



**POLICIES ON THE INTEGRATION OF  
SUSTAINABILITY RISKS AND INFORMATION ON THE  
MAIN NEGATIVE EFFECTS ON SUSTAINABILITY  
FACTORS IN THE PROVISION OF INVESTMENT  
ADVISORY SERVICES AND IN INSURANCE  
DISTRIBUTION**

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## INTRODUCTION

The purpose of this document, prepared in accordance with articles 3 and 4 of Regulation 2019/2088/EU (hereinafter also SFDR - Sustainable Finance Disclosure Regulation), is to:

- outline Intesa Sanpaolo's (hereinafter also the Bank) policy with respect to the integration of environmental, social and governance (hereinafter also ESG - Environmental, Social and Governance) sustainability risks and
- provide information on how the Bank considers Principle Adverse Impacts on Sustainability Factors (hereinafter also PAI)

in the field of investment and insurance distribution advice (hereinafter also Advice).

This document applies to the company's activities and processes for selecting issuers and defining the catalogue of financial products and providing the advisory service.

## REGULATORY FRAMEWORK

Clients interest in environmentally, socially and governance sustainable investments has grown in recent years also thanks to the push by the European institutions, which, on 11 December 2019, presented the European Green Deal, i.e. a series of measures aimed at making energy production and the lifestyle of European citizens more sustainable and less harmful to the environment, with the goal of transforming the EU into a climate-neutral society by 2050.

With a view to promoting sustainable investments, the European Parliament issued the SFDR Regulation at the end of 2019, aimed at identifying and standardising information to end investors on:

- the integration of sustainability risks;
  - consideration of negative effects on sustainability;
  - the promotion of environmental or social characteristics and sustainable investments;
- by placing specific transparency obligations on financial market participants and financial advisers.

The growing interest of investors, their increased awareness of the importance of sustainability issues, as well as the evolution of the regulatory framework have favoured an ever wider diffusion of financial products promoting environmental/social features or with sustainable investment objectives. To foster the consideration of clients sustainability preferences in current investment processes, as well as in the provision of the advisory service, the regulatory framework has been further extended by the European legislator through the following regulations:

- Regulation (EU) 2020/852 (hereinafter also Taxonomy Regulation) establishing a unified classification system (so-called taxonomy) for environmentally sustainable activities;
- Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, sustainability risks and sustainability preferences into certain organisational requirements and operating conditions of investment firms' activities;
- Delegated Regulation (EU) 2021/1257 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, sustainability risks and sustainability preferences in the product control and product governance requirements for insurance undertakings and distributors of insurance products and in the conduct of business rules and investment advice for insurance investment products;
- Delegated Directive (EU) 2021/1269 amending Delegated Directive (EU) 2017/593 with regard to the integration of sustainability factors into product governance obligations.

## **THE ROLE OF SUSTAINABILITY FOR THE INTESA SANPAOLO GROUP**

The Intesa Sanpaolo Group (hereinafter also Group) is committed to strengthening its leadership in Corporate Social Responsibility, aiming to become a reference model in terms of environmental and social sustainability. Through the establishment of a dedicated central structure, the Group pursues the objective of promptly monitoring projects, initiatives and quantitative performance indicators in the field of sustainability and to fully inform the market and all stakeholders of the results achieved during the year, also testifying to the constant and proactive focus of the Group's people on sustainability issues.

The Group has also put in place specific processes and responsibilities to understand and manage risks to ensure long-term soundness and business continuity, extending benefits to its stakeholders. The Group's approach to sustainability can be declined in the following pillars:

- support for social needs, with contributions in the form of investments and donations;
- a strong focus on financial inclusion through social credit;
- continuous commitment to culture;
- promotion of innovation;
- a strong focus on climate and environmental initiatives with the aim of allocating economic resources to the community and green transition, as well as to support people in need.

The Group is also pursuing the goal of zeroing its net emissions by 2030 and by 2050 for its loan and investment portfolios, asset management and insurance business. The commitment to achieving zero emissions is evidenced by membership in the Net Zero Banking Alliance (NZBA), the Net Zero Asset Managers Initiative (NZAMI), the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA).

## **THE INTEGRATION OF SUSTAINABILITY RISKS INTO THE SERVICE MODEL**

the Intesa Sanpaolo Group, in line with its commitment to sustainable economic development and in accordance with the principles outlined in the Code of Ethics and aware of the importance of allocating resources according to social and environmental sustainability criteria for long-term value creation, has adopted an internal regulatory framework in relation to the governance of environmental, social and governance risks.

Within this framework, the Group's "Guidelines for the Governance of Environmental, Social and Governance (ESG) Risks" outline, with reference to these risks:

- the general principles underlying the steering and management process;
- the tasks and responsibilities of the corporate functions and control bodies involved in the governance process;
- the oversight model;
- the governance macro-processes;
- the way in which the Banks and Group Companies are directed and coordinated.

In particular, with reference to the investment policies and services rendered to clients, these Guidelines commit the Group to:

- integrating ESG factors into investment analysis and decision-making, criteria for the selection of issuers 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 themed 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 information to clients clear and understandable by informing them 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, collect information on any investment preferences regarding sustainability.

In relation to the decision-making process for the selection of issuers and product companies, the Bank provides for the analysis of counterparties with respect to sustainability risk and adherence to relevant regulations. In this regard, the Bank analysed the degree of compliance and implementation of sustainability issues by the companies whose products may be included in its offer catalogue, investigating the safeguards adopted by Asset Managers and Insurance Companies in relation to the following issues:

- ESG Principles/Codes: adherence to national and global ESG principles and/or codes (UN PRI, Codes of Conduct, Stewardship Principles);
- Corporate Governance: Implementation of an ad hoc internal regulatory framework and definition of internal bodies focused on sustainability;
- Adoption of policies, integration of sustainability risks, remuneration and disclosure on websites;
- Sustainable product range under the SFDR: with reference to the current and prospective range, integration of the Prospectus, and implementation of an ESG scoring system also through the use of infoproviders;
- Consideration of PAIs defined under the SFDR, frequency of monitoring of PAIs and publication of the PAI Integration Policy on websites;
- Other initiatives: such as organising internal ESG training events and those for distributors.

The analysis, already carried out on all existing counterparties, must be performed during the onboarding of the Product Company with which a new distribution or brokerage agreement is to be signed, and is formalised within the Product Governance processes.

With a view to strengthening controls in terms of sustainability risks, the Bank has planned to increasingly direct and expand its offer towards financial products that promote environmental and/or social characteristics (pursuant to Art. 8 SFDR Regulation) or that pursue sustainable investment objectives (pursuant to Art. 9 SFDR Regulation).

To this end, as part of the Product Governance processes for the expansion of the product catalogue under Advisory, the Bank examines the pre-contractual and contractual documentation prepared by the Product Companies and any supporting commercial documentation, also with regard to the factors relevant to sustainability and compliance with the relevant regulatory provisions.

In connection with the foregoing, as part of the procedures adopted for the provision of advisory services, the Bank shall ensure to:

- collect information from clients during profiling, in order to gain insight into their possible interest in investment solutions that value environmental, social and good corporate governance factors;
- define internal rules for the selection of products that can be considered consistent with the sustainability preferences expressed by clients.

During profiling, the Bank investigates whether the Client is interested in integrating financial products that take into account sustainability factors, i.e. environmental (E), social (S) and good governance (G) aspects, into their portfolio, and if so:

- which sustainability factors the Client intends to give preference to (E, S and/or G);
- the minimum percentage of the portfolio that the Client intends to allocate to investments aimed at satisfying these preferences.

The Bank has adopted a classification model for the financial products included in its range of offerings that, with reference to:

- equities and bonds, qualifies individual financial instruments using the 17 Sustainable Development

Goals (SDGs) in environmental and social terms, defined in 2015 by the Paris Agreement. The methodology provides that the individual issuer (and, consequently, the securities issued by them) is qualified as sustainable if at least one SDG is aligned with these goals and no SDG is not, while neutral situations are acceptable. It is, however, possible that a specific issue of a non-sustainable issuer can be considered sustainable if it has specific sustainability characteristics, e.g. due to punctual constraints on the use of the related funding (so-called "Sustainable/Green Bonds" or "ESG Bonds"). For the purposes of classifying this type of security, it is verified that the individual issue is structured in accordance with one of the internationally recognised frameworks;

- asset management products (UCITS, insurance based investment products and portfolio management), based on the classification provided by the product companies according to the requirements of the SFDR. Taking into account the information acquired from the Product Companies, the consistency of products with sustainability preferences is assessed according to the following logic:
  - o Products classified by Product Companies under Art. 8 SFDR Regulation (which, therefore, promote environmental and social characteristics under the Regulation) are considered consistent with the Client's sustainability preferences if they meet at least one of the following conditions:
    - minimum sustainable investment % under the SFDR equal to 10%, in turn determined using the 17 SDGs in environmental and social terms, according to the methodology described for equities and bonds;
    - minimum % of environmentally sustainable investment in accordance with the Taxonomy Regulation of 5%;
    - Consideration of at least one of the PAIs<sup>1</sup> as indicators on investment decisions on assets under management at the intermediary and product, environmental and social levels;
  - o products classified by Product Companies under Art. 9 of the SFDR Regulation (which, therefore, under the SFDR have sustainable investments as their objective) are always considered consistent with the Client's sustainability preferences;
  - o products classified by Product Companies as not Art. 8 and 9 SFDR are always considered as not consistent with sustainability preferences;
- certificates, highlight the characteristics of both the issuer and the underlying. At the issuer level, it is verified whether the issuer qualifies as sustainable according to the methodology represented for shares and bonds. As far as underlyings are concerned, the methodology applied differs depending on the type of underlying relevant at the time, the same criteria being applied as described above depending on whether the underlying consists of asset management products or of shares, bonds and related indices. On the other hand, interest rate, exchange rate or commodity indices are not considered suitable to supplement the sustainability requirement.

The classification is also applied to asset administration products traded on the secondary market for which issuers make available to the market - in a standardised format - the information required by the SFDR, the Taxonomy Regulation and/or on compliance with the SDGs.

The service model envisages a check aimed at verifying the consistency between the preferences indicated by Clients during profiling and the financial products included in its range of offerings or traded on the secondary market, assessing as consistent the investment transaction equivalent to or equal to

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<sup>1</sup> These products are considered to be consistent with the sustainability preferences expressed by Clients in terms of:

- Environmental (E): if they consider at least one mandatory environmental PAI within their investment policy;
- Social (S): if they consider at least one compulsory social PAI in their investment policy.

To be rated E and/or S, financial products must also comply with good governance practices and, consequently, such products are also considered consistent with the sustainability preferences expressed by clients in terms of "G - good governance".

the minimum percentage chosen by the Client during profiling or, when lower, an increase over the initial percentage. If the transaction is inadequate, the reasons for it are explained to the Client so they can assess whether to change their sustainability preferences in relation to the specific transaction and proceed to the conclusion of the transaction.

The rules and criteria described have been defined taking into account the current market context, in which - due to both the timing of the new European sustainability rules and the absence of shared market practices and indicators for assessing companies and investments - complete, consolidated and accurate information on the sustainability characteristics of investment products and their issuers is not yet available. The Bank will, of course, ensure the rules and criteria described are refined on an ongoing basis, at the same time updating this notice.

## **ANNEX**

### **1. GLOSSARY**

Sustainable investment: an investment in an economic activity contributing to an environmental objective, measured, for example, by key resource efficiency indicators relating to energy use, use of renewable energies, use of raw materials and water resources and land use, waste generation, greenhouse gas emissions, as well as impact on biodiversity and the circular economy or an investment in an economic activity contributing to a social objective, in particular an investment contributing to the fight against inequality, or promoting social cohesion, social inclusion and industrial relations, or an investment in human capital or economically or socially disadvantaged communities provided that such investment does not significantly harm any of these objectives and that the enterprises benefiting from such investment comply with good governance practices, particularly with regard to sound management structures, staff relations, staff remuneration and compliance with tax obligations (SFDR Regulation).

Eco-sustainable investment: investment in one or more economic activities that are considered environmentally sustainable because (i) they contribute substantially to achieving one or more of the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, and protection and restoration of biodiversity and ecosystems, (ii) they do not significantly harm any of the above environmental objectives (Taxonomy Regulation).

Principle Adverse Impacts - PAI: represent the so-called "negative externalities" of economic activities, i.e. the effects of investment decisions and investment advice that lead to negative impacts on sustainability factors. PAIs are listed in the Regulatory Technical Standards (RTS) to the SFDR and are differentiated by the environmental and social components and divided into mandatory and optional.

### **2. LIST OF SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

No poverty; 2. Zero Hunger; 3. Good Health and Well-being; 4. Quality education; 5. Gender equality; 6. Clean water and sanitation; 7. Affordable and Clean energy; 8. Decent work and economic growth; 9. Industry, innovation and infrastructure; 10. Reduced inequalities; 11. Sustainable cities and communities; 12. Responsible consumption and production; 13. Climate action; 14. Life below water; 15. Life on land; 16. Peace, justice and strong institutions; 17. Partnership for the goals.

### 3. LIST AND DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS (PAI)

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



<b>Indicators for social and employee, respect for human rights, Anti-Corruption and Anti-Bribery Matters</b>		
Social and Employee Matters	10. violations of UN Global Compact principles and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC Principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with the UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC Principles or the OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap on investee companies
	13. Board gender diversity	Average ratio of female to male boards members in investee companies, expressed as a percentage of all boards members
	14. Exposure to controversial weapons (antipersonnel mines, munitions, chemical weapons and biological weapons)	Share of investments in investee Companies involved in the manufacture or selling of controversial weapons
<b>Indicators applicable to investments in Sovereign and Supranational</b>		
Environmental	15. GHG intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles, and, where applicable, national law.
<b>Applicable indicators in the Real Estate asset</b>		
Fossil fuels	17. exposure to fossil fuels through real estate assets	Share of investment in real estate assets involved in the extraction, storage, transportation or manufacture of fossil fuels
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investment in energy inefficient real estate assets

**OPTIONAL PAI INDICATORS**

**Climate and Other Environment-Related Indicators**

**Indicators applicable to Investments in investee Companies**

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

	13. Non-recycled waste waste	Tonnes of non-recycled waste generated by investee companies per per million EUR invested, expressed as a weighted average
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, protected areas or an areas of high biodiversity value outside protected areas
	15. deforestation	Share of investments in investee companies without a policy to address deforestation
Green Securities	16. share of securities not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds
<b>Indicators applicable to investments in Sovereign and Supranational</b>		
Green Securities	17. share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds
<b>Indicators applicable in Real Estate assets</b>		
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by the Real Estate assets Scope 2 GHG emissions generated by the Real Estate assets Scope 3 GHG emissions generated by the Real Estate assets Total GHG emissions generated by the Real Estate assets
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square metre
Waste	20. waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract
Resource consumption	21. raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled, and biosourced materials) compared to the total weight of building materials used in new construction and major renovations
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets
<b>Indicators on social and employee, respect for human rights, Anti-Corruption and Anti-Bribery matters</b>		
<b>Indicators applicable to Investments in investee Companies</b>		
Social and Employee Matters	1. Investments in Companies without workplace accident prevention policies	Share of investments in investee Companies without workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee Companies expressed as a

		weighted average
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities, or illness in companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	5. Lack of grievance/complaints handling mechanisms related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	6. Insufficient whistleblower protection	Share of investments entities without policies on the protection of a whistleblower
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies, expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies, expressed as a weighted average
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
Human rights policy	9. Lack of a human rights policies	Share of investments in entities without human rights policies
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings
	12. operations and suppliers at significant risk of incidents of child labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed in terms of geographic areas or type of operation
	13. operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation
	14. number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Anti-	15. Lack of Anti-Corruption and Anti-	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations

Corruption and Anti-Bribery	Bribery policies	Convention against Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies
<b>Indicators applicable to investments in Sovereign and Supranationals</b>		
Social	18. average income inequality score	The distribution of income and economic inequality among the participants in a particular economy*
	19. average freedom expression SCORE	Measuring the extent to which political and civil society organizations in society can operate freely*
Human rights policy	20. average human rights performance	Measure of the average human rights performance of investee countries *
Governance	21. average corruption score	Measure of the perceived level of public sector corruption*
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions with for tax purposes
	23. average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force*
	24. average rule o law score	Measure of the level of corruption, lack of fundamental rights, and deficiencies in civil and criminal justice*

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