Effective Doses and the identification of any risk mitigation measures, mandatory in the event of the exceeding of the Effective Dose threshold of 3 mSv/year. No significant risk situations were highlighted in 2018.

In the region of Puglia, which set a lower concentration limit than the national average for non-residential buildings open to the public, monitoring activities are currently being finalised. Should this limit be exceeded, the Qualified Expert immediately prepares specific mitigation measures.

In the same way, although the activities carried out by Intesa Sanpaolo employees do not in any way expose employees to dust and materials containing asbestos, in 2018 the Safety and Protection Head Office Department once again carried out a specific risk assessment for all workspaces. The measurements, carried out by an external consultant responsible for storing materials containing asbestos which performs periodic checks according to the timeframes established by law, confirmed that there is no contamination: all of the values measured are lower than the threshold established by the laws in force and similar to those present in the external environment.

## WASTE MANAGEMENT

The handling of all waste produced at the Group's sites has been entrusted to outside companies that operate in the local area, have the necessary permits for the transport and/or disposal of waste, and use specifically authorised vehicles. These companies have been appointed to oversee the collection, sorting, correct temporary deposit and disposal of the waste. As for waste that is collected separately (e.g. paper, glass, plastic etc.), the management methods used are those indicated by the municipal regulations.

In 2018, the special waste produced by the Group totalled 3,997 tonnes (41.7 kg per staff member), an increase of 27.6% compared with 2017. The rise is mainly due to the adjustment of the IT equipment following the integration of the former Banca Popolare di Vicenza and former Veneto Banca.

Only 6.0% of waste is disposed of in landfills, 0.9% is incinerated with energy recovery, and the remaining 93.1% is recycled or reused/recovered.

In 2018, the reconditioned toner project continued in Italy, involving the partial replacement of black ink cartridges with reconditioned cartridges on a number of models representing over 90% of the black cartridges purchased. At the end of 2018, 55% of black cartridges were reconditioned.

The Cost Management Department has launched a project to streamline and reduce expenses from printing costs, including for the purposes of environmental sustainability. To this end, certain measures were identified and assessed jointly with the Communication and Corporate Image Head Office Department which concern the type of character used in the individual productivity documents and the associated graphic standards, aimed at reducing the consumption of toner.

# Green economy

## COMPANY POLICIES

In accordance with the principles of the Code of Ethics and the Rules for environmental and energy policy, the Intesa Sanpaolo Group has always paid particular attention to the portfolio of green products and services it offers to its customers, also with the goal of contributing to combating climate change. International studies and research show that climate change may also be a business opportunity and a lever for economic growth, considering the fact that, in order to achieve the European Union's climate and energy targets for 2030, the European Commission's Action Plan on sustainable finance estimates supplementary investments of 180 billion euro per year.

To this end, Intesa Sanpaolo is active in promoting renewable energy, energy efficiency and the circular business model by supporting their development and assisting the various customer segments, committed to reducing their environmental impact, with the promotion of green products and services offered by the sales network in Italy and abroad.

In addition, particular importance is given to training and research initiatives, as well as to events on environmental issues organised by Intesa Sanpaolo and/or its partners.

## LOANS AND SERVICES FOR THE GREEN ECONOMY

In 2018, the Group disbursed 1,922 million euro to the green economy (over 18 billion between 2010 and 2018), equal to 3.2% of all Group loans. The offer involves all customer segments: retail customers (3.5%), businesses and Third sector (20.1%), leasing (0.2%), corporate & public finance (25.4%) and project finance (50.8%).

### RETAIL CUSTOMERS

The Bank continued to provide loans and mortgages for environmental purposes in 2018. These loans regarded the replacement of fixtures and high-performance boilers, the renovation of buildings from an energy efficiency perspective, the purchase of environmentally-friendly vehicles and the installation of solar and photovoltaic panels. Moreover, certain features of the Mutuo Domus Case prefabbricate in legno – prefabricated wooden houses – mortgage loan have been improved (increase in the maximum duration of the loan and increase of the LTV - value of the loan that may be obtained in proportion to the value of the property), in order to satisfy the needs of customers most conscious about environmental issues.

The Valorizzazione Immobiliare, an additional loan service, seeks to support customers who intend to invest in their homes through energy redevelopment and restructuring works, providing free information on tax benefits and savings on energy bills, as well as to support the best loan and home protection solutions. Customers can also take advantage of discounts on the services offered by partners of the initiative which operate in the energy savings and redevelopment sectors.

The content of the insurance policy 'XME Protezione', seeks to cover the needs of customers in the areas of Family, Health and Property, has been improved, with new coverage providing protection from natural disasters: earthquakes and flooding.

Lastly, the Intesa Sanpaolo Group continued its tangible and concrete commitment to supporting households and businesses affected by earthquakes, environmental disasters or extraordinary atmospheric events, with the provision of new subsidised loans for restoring damaged structures (homes, shops, offices, artisanal workshops and businesses), suspensions of payments on outstanding loans, actions in the area of protection and preferential, simplified and expedited procedures for new instruments. Among these initiatives, it is worth noting that, in November 2018, Intesa Sanpaolo set up a plafond for households and businesses of one billion euro to tackle the emergency caused by extraordinary atmospheric events which have affected the whole of Italy (see page 86).

### BUSINESSES CUSTOMERS

In 2018 Intesa Sanpaolo Group continued to disburse short, medium and long-term loans in support of projects for renewable energy and energy efficiency works for professionals and businesses.

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

Banca IMI has continued to play a leading role in the structuring of loans for the renewable energy sector (especially photovoltaic and wind power), by supporting and assisting the main operators in their strategic consolidation process and in the implementation of new investments.

Mediocredito Italiano's contribution was once again noteworthy this year: in particular, it continued to support businesses that invest in renewable energy production plants and in the energy efficiency of their production processes, providing dedicated financial solutions and specialist advisory services. During the year loans were granted to support projects mainly in the photovoltaic, wind and hydroelectric sectors.

At the end of 2018, Mediocredito Italiano's portfolio in the green sector came to approximately 1.5 billion euro, equal to around 10% of all medium and long-term credit. All of the financed projects were carried out in Italy and concerned: photovoltaic plants (80.4%), wind energy plants (6.5%), hydroelectric plants (5.9%), biomass or biogas plants (5.2%) and energy efficiency measures (2.0%). The financed projects also included energy efficiency measures carried out by energy intensive manufacturing companies through the installation of cogeneration plants. In order to regulate energy efficiency investments made directly by businesses, or rather indirectly through the intervention of an ESCo (Energy Service Company), credit guidelines have been developed for this type of project. All loans, overseen step by step by the specialist Energy Desk, are always preceded by an examination in support of the Bank's credit assessment. Customers can count on a comprehensive service that ranges from risk assessment to the structuring of the most appropriate financial solutions, and from consultancy on new technology trends to new market opportunities.

In the lease area, four new Leasenergy product contracts of a value of approximately 4.6 million euro were signed in 2018. The new lease contracts will result in annual emission savings of around 22,485 tonnes of CO<sub>2</sub>. There are around 1,540 existing lease contracts, which have contributed to the construction of plants for the production of over 1.8 Gigawatts of energy from renewable sources.

In addition, the Intesa Sanpaolo Group confirmed its commitment to the Circular Economy by promoting the spread of the model, drawing on the support of the Ellen MacArthur Foundation, the main promoter of the global transition towards the Circular Economy. The 2019-2021 three-year cooperation agreement has been renewed, confirming Intesa Sanpaolo's role as Global Partner of the Foundation. Intesa Sanpaolo will continue to redefine business strategies in an innovative way, ensuring financial support for investments to facilitate the redesign of the industrial system.

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

Some of the most noteworthy activities in 2018 include the Circular Economy Lab and the Plafond Circular.

The Circular Economy Lab was launched in September 2018 in Milan, thanks to a Framework Agreement between Intesa Sanpaolo and Fondazione Cariplo, and followed by a strategic partnership between Intesa Sanpaolo Innovation Center and Cariplo Factory, with the goal of supporting and assisting the transformation of the Italian economic system and disseminating new models of value creation in the collective interest, by accelerating the transition to the Circular Economy.

The activities of the Circular Economy Lab are based on three pillars:

- positioning the laboratory as the primary systemic actor of the Circular Economy, by disseminating and promoting the principles of the new economic model;
- contributing to the creation of business opportunities;
- creating value and growth through Open Innovation initiatives organised between start-ups and companies, as well as with universities and institutions.

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

During the year, the 'circular' assessment of businesses along their value chain continued (around 15 businesses were interviewed) through the use of the Circular Economy Standard, an instrument used to measure the level of circularity.

In 2018, with regards to start-ups (see page 94), the Start-Up Initiative continued, which selects the most promising innovative start-ups, prepares them to face the market with coaching initiatives, and introduces them to the players of the innovation ecosystem.

The selection process was integrated together with the circularity criteria in the overall assessment. Two Italian start-ups in the food and fashion sectors were awarded as Circular Economy success stories.

In November 2018, the Position Paper of the Alleanza Italiana per l'Economia Circolare (Italian Alliance for the Circular Economy) was submitted, promoted by Intesa Sanpaolo in conjunction with Enel. The Alliance comprises eight large 'Made in Italy' companies and, since 2017, has sought to reinforce existing collaborations and propose new projects between companies, in order to promote the transition to the Circular Economy in the various production chains, while also involving Italian and European institutions.

In order to support the wood sector in north-eastern Italy, which was severely affected by the extreme weather events at the end of October, an agreement was signed with FederlegnoArredo aimed at supporting the development of companies in the sector with specific products and benefits which also include support to forest holdings and individuals involved in reforestation projects.

Finally, the Insurance Division proposes supplementary insurance coverage for the loans provided for the purchase and installation of a photovoltaic plant. 'Polizza Business Fotovoltaico' protects the photovoltaic plant from material and unforeseen damage accidentally caused to third parties, protecting the plant from damage caused, for example, by fire, weather events, vandalism, theft, malfunctions or electrical problems, and covering losses in profits due to the disruption or fall in the production of clean electricity as a result of the insured events.

### THIRD SECTOR

Banca Prossima has continued to support Third sector businesses that wish to invest in energy efficiency projects with solutions that make it possible to save on energy costs and increase the overall sustainability of the social activity. At the end of 2018, total loans relative to the agreement with Federesco (National Federation of ECSO's) came to 1.9 million euro. These initiatives generated savings of around 593 tonnes of oil equivalent (toe) in 2018, corresponding to around 1,270 tonnes of CO<sub>2</sub> avoided.

### GREEN BOND

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

First issued in 2007 by the European Investment Bank, Green Bonds are traditional bonds – in terms of their structure and contractual terms – that must respect specific requirements in terms of the use of funds (to be allocated to green projects), transparency, reporting and the use of proceeds.

The commitments undertaken by Intesa Sanpaolo are defined in a set of guidelines (Green Bond Framework) based on the Green Bond Principles, a voluntary protocol that promotes transparency and involves the close monitoring of the environmental projects that receive the funds. The compliance of the framework with these principles was verified by an external ESG research and analysis company.

In particular, the projects financed by the Bond must belong to the following three categories:

- infrastructures for the generation and transmission of energy from renewable sources (solar, photovoltaic, wind, biomass and hydroelectric);
- investments in infrastructure or processes for reducing the use of energy and fostering greater energy efficiency;
- construction of new buildings or the redevelopment of existing buildings according to the best environmental standards.

In June 2018, following its annual reporting commitment, Intesa Sanpaolo published its first Green Bond Report [\[i\]](#) on the use of Green Bond proceeds and its associated environmental benefits.

The report also includes the certification of the auditing company, the Second Party Opinion on the bond issue (Robust ESG performance) and the Moody's assessment, which obtained the highest score (GB1 Excellent).

The Bond proceeds, fully allocated during the first year of the issue, was used as follows: 79.4% to refinance specific loans included in the Energy Portfolio of Mediocredito Italiano, and 20.6% for the financing of new projects, selected by a dedicated working group. In total, 77 projects were financed with over 213,000 tonnes of CO<sub>2</sub> emissions avoided annually. 68.5% of the proceeds were allocated to photovoltaic power, 14.0% to wind power, 8.5% to hydroelectric power, 7.4% to biomass and 1.6% to energy efficiency.

During 2018, the Corporate and Investment Banking Division participated, as a bookrunner, in five Green Bond issues onto the Euro market, including the only three in Italy, thus confirming its leading role on the Italian market.

## GREEN CULTURE AND INITIATIVES

One of the goals of the Intesa Sanpaolo Rules for environmental and energy policy is the spread of the culture of sustainability among employees and customers. The following section outlines the main initiatives in 2018.

### TRAINING

The Ambientiamo multimedia platform is available for all employees in Italy, it provides in-depth training on climate change, renewable energies and correct waste management. In addition, for those that work in operating units covered by the Environmental and Energy Management System (EEMS) certification or in central offices involved in the activities of EEMS, a specific course on the issue was also provided, as established also by the international reference standards: in 2018, around 140 employees were able to access the online course, joining the 2,000 employees previously trained. In the same way, subsidiary CIB Bank (Hungary) trained around 1,780 employees on the obligations relating to the ISO 50001 standard via the online platform.

As for customers, Intesa Sanpaolo Formazione continued to provide the Think Green course to agricultural entrepreneurs who, focusing particularly on the protection of biodiversity, plan to innovate and develop their businesses. Two new training courses were introduced: Think Green Bio, to enable agri-food companies to seize the opportunity offered by organic farming, by developing new skills, studying the main marketing and operating aspects of the sector, and Think Green Wine, dedicated to companies in the wine industry who wish to consolidate their skills and acquire new expertise, with a particular focus on sustainable vine-growing and wine-making processes. In total, the Think Green courses involved around 90 entrepreneurs.

To spread the culture of innovation in the area of Circular Economy, the promotion of the BioCircE Master (the first Italian Master's qualification in this area) continued, four meetings were held with secondary schools as part of the Italian "Alternanza Scuola-Lavoro" school-work project and online courses were provided to over 100 employees.

In the International Subsidiary Banks, during September, a two-day training course was held on the main innovations and trends in the agribusiness sector. Some of the themes of the course included sustainable agriculture and organic farming techniques. The course was attended by 21 employees from the Group's subsidiaries in Albania, Croatia, Serbia, Slovenia, Slovakia and Hungary. In Egypt, Bank of Alexandria launched two training initiatives, aimed at employees that concerned sustainable finance and green finance.

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

The Group made an important contribution to the international debate on the topic of environmental sustainability in 2018.

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

As part of the European Commission initiatives, Intesa Sanpaolo has continued the activity initiated during the second half of 2017, by participating regularly in the work of groups of experts for the financing of the Circular Economy, which will also continue in 2019, until the publication of the final recommendations.

The Group also continued its collaboration with the main European associations, contributing to the work of the Sustainable Finance Working Group of the European Banking Federation (EBF) and the Association for Financial Markets in Europe (AFME).

In particular, Intesa Sanpaolo has contributed to the drafting of the main (legislative and non-legislative) position papers of the financial sector published during 2018, such as, for example, the proposal for a regulation concerning the introduction of a framework to promote sustainable investments and the proposal on reporting sustainable investments and sustainability risks, as well as the document of the European Banking Federation - Financing the Europe of tomorrow. Intesa Sanpaolo also participated in the discussion at the European level on Green Lending Principles and the green supporting factor.

Moreover, the Group participated in the consultation of the Italian Ministry of the Environment and the Protection of Land and Sea (MATTM) on indicators for the measurement of the Circular Economy, and in the work of the National Observatory on Sustainable Finance promoted by the MATTM. It also contributed to the activities of the Circular Economy working group promoted by the Fondazione COTEC (Fondazione per l'innovazione - Foundation for Innovation).

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

Studi e Ricerche per il Mezzogiorno (SRM), the Group's research centre aimed at disseminating economic

knowledge and culture, with a particular focus on the development of southern Italy, held a series of seminars in cooperation with the Federico II University of Naples on Circular Economy issues, port activities, water resources and energy, with the aim of drawing attention to how policies connected with the Circular Economy constitute an important step which must go hand in hand with technological innovation, infrastructure upgrading and efficient management for the development and competitiveness of these sectors. SRM is also part of SOS LOG, the association for the development of sustainable logistics, whose mission is the dissemination of information, research and initiatives aimed at spreading the culture of sustainable transport and logistics. In July 2018, Intesa Sanpaolo is also part of the RES4Med&Africa non-profit organisation, which promotes the development of renewable energy in Sub-Saharan Africa and the southern Mediterranean. Mediocredito Italiano is a partner of Milan Polytechnic in the market trends observatory regarding the renewable energy and energy efficiency.

## STUDIES

The Group's commitment to the development of study and research projects in the environmental field continued in 2018. Listed are some of the most important publications:

- The fourth Report on the Bio-economy - "La Bioeconomia in Europa" (The bio-economy in Europe), produced by the Intesa Sanpaolo Research Head Office Department, which, in addition to providing new estimates of the value of the bio-economy, includes an analysis of innovative start-ups operating in associated sectors, along with two in-depth analyses, one on the use and recovery of sewage sludge and the other on marine resources;
- Two reports on transport drafted by the Research Department, which take into consideration the growing demand in the field of mobility and the resulting problems of congestion and pollution, which are raising awareness of the fact that only reinforcing, reclassifying and improving the efficiency of local public transport (tram, metro, bus, regional rail network) can promote the sustainable development of Italy. In detail:
  - "Le aziende di Trasporto Pubblico Locale (TPL): Ieri, oggi, domani" (Local public transport companies: yesterday, today, tomorrow), in cooperation with ASSTRA and IFEL, offers a general overview of the issue, with in-depth consideration of regulatory, management and financial aspects;
  - "Trasporto ferroviario regionale" (Regional rail transport), provides an analysis of this passenger service, with details of the regulations, pricing, management structure, liberalisation, status of infrastructure and resources, and investments;
- "Un Sud che innova e produce. Il valore delle filiere produttive nel nuovo contesto competitivo e innovativo, tra Industria 4.0 e Circular Economy" (The Innovative, Productive South. The value of the production chains in the new competitive and innovative context, from Industry 4.0 to the Circular Economy), produced by Studi e Ricerche per il Mezzogiorno with the contribution of the Intesa Sanpaolo Innovation Center. The study addresses the theme of interdependence in the production chain and the role of technology in promoting an innovative, interconnected and sustainable production model, which sees the Circular Economy as the reference model;
- The Rapporto Annuale sull'Economia del Mare 2018 (The 2018 Annual Report on the Maritime Economy), produced by Studi e Ricerche sul Mezzogiorno and presented on the national and international stage, having now become a reference point on this matter for institutions, sector professionals, trade associations, infrastructure and the academic world. The Report is part of the 'Osservatorio sull'Economia del Mare e sulla Logistica' research project, managed by Studi e Ricerche per il Mezzogiorno: some of the key topics include the sustainability of port investments, reducing emissions produced by ships, the use of environmentally friendly fuels, and reducing road transport in favour of shipping. Two in-depth analyses were conducted in 2018: one on Liquefied Natural Gas (LNG) and the development of shipping corridors, and the other on alternative fuels for large vessels;
- In 2018, Studi e Ricerche per il Mezzogiorno launched two other major research projects; firstly, the creation of a new Mediterranean Energy Observatory in partnership with the Energy Department of the Turin Polytechnic, and secondly, a monographic research into issues connected with the environment and sustainability with an overview on companies and southern Italy.

## ENVIRONMENTAL SUSTAINABILITY EVENTS

In order to raise the awareness of environmental issues among customers and employees, the Intesa Sanpaolo Group participates in various initiatives aimed at increasingly spreading the culture of sustainability and good practices as widely as possible. The main international events in which the Group participated in 2018 were the World Environment Day promoted by UNEP (the United Nations Environment Programme) - whose theme was the reduction of plastic pollution - and the European Week for Waste Reduction promoted by the European Commission, with the 2018 edition focusing on the prevention and management of hazardous waste. In Italy, Intesa Sanpaolo also took part in the Energy Saving Day (part of the "M'illumino di meno" campaign) while some International Subsidiary Banks have signed up to the WWF's Earth Hour.