

## **Summary Policy on Principal Adverse Sustainability Impact (PAI) of the Intesa Sanpaolo Vita Insurance Group, pursuant to EU Reg. 2019/ 2088 SFDR - (Sustainable Finance Disclosure Regulation)**

December 2023

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The Policy on Principal Adverse Sustainability Impacts (so-called PAIs) of the Intesa Sanpaolo Vita Insurance Group (hereinafter referred to as the "Group") is aimed at regulating the way in which the principal adverse effects of investment decisions on sustainability factors - relating to environmental and social aspects, or to issues concerning relations with employees, respect for human rights and the fight against active and passive corruption - are taken into account, both at Group level and within each financial product<sup>1</sup> classified pursuant to Article 8 or 9 SFDR of the Insurance Companies.

### **PRINCIPAL ADVERSE SUSTAINABILITY IMPACT (PAI) AT GROUP LEVEL**

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In order to measure the negative effects on sustainability factors arising from investments at Group level, the Policy provides for the calculation and monitoring of certain quantitative indicators (hereinafter 'PAI indicators') relating to investments in companies, sovereign issuers (and supranational organisations) and real estate assets underlying *Insurance Based Investment Products* (IBIPs) and Pension Funds offered to customers. In particular, these indicators provide a core set of universal mandatory indicators to which at least two additional indicators must be added.

Consistent with the Sustainability Policy of the Insurance Group and the Sustainable and Socially Responsible Investment Policy on the basis of ESG (Environmental, Social and Governance) and SRI (Sustainable and Responsible Investments) principles, the Group takes into consideration the PAIs inspired by the Paris Agreement and the Sustainable Development Goals (SDGs) set by the United Nations 2030 Agenda.

In addition, choices in terms of identifying, prioritising and monitoring PAI indicators are also made taking into account various conventions, international standards and *best practices*, including:

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<sup>1</sup> In the context of this Policy and as defined in Regulation (EU) 2019/2088, financial product refers to insurance based investment products (so-called IBIPs).



- Principles for Sustainable Insurance (PSI), endorsed by the Insurance Group in 2019;
- UN Global Compact principles;
- UNEP FI;
- Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

The PAI indicators currently subject to monitoring and evaluation by the Group are:

- Climate and other environment-related indicators applicable to investments in corporate issuers:
  - PAI 1 - GHG emissions (scope 1, scope 2, scope 3, total);
  - PAI 2 - Carbon footprint;
  - PAI 3 - GHG intensity of companies receiving investments (GHG emissions in relation to sales);
  - PAI 4 - Exposure to companies active in the fossil fuel sector;
  - PAI 5 - Share of non-renewable energy consumption and production;
  - PAI 6 - Energy consumption intensity per high climate impact sector (energy consumption from activity in high climate impact sectors in relation to sales);
  - PAI 7 - Activities that adversely affect biodiversity-sensitive areas;
  - PAI 8 - Emissions to water;
  - PAI 9 - Relationship between hazardous waste and radioactive waste;
  - PAI 19 - Investments made in companies that do not take steps to reduce carbon emissions.
- Indicators on social and personnel issues, respect for human rights and issues related to active and passive anti-corruption applicable to investments in corporate issuers:
  - PAI 10 - Violations of the principles of the UN Global Compact and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
  - PAI 11 - Lack of procedures and compliance mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises;
  - PAI 12 - Incorrect gender pay gap;
  - PAI 13 - Gender diversity in the council;
  - PAI 14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);
  - PAI 20 - Absence of policies to fight active and passive corruption.
- Indicators applicable to investments in sovereign issuers and supranational organisations:
  - PAI 15 - GHG intensity (greenhouse gas emissions in relation to GDP);
  - PAI 16 - Countries benefiting from investments subject to social violations.

Based on the PAI indicators previously listed and currently subject to monitoring by the Group, the PAI indicators considered a priority are:

- Climate and other environment-related indicators applicable to investments in corporate issuers:
  - PAI 2 - Carbon footprint;
  - PAI 3 - GHG intensity of companies receiving investments (GHG emissions in relation to sales);
  - PAI 4 - Exposure to companies active in the fossil fuel sector;
  - PAI 7 - Activities that adversely affect biodiversity-sensitive areas;
- Indicators on social and personnel issues, respect for human rights and issues related to active and passive anti-corruption applicable to investments in corporate issuers:
  - PAI 13 - Gender diversity in the council;
  - PAI 14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons);
- Indicators applicable to investments in sovereign issuers and supranational organisations:
  - PAI 15 - GHG intensity (greenhouse gas emissions in relation to GDP);
  - PAI 16 - Countries benefiting from investments subject to social violations.

In relation to the indicators applicable to real estate investments, it should be noted that at present there are no significant and direct exposures to real estate investments in the portfolio and there is also a lack of data from info-providers. Therefore, at this early stage, the Group is limited to frequently monitoring the presence of residual exposures on these investments and any changes in the available data.

All of the above-mentioned indicators are measured per individual investment on a quarterly basis (31 March, 30 June, 30 September, 31 December) and collectively represented as the average of the four periods.

Investment performance is examined both at the level of each indicator and with respect to all indicators deemed relevant, also taking into account the sector to which each issuer belongs. In particular, the performance of issuers with respect to individual indicators is classified as negative or positive on the basis of the trend and the sectoral values and, where anomalous values or values not in line with the commitments undertaken by the group for prolonged periods are presented, specific analyses are carried out with the aim of identifying the causes and possible actions to mitigate the negative effects.

Furthermore, investments are gradually classified into three bands:

- Red band: characterised by negative performance in the majority (80%) of PAI indicators, taking into account the sector they belong to (if applicable);
- Yellow band: characterised by negative performance, but which by number of indicators do not fall into the red band;
- Green band: with positive performance against 70% of the indicators.

According to the classification in the three bands, investments can be subject to appropriate mitigation actions.

Such mitigation actions may include:

- Engagement: for long-term actions, inviting the Asset Manager to start an engagement procedure towards companies, indicating the performance related to the PAIs based on which the Group Companies will evaluate the progress of the engagement activity carried out by the Asset Manager;
- Exclusion: for short-term shares, by placing the company/fund/sovereign issuer on the exclusion lists;
- Monitoring: frequent monitoring of the performance of the business/fund/sovereign issuer to restore the PAI to acceptable values in relation to the typology of the PAI indicators, sectoral values (if available) and possible commitments undertaken.

It should be noted that the Group companies have not adopted a commitment policy for their direct equity investments due to their marginal nature in relation to the assets under management and the equity assets in the portfolio. However, specific management mandates have been stipulated with Delegated Asset Managers for the remainder of the portfolio. In relation to ESG issues, the Group Companies monitor the engagement and voting activities carried out by the Delegated Asset Managers, particularly with regard to issuers for which an engagement procedure has been opened by the Investment Committee due to particularly negative performance levels. In these cases, the Group Companies informs the Delegated Asset Managers of expected performance related to the PAIs based on which the progress of the engagement activity itself will be assessed.

By 30 June of each year on its website, the Group shall publish the "Statement on the main adverse effects of investment decisions on sustainability factors" all the information required by Article 4(1)(a) and Article 4(2), (3) and (4) of Regulation (EU) 2019/2088, the contents of which are further detailed in Articles 4 to 10 of Delegated Regulation (EU) 2021/1288. This declaration shall be submitted in accordance with the format set out in Annex 1 to Delegated Regulation (EU) 2021/1288 containing the following sections:

- Summary;
- Description of the main negative effects on sustainability factors (where the performance of PAI indicators is represented);

- Description of policies related to the identification and prioritisation of the main negative effects on sustainability factors;
- Engagement policies;
- References to international standards;
- Historical comparison.

Otherwise, if the Company does not consider adverse impacts of investment decisions on sustainability factors, the Company shall indicate the reasons for such decision.

## **PRINCIPAL ADVERSE SUSTAINABILITY IMPACT (PAI) AT PRODUCT LEVEL**

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The Policy also provides for the methods of prioritisation, selection, monitoring and analysis of PAIs at the product level. It should be noted that in the case of financial products offering multiple investment options (i.e. Multi-Option Products), in the following the term "product" refers to the individual investment options considered as a financial product (e.g. fund, guided investment option). For this case study, therefore, the prioritisation, selection, calculation and monitoring activities of the PAIs are understood to be carried out at the level of the individual investment option.

The Group envisaged that, according to Art. 7(1) SFDR, the consideration of product-level PAIs could be based on a qualitative and/or quantitative approach.

Qualitative approaches to considering PAIs are used:

- Exclusion policies regarding:
  - Environmental aspects;
  - Social aspects;
  - Governance.
- Indicators on ESG controversies: through periodic monitoring related to environmental, social and governance issues;
- Engagement procedures: engagement activities through the Delegated Asset Manager on environmental issues (e.g. consumption reduction targets), social issues (e.g. adoption of D&I policies) and governance issues (e.g. adoption of anti-corruption policies).

With regard to PAIs with a quantitative approach, the legislation provides for the selection of some of the PAI indicators set out in Annex I of Delegated Regulation (EU) 2021/1288.

The calculation, monitoring and evaluation of the performance of PAI at a product level differ according to whether the approach is considered qualitative or quantitative. For PAIs with a qualitative approach, the application of the criteria

chosen by the Group is monitored and analysed periodically. In the case of PAIs with a quantitative approach, the calculation, monitoring and analysis of performance follow the logic and timetable described in the section on the consideration of PAIs at Group level.

In accordance with Regulation (EU) 2019/2088, the Group Companies indicate within the pre-contractual documentation whether, and if so, how the financial product takes into account the main negative effects on sustainability factors, also stating that such information is contained in the periodic reports.