

Indirect risks related to climate change

Transition Risks														
Climate change risk: misalignment of economic players with respect to actions aimed at reducing their CO ₂ emissions through: <i>Policy and regulatory risks</i> ; Technological risks: Consumer preferences; Reputational risks.														
Type of Risk	Time horizon*			Business Area**								Potential Impacts	Actions taken	Opportunities
	ST	MT	LT	BdT	CIB	PB	ISB	AuM	INS	CC				
Credit risk	●	●	●	■	■	■	■					<p>Counterparties - non-financial companies: The introduction of climate policies and technological changes can weaken the competitiveness of companies, affecting their balance sheets by reducing profits, altering business costs, the need for investments, with impacts on their creditworthiness and solvency.</p> <p>Households and retail customers: Failure to comply with regulations or changing preferences towards low-energy homes can affect the value of collateral or make it obsolete. In addition, the increase in energy prices or policies to promote sustainable mobility could affect the costs of households, their spending capacity and consequently their creditworthiness and solvency.</p>	<p>Analysis of ESG and climate risks in the credit portfolio through materiality assessment, scenario analysis, Operational Context Analysis and the transaction risk assessment process</p> <p>Definition of targets related to the emission physical intensity of the financed counterparties belonging to specific sectors</p> <p>Monitoring limits and thresholds set within the scope of the Risk Appetite Framework</p> <p>Identification of products and transactions that are sustainable from an environmental point of view (for example, net-zero loans and medium-long term loans with green guarantees from SACE), social, governance and other types</p> <p>Implementation of self-regulation policies (loan portfolio)</p>	<p>Sustainable finance: increasing customer support for the energy transition by offering dedicated financial products and solutions (e.g. products for the green and circular economy)</p>
Market Risk	●	●	●		■	■	■	■	■	■		<p>Issuers - non-financial companies: The introduction of climate policies and technological changes can weaken the competitiveness of companies, affecting their balance sheets by reducing profits, altering business costs, the need for investments, with impacts on their creditworthiness, solvency and on the value of their financial instruments traded on financial markets.</p> <p>Government issuers: The impact on the real economy and financial system, together with social adjustments to support the transition, could result in higher costs for high-emission countries, which, in turn, could have an impact on their creditworthiness, solvency and the value of financial instruments traded on financial markets.</p> <p>Asset management/Insurance: Consequences of climate change on companies in the portfolio with consequent possible reduction in the value of assets under management or investments.</p>	<p>Analysis of ESG and climate risks in the investment portfolio through the assessment of materiality, scenario analysis and Operational Context Analysis</p> <p>Definition of limits and early warnings within the Risk Appetite Framework</p> <p>Identification of green, social and sustainable investments</p> <p>Implementation of self-regulation policies (investment portfolio)</p> <p>Rebalancing of the securities portfolio</p>	<p>Extending and expanding the range of investment products and services</p>

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	ST	MT	LT	BdT	CIB	PB	ISB	AuM	INS	CC				
Operational risk	●			■	■	■	■	■	■	■		<p>Conduct: Losses resulting from inadvertent failure or negligence to comply with a professional obligation vis-à-vis customers (including fiduciary and adequacy requirements), or from the nature or design of a product or commitment (e.g., greenwashing).</p> <p>Litigation: Legal costs and liabilities associated with climate-sensitive investments and business activities.</p>	Analysis of ESG and climate risks through materiality assessment, scenario analysis, Operational Context Analysis and the monitoring of operational losses	
Liquidity risk	●	●		■	■	■	■			■		<p>Credit exposure: The impact of transition risks on customers' exposures could affect the Group's liquidity position (e.g. undrawn committed lines/counterparty defaults).</p> <p>Funding: Transition risk factors can affect customers and thus reduce the bank's access to stable funding sources.</p> <p>Market/financial exposures: The impacts of the transition on issuers and their financial instruments could reduce the Bank's ability to trade or liquidate assets allocated to liquidity reserves.</p>	Analysis of ESG and climate risks through materiality assessment and scenario analysis	Increase in the issue of green and ESG bonds
Reputational risk	●	●	●	■	■	■	■	■	■	■		<p>Deterioration of the Group's image due to unmet expectations in the management of climate and environmental risks or in the adaptation of the business</p> <p>Negative perception from stakeholders and in particular from ESG investors due to inadequate management (or lack thereof) of such risks.</p> <p>Possible exclusion from sustainability (ESG) indices or worse positioning in terms of sustainability or lower ESG rating.</p>	<p>Analysis of ESG and climate risks through the transaction risk assessment process</p> <p>Participation in international working groups on climate change issues (for example, UNEP FI, Net Zero Initiatives)</p> <p>Stakeholder engagement initiatives</p> <p>Monitoring of market perception and ESG rating positioning</p>	Improvement of the Group's perception/ image for both investors and customers
Cross-cutting risk actions														
Active monitoring of evolving ESG regulations and implementation/integration of internal policies														
Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations														
Inclusion of climate risk in risk management systems														

Physical risk														
Climate change risk: Risks related to the physical impacts of climate change: Chronic and Acute														
Type of Risk ⁽¹⁴⁾	Time horizon*			Business Area** ⁽¹⁵⁾							Potential Impacts	Actions taken	Opportunities	
	ST	MT	LT	BdT	CIB	PB	ISB	AuM	INS	CC				
Credit Risk	●	●	●	■	■	■	■					<p>Counterparties - non-financial companies; Serious weather events, both acute and chronic, can have an impact on the creditworthiness and solvency of companies, with impacts that vary depending on the sector of activity and their location, with a potential impact on their profitability.</p> <p>Households and retail customers: Acute or chronic weather events can damage or destroy properties, decreasing their value and increasing credit risk.</p>	<p>Analysis of ESG and climate risks in the loan portfolio through materiality assessment, scenario analysis, Operational Context Analysis and the transaction risk assessment process</p> <p>Limits and definition of early warnings within the Risk Appetite Framework</p>	<p>Strengthening of customer relations. New subsidised loans for the restoration of damaged structures</p> <p>Financing of resilient buildings and infrastructure for climate change adaptation</p> <p>Insurance policies to cover physical risks</p>
Market Risk	●	●	●		■	■	■	■	■	■		<p>Issuers - non-financial companies: Serious weather events, both acute and chronic, can have an impact on the creditworthiness and solvency of companies, with impacts that vary depending on the sector of activity and their location, with a potential impact on their profitability and on the value of their financial instruments traded on financial markets.</p> <p>Government issuers: Severe weather events, both acute and chronic, can have an impact on the real economy and on financial systems, along with social adjustments to support businesses and the population in the event of climate events. This could lead to increased costs for those nations that are more prone to physical risks, which in turn could impact their creditworthiness, solvency and the value of the financial instruments traded on financial markets.</p> <p>Asset Management/Insurance: Possible extreme, acute and chronic weather events can cause losses on the securities of managed portfolios. Catastrophic events may have a negative impact on the profitability of the insurance business with a consequent increase in claims and may exceed the insurance companies' estimates of expected risks and losses, resulting in an increase in insurance premiums with a consequent possible decrease in the demand for insurance.</p>	<p>Analysis of ESG and climate risks in the investment portfolio through the assessment of materiality, scenario analysis and Operational Context Analysis</p>	<p>Asset Management/Insurance: Development of specific policies for extreme catastrophic events.</p>

⁽¹⁴⁾ In the section on physical risks, the potential impacts and actions directly related to reputational risk were not considered. Furthermore, in the context of physical risks, operational risk can be considered a "direct risk", see table below

⁽¹⁵⁾ With reference to the Insurance Division:

- a. Catastrophic events may have a negative impact on the profitability of the insurance business with a consequent increase in claims and may exceed the insurance companies' estimates of expected risks and losses, resulting in an increase in insurance premiums with a consequent possible decrease in the demand for insurance;
- b. the potential impacts defined above open up opportunities for the development of specific policies to cover for extreme catastrophic events.

Physical risk														
Climate change risk: Risks related to the physical impacts of climate change: Chronic and Acute														
Type of Risk ⁽¹⁴⁾	Time horizon*			Business Area** ⁽¹⁵⁾							Potential Impacts	Actions taken	Opportunities	
	ST	MT	LT	BdT	CIB	PB	ISB	AuM	INS	CC				
Liquidity risk	●	●		■	■	■	■				■	<p>Credit exposure: The impact of physical risk on customers' exposures could affect the Group's liquidity position (e.g. undrawn committed lines/counterparty defaults).</p> <p>Funding: Physical risk factors can affect customers by reducing the Bank's access to stable funding sources.</p> <p>Market/financial exposures: The physical impacts on issuers and the assets underlying their financial instruments could reduce the Bank's ability to trade or liquidate assets allocated to liquidity reserves.</p>	Analysis of ESG and climate risks through materiality assessment and scenario analysis	

* Time horizon: 0-3 years short term; 4-7 years medium term; 7-30 years long term. The time horizon indicated below considers the analyses carried out by the Banking Group over several years of assessment of climate-related risks. The analyses are not exhaustive of the potential impacts that the Bank could face in the short, medium and long term and are not indicative of the materiality of the assessed impacts, as detailed in the section dedicated to Risk Management.

** Business areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = Private Banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas in which the impacts of climate risks can be observed are identified herein, based on the relevance of the business. This does not exclude the possibility that other areas, not indicated herein, may also have potential impacts. The details of the analyses carried out on the different business areas can be seen in the section dedicated to Risk Management.

The integration of ESG risks and particularly the climate change risk, into the risk management framework takes place mainly through:

- a materiality analysis (Climate/ESG Materiality Assessment) aimed at assessing the relevance of ESG risk and climate risk factors with respect to the different portfolios and risk families. One of the main tools supporting this analysis is the ESG Sectoral Assessment, which also forms the basis for the definition of targeted safeguards and the development of sectoral strategies on the subject (“ESG Sectoral colour coding”);
- monitoring of ESG risks broken down according to the various risk categories (credit, market, liquidity risk, operational risks and reputational risks), particularly with regard to climate and environmental risks;
- the conduct of climate scenario analyses aimed at assessing the impacts of these risks in the short, medium and long term;
- the definition of specific limits and Key Risk Indicators (KRIs) within the scope of the Risk Appetite Framework (RAF).

The materiality analysis is the process of assessing the potential impacts of ESG and climate risks for the Group. This analysis is based on an organic and structured approach to risk assessment which involves a granular definition of the risk drivers and the integration of forward-looking elements.

The results of the Materiality Assessment form the basis for setting the ESG Sectoral Strategy and guide the identification, within the Risk Appetite Framework, of limits, Key Risk Indicators and specific actions aimed at containing ESG risks, particularly with regard to the sectors most exposed to those risks.

In the management of credit, market, liquidity, operational and reputational risks, the effects of climatic and environmental factors are also assessed. These assessments are described in further detail in the 2023 Climate Report [1], to which reference should be made for a detailed representation of the topic.

Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. The Climate Scenario Analysis is used, within the more general framework of the materiality assessment, in order to explore potential portfolio vulnerabilities, particularly the loan portfolio, in the context of regulatory stress tests or of the Internal Capital Assessment Adequacy Process (ICAAP) and the Internal Liquidity Assessment Adequacy Process (ILAAP). In conducting this activity, Intesa Sanpaolo adopts an approach that incorporates different solutions dedicated to the verification of the impacts of transition and physical risk on the NFC (Non-Financial Corporate) portfolio and on the real estate collateral portfolio. With regard to the transition risk, the impact assessment

is carried out through the shock of the balance sheets of the individual counterparties and the level of energy efficiency of the residential and commercial properties used as collateral. The estimate of the impact of the physical risk, on the other hand, is determined based on the geolocation of the collateral properties or the production sites of the NFC customers and according to the different types of climate events. For a more detailed description of these solutions, reference is made to the 2023 Climate Report.

December 2023 saw the launch of the “One-off Fit-for-55 climate risk scenario analysis”, in which Intesa Sanpaolo participates, carried out by the European Banking Authority (EBA) upon the mandate of the European Commission in collaboration with the European Supervisory Authorities (ESAs), the European Central Bank and the European Systemic Risk Board (ESRB). The exercise involves the application of top-down scenarios on the data collected by banks with the aim of assessing the resilience of the EU financial sector and its ability to support the transition to a low-carbon economy, including under stress conditions.

Direct risks related to climate change

Transition Risks					
Changes in environmental regulations <ul style="list-style-type: none"> ■ Introduction of new greenhouse gas emission limits or new related reporting systems ■ Increase in cost of raw materials Changes in environmental regulations and standards that the Group voluntarily subscribes to (ISO standards)					
Type of Risk	Time horizon*			Potential Impacts	Actions taken
	ST	MT	LT		
Operational & Other Risks	●	●		Possible fines in the event of failure to comply with new regulations Costs for upgrading heating and air conditioning systems and for new monitoring tools Costs related to potential taxes linked to greenhouse gas emissions Increase in energy supply costs Costs for amending the certification processes in the event of changes to the standards	Constant and preliminary monitoring of any amendments to national and European regulations Participation in dedicated training courses or workshops Implementation and monitoring of own emission plan 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 Ongoing and precautionary monitoring of any changes to standards
Physical Risks					
Extreme weather events (floods, landslides, avalanches, landslips, heavy rains, hailstorms, snowfalls, rains, hailstorms, heavy snowfalls, tornadoes, hurricanes, cyclones, storms) Increase or decrease in average temperatures, sea level rise, water stress and drought					
Type of Risk ⁽¹⁶⁾	Time horizon*			Potential Impacts	Actions taken
	ST	MT	LT		
Operational & Other Risks: Acute	●	●	●	Business continuity: extreme weather events may cause material damage and disruption to the Group's activities Own assets: extreme weather events may cause material damage to the Group's assets	Precautionary assessment of hydrogeological risks to 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 level of risk of each real estate asset of the Group Insurance to cover risks and their impacts

⁽¹⁶⁾ In the context of direct risks, both operational risks and other types of risks not directly related to the Group's prudential framework were taken into account.

Operational & Other Risks: Chronic	●	●	●	Increase in energy supply costs linked to greater heating or electricity consumption Risk of power outage due to increased energy demand Sea level rise with consequent impact on nearby buildings Potential fires due to the increase in temperature in the areas near the Bank's buildings	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 buildings owned by the branches Pre-emptive assessment of the sea level rise risk Adoption of a business continuity plan and measures to mitigate/manage any power outages ISO 14001, ISO 50001 and ISO 45001 certifications that take into account the risks associated with climate change Creation of a platform to identify the level of risk of each real estate asset of the Group
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With reference to direct impacts, Intesa Sanpaolo is committed to analysing and containing possible risks on its properties as well as taking immediate action in the event of environmental disasters.

To this end, in line with the content of the Business Plan, a specific tool was identified in 2023 which allows to determine the degree of exposure to the main territorial and climate change risks of ISP's real estate assets, such as floods, hydrogeological risks, drought, forest fires, etc. This platform geolocates each individual asset of the Italy scope and calculates the exposure index for each risk, based on data from the main national and international certified sources, such as: SwissRE, Copernicus, IGVN, ISPRA, Civil Protection, etc.

The platform is also developed to identify areas of high biodiversity value, for example "Natura 2000" sites, sites of community importance (SCIs), and assets that may fall within these areas. The activities carried out by Intesa Sanpaolo at the Group's offices do not generally have an impact on the state of biodiversity. Consequently, Intesa Sanpaolo will conduct a screening of its offices in relation to their possible location in areas of high naturalistic value or in close proximity thereof.

In 2024, the platform will also be up and running for international branches and offices and a functionality for the computerised management of emergency events will be developed.

The Risk Assessment Document, which evaluates risks to workers' health and safety (Italian Legislative Decree 81/2008), also assesses hydrogeological risk due to flooding and landslides. The hydrogeological risk assessment of buildings is conducted both as a preventive measure and also following external events with a view to ensuring that the buildings involved meet all safety standards.

With regard to hydrogeological instability, the benchmark for flooding, starting from the territorial mapping of the areas subject to hydrogeological risk delimited by the District Basin Authorities, is based on the level of danger associated with a floodable area and depends on the probability that the area can be flooded. Generally, the high-danger areas are identified as those that speculatively suffer a flood on average: high between 20 and 50 years (frequent floods), average between 100 and 200 years, low over 200 years (low probability of floods or scenarios of extreme events).

With regard to landslides, the benchmark is based on the level of danger associated by the ISPRA Hydrogeological Structure Plans (PAIs) with an area subject to landslides. The areas subject to landslide risk identified by the PAI include, in addition to the landslides that have already occurred, also the areas of possible evolution of the phenomena and the areas potentially susceptible to new landslides. Generally, the areas are divided into 5 classes: very high hazard P4, high P3, medium P2, moderate P1 and attention areas AA

In Italy, out of a total of more than 3,000 real estate assets, to date the results of the assessments show: with reference to flood risk, 141 properties in areas with high flood risk; with reference to landslide risk, 16 properties in areas with high landslide risk (P4) and 34 in high-hazard areas (P3).

These assessments, together with the daily analysis of Arpa's weather alert bulletins and the bulletins of the Department of Civil Protection on critical national and regional issues, enable the Intesa Sanpaolo Group in Italy to implement actions that take account of the effects of critical events connected with natural phenomena deriving from climate change, making it possible to manage different potential risk scenarios, indicated in the Emergency Plans, in order to mitigate and reduce their potential damage, particularly with regard to workers and Stakeholders.

In addition, the tide bulletin is periodically consulted on the Venice branches affected by the "high tide" phenomenon emergency due to the rise in tide levels so as to allow prior notification to the competent structures for the activation of the procedures laid down in the specific Emergency Plans. Furthermore, the