RULES

RULES ON OIL&GAS SECTOR - ABSTRACT

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INTRODUCTION

The Intesa Sanpaolo Group (hereinafter the "Group"), in line with the principles of the "Code of Ethics" and with its adherence to important international initiatives, such as the United Nations Global Compact and the Equator Principles, is one of the European financial groups signatories of all major sustainability initiatives of the United Nations concerning the financial sector, with the aim of achieving the UN Sustainable Development Goals. In particular, in 2021 the Group joined the Net-Zero alliances on credit, investments and insurance.

Intesa Sanpaolo's goal is long-term sustainable value-creation for all its stakeholders. Achieving the Net-Zero target by 2050, supporting enterprises' transition plans, increasingly offering sustainable investment products, promoting social inclusion and reducing social inequalities are some of the commitments contained in the ESG pillar of the 2022-2025 Business Plan (the Plan).

In particular, the Plan outlines the Net-Zero-aligned 2030 goals concerning financed emissions relating to credit activity in the Oil & Gas, Power Generation, Automotive and Coal mining sectors, which together represent over 60% of financed emissions of the non-financial corporations portfolio in the sectors indicated by the Net Zero Banking Alliance. Furthermore, the Plan outlines Intesa Sanpaolo's commitment to obtain validation of the emission reduction goals in accordance with the "Science Based Target initiative" (SBTi).

The Net Zero Asset Managers Initiative (NZAMI) outlines the climate-neutrality goals for the asset management sector. In particular, the members' commitments include the following:

- Asset Level Alignment Target, by which asset managers commit to identify the share of assets, defined as Portfolio in Scope, which will be managed with the aim of achieving climate neutrality by 2050;
- Portfolio Level Reference Target, which represents the intermediate targets for 2030 for the Portfolio in Scope: the asset management companies, Eurizon, Fideuram ISPB Asset Management SGR and Fideuram Asset Management Ireland dac, expressed the ambition to halve financed emissions by 2030;
- Stewardship and Engagement Target, which includes a commitment to establish solid interaction plans with member companies in order to incentivize them to implement effective decarbonization paths: the aim is to reach 90% of financed emissions;
- Investment in Climate Solutions, by which the signatories commit to increasing investments in eco-sustainable activities.

As part of the aforementioned initiative, specific recommendations are also provided for investing in companies that are planning or are engaged in new thermal coal projects and associated infrastructure (energy, mining) or in oil sands exploitation projects.

With the aim of fair and responsible provision of financial services, the Group, in implementation of the "Group Guidelines for the governance of environmental, social and governance (ESG) risks" and in line with the indications contained therein, has decided, through this document, to regulate its operations in the Oil & Gas sector.

With these Rules, the Group also intends to support the energy transition through granting sustainable credit to clients operating in the Oil & Gas sector.

1 CONTEXT

The 2015 Paris Agreement goals pose important challenges for the entire economic system and in particular the energy sector, which is one of the main sources of GHG emissions.

The share of coal, oil and natural gas in global energy supplies – which stood at around 80% in the past decades – is starting to decline and is projected to reach 73% in the STEPS (Stated Policy Scenario) by 2030[1], which is an important development. However, if the demand for fossil fuels

[1] Summary of the International Energy's World Energy Outlook

remains elevated, as in the case of coal in recent years and as projected by STEPS with respect to oil and gas, the efforts will not be sufficient to meet global climate goals.
The Announced Pledges Scenario[2] projects that the total energy demand will flatten, thanks to efficiency improvements and the more widespread use of electricity-powered technologies, such as electric vehicles and heat pumps, compared to fossil fuel-based ones. In the Net Zero Emissions by 2050 scenario, electrification and efficiency gains would lead to a decline in primary energy consumption of 1.2% per year until 2030[3].
In 2023, the European legislation, taking into account scientific advice and the current state of technology, considered that investments in the gas and nuclear sectors can play an integral role in supporting the transition towards climate neutrality by including these resources in the European taxonomy albeit under rigorous conditions: in particular, nuclear activities must meet nuclear and environmental safety requirements and gas plants must contribute to the transition from coal to renewables[4].
From an ESG risk perspective, however, the exploration and production of oil and gas reserves can have negative impacts on the environment and communities, especially with reference to activities related to the oil and the unconventional oil & gas sectors.
The Oil & Gas industry is also launching exploration and production in new geographical areas, often characterized by fragile ecosystems. These ecosystems represent an important heritage in terms of biodiversity, have an important role in regulating the planet's climate and can be irremediably damaged in crisis situations such as, for example, in the event of an oil spill.

2 SCOPE OF APPLICATION OF THE RULES

These Rules apply globally to the entire Intesa Sanpaolo Group with reference to the financing and investment activities described in chapter 3.
Furthermore, the Rules refer to the Oil & Gas sector as a whole and therefore to all its operating segments:

- Up-stream
- Mid-stream
- Down-stream
- Trading

Specific limits and exclusions are foreseen for some activities with greater criticality from an environmental point of view, in particular with reference to "unconventional[5]" resources which most frequently cause contamination of the soil and aquifers and biodiversity damages due to, among other things, use of manufactured chemicals.

3 EXCLUSION AND LIMITATION CRITERIA

3.1 Exclusions and limitations to operations in the Oil & Gas sector

With the aim of addressing exposures in line with the commitments undertaken, limits, early warnings and Key Risk Indicators have been introduced for the counterparties within the scope.
In particular, for the Oil and Gas sector, the following is envisaged:

- a sector limit aimed at containing exposure to the sector, reviewed annually;

[2] The Announced Pledges Scenario (APS), established in 2021, illustrates the extent to which announced ambitions and targets can deliver the emissions reductions that are needed to achieve net zero emissions by 2050. It includes all recent major national announcements starting from the end of August 2023, both 2030 targets and long-term commitments on net zero or carbon neutrality, regardless of whether these announcements were anchored in legislation or in the updated nationally determined contributions.
[3] Source: World Energy Outlook 2023 – International Energy Agency
[4] EU taxonomy: Complementary Climate Delegated Act to accelerate decarbonization
[5] For further details see Glossary

- a limit defined on the basis of the CO_2 emissions of the counterparties belonging to the sector; this limit is reviewed annually in line with the Net-Zero Banking Alliance commitments.

These limitations are aimed at directing financial resources towards the best in class counterparties in terms of transition to a sustainable business model.
In addition to the sectoral limitations described above, the Group commits **not to finance** projects in the Oil & Gas sector involving **new oil extraction sites**.
Furthermore, the **general exclusion criteria** already specified in the "Group Guidelines for the Governance of Social, Environmental and Governance (ESG) Risks", contextualized and detailed with respect to the operations of the sector, oblige the Group **not to finance projects in the Oil & Gas sector** characterized by activities with **negative environmental impacts** in the "critical areas" of the planet such as:

- **natural World Heritage sites (UNESCO)**[6]
- **wetlands** according to the **Ramsar Convention**[7]
- areas designated for the long-term conservation of nature, i.e. those classified by the IUCN, "International Union for Conservation of Nature", as **category I to VI protected areas**[8]
- the **Arctic Region**[9];
- **Amazon Sacred Headwaters**[10]**.**

Finally, the Group commits **not to finance companies and projects** that, at the time of the evaluation of the transaction, are located in **active armed conflict** areas, or when there is evidence of **sanctions, judicial proceedings and sentences** relating to violations of human rights or forced or child labor practices[11].

3.2 Exclusions and limitations related to unconventional resources

3.2.1 Exclusions and limitations related to asset management activities

With reference to this activity, the Group will not support **counterparties** that derive more than **10% of their revenues from unconventional resources** as defined by the following regulations:

- "Sustainable and Responsible Investment Policy" issued by Fideuram Intesa Sanpaolo Private Banking – SGR Asset management and by Fideuram Asset Management Ireland dac[12];
- "Sustainability Policy" issued by Eurizon Capital Sgr S.P.A (and related subsidiaries)[13]

[6] In particular, reference is made to the areas classified as "Natural" and "Mixed" properties. This is a list of sites officially recognized by the United Nations Educational, Scientific and Cultural Organization (UNESCO). UNESCO World Heritage Sites or their buffer zones are selected based on cultural, historical, scientific or some other form of significance, and are legally protected by international treaties (http://whc.unesco.org/en/list). Where a buffer zone is not determined and the project is located in proximity to a World Heritage Site (i.e. less than 1 km from its boundary), the Group will decide on a case-by-case basis whether to apply the exclusion criterion.
[7] The Ramsar Convention is of international importance and provides the framework for the conservation and prudent use of wetlands and their resources. Almost 90% of the member states of the United Nations, from all geographical regions of the world, have joined the Convention by becoming "contracting parties". A key commitment of the contracting parties is to identify and place suitable wetlands on the List of Wetlands of International Importance, also known as the Ramsar List (http://www.ramsar.org/sites-countries/the-ramsar-sites).
[8] This is a list of protected areas that have been identified and classified (from class I to VI) by the International Union for Conservation of Nature (IUCN), a membership union composed solely of government organizations and civil society organizations.
The categories are defined as follows (https://www.protectedplanet.net/):
- I Strict protection [Ia) Strict nature reserve and Ib) Wilderness area]
- II Conservation and protection of ecosystems (e.g. national park)
- III Conservation of natural features (i.e., natural monument)
- IV Conservation through active management (e.g., Habitat/Species Management Area)
- V Landscape/Seascape Conservation and Restoration (e.g., Protected Landscape/Seascape)
- VI Sustainable use of natural resources (e.g. protected area of managed resources)

[9] Area within the Arctic Circle (66.5° north of the Equator)
[10] Area intended as the drainage basin of the Amazon River, and the Napo, Pastaza and Marañon rivers
[11] In line with the Group's General Governance Principles included in the "Human Rights Principles" and in the "Modern slavery statement" document
[12] For the companies of the Fideuram Intesa Sanpaolo Private Banking - Asset management Group, the restriction applies to all unconventional resources (for products that do not use a benchmark the exclusion is total while for those that use a benchmark, these exclusions provide an operational limit, for which the maximum exposure allowed on the issuer is equal to that of the issuer's weight in the benchmark).
[13] The companies of the Eurizon Group apply the exclusions / restrictions for the unconventional resource "oil sands". Exclusions are applied to all active management products, while in the case of Limited Tracking Error products and index-linked products (with the

- "Policy for the integration of ESG (Environmental, Social and Governance) sustainability factors into the investment process" of the Intesa Sanpaolo Vita Insurance Group[14].

3.2.2 Exclusions and limitations related to financing and financial instruments[15]

With reference to this activity, the **Group commits** to:

- not finance **projects** involving **unconventional resource extraction sites**;
- not finance **counterparties** that derive more than **15% of their production revenues from unconventional resources** (**targeted** financing and **generic** financing);
- not hold debt and equity securities of counterparties that derive more than **10% of their production revenues from unconventional resources** in the banking book and trading book[16] **financial portfolios**.

Aware of the role played by the financial system in the fight against climate change, the Group is also committed to managing outstanding exposures consistently with the "phase-out" as defined below.

3.3 Phase-out

The Group commits to phase out outstanding exposures subject to the exclusions described in paragraph 3.2.2 by 2025.

4 RISK ASSESSMENT AND MONITORING

In line with the Group's strategic guidelines and the ESG risk governance framework, Intesa Sanpaolo pays particular attention to transactions with counterparties operating in the sectors most exposed to ESG risks. The assessment of these transactions considers specific safeguards within the credit process, including:

- the ESG & Reputational risk clearing process;
- the analysis of transition plans;
- the Net-Zero commitment monitoring.

These safeguards apply to operations in the Oil & Gas sector not subject to specific exclusions and limitations outlined in these Rules.

4.1 ESG & Reputational Risk Clearing

The ESG & Reputational Risk Clearing process provides a comprehensive evaluation of the ESG and reputational risks associated with credit transactions.

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exception of those that specifically integrate ESG factors), the maximum direct investment allowed is equal to the weight of the issuer in the sustainable benchmark. For issuers with an exposure to the oil sands exploitation sector lower than the established thresholds, specific engagement processes are activated which may determine restrictions and/or exclusions with respect to the Investment Universe of the individual assets managed; if at the end of the engagement process no positive effects are found such as, for example, the definition of "phase-out" plans, the SGR evaluates whether to extend the monitoring period or start the disinvestment process from the assets managed

[14] The companies of the Intesa Sanpaolo Vita Group apply the exclusion to all unconventional resources (tar sands, oil shale, shale gas, shale oil, coal gas) and to revenues linked to the production of Arctic oil and gas.The Insurance Group promotes proactive interaction with issuing companies both through the exercise of intervention and voting rights, also through the Delegated Managers, and through discussions with subsidiaries, encouraging effective communication with the management of companies (so-called "active ownership - engagement").

[15] Included in the banking book and trading book portfolios

[16] As regards the trading book portfolio, the scope of application is limited to proprietary investments

With respect to the Oil & Gas sector, the ESG & Reputational Risk Clearing process takes into account the overall complexity of the transaction, thus informing the decision-making process.
This approach is consistent with the Group's objective of limiting or excluding the financing of activities characterized by a riskier ESG profile, identifying counterparty eligibility criteria in line with the strategic goals of the Group's Business Plan. Consequently, high risk transactions that are in principle not consistent with the Bank's risk appetite, trigger the enhanced assessment process which requires, among other, the authorization of the Steering Committee, within the relevant Business Plan and Sustainability (ESG) Session.

4.2 Analysis of transition plans

The analysis of the transition plan enables counterparties' progress evaluation in achieving set climate targets. A transition plan must be realistic, comparable with peers' transition plan, and consistent with underlying actions necessary to achieve the goals set. From a credit point of view, the evaluation of the transition plan involves the analysis of potential impacts on economic/financial and capital soundness of the counterparties.
In particular, the coherence of the counterparties' transition plan and their proactivity in addressing the challenges that contribute to a low-carbon economy are assessed, through:

- benchmark analysis with peers, the Transition Pathway Initiative (TPI) targets, and the Net Zero Banking Alliance goals;
- the robustness of the counterparties' decarbonization strategy, based on the trends of the International Energy Agency (IEA), the technologies adopted, and the analysis of the investments planned by the counterparties;
- the potential impact of the carbon tax on the counterparties' business profile.

This assessment helps to determine the overall transition risk profile of the operations analyzed as part of ESG & Reputational Risk Clearing.

4.3 Commitment to Net Zero

In line with the 2022-2025 Business Plan, the Group is committed to achieving the goals of reducing financed emissions in the Oil & Gas sector.
The progressive alignment of the portfolio with climate neutrality targets is performed through the means of a periodic emission intensity survey of the financed Oil & Gas sector counterparties, resulting in the activation of corrective actions and, more generally, portfolio steering.

5 SUSTAINABLE FINANCE

The Group is committed to supporting companies by providing financing aimed at the transition towards a low-carbon economy, in line with the targets set by the Paris Agreement and subsequent updates and international commitments.
With this goal, the Group establishes criteria that guarantee such support for those companies in the sector that are concretely engaged or want to engage in a transition towards sustainable activities (e.g. energy production from renewable sources).
Consequently, financing aligned with the European taxonomy and classified as sustainable from an environmental point of view is always permitted, in line with internal classification rules.

6 TRAINING

The Group undertakes to use the available training resources and structures so that its personnel is given the opportunity to develop the skills required to implement the contents of this document.

7 GLOSSARY

Paris Agreement	The Paris Agreement is a binding international treaty on climate change. It was adopted by 196 parties at COP 21 in Paris on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably 1.5 degrees Celsius.
United Nations Global Compact	The United Nations Global Compact is a set of ten fundamental principles, relating to human rights, labor standards, environmental protection, and the fight against corruption, aimed at encouraging companies to adopt sustainable policies.
NZBA – Net-Zero Banking Alliance	Initiative promoted by the United Nations which aims to accelerate the sustainable transition of the banking sector to achieve zero net emissions by 2050.
SBTi	SBTi (Science Based Targets Initiative) is a partnership between CDP, United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF. SBTi validates goals as “science based” if they are in line with the latest scientific evidence to achieve the Paris Agreement goals.
Unconventional resources	• Shale/tight oil: bituminous solids contained in the geological formation of shale, a fine-grained sedimentary rock with low permeability consisting mainly of clay flakes • Shale/tight gas: natural gas contained in geological formations made up of shales rich in organic substances, a fine-grained sedimentary rock with low permeability • Tar sands/oil sands: loose sands or partially consolidated sandstones containing a natural mixture of sand, clay and water, saturated with a dense and extremely viscous form of oil (bitumen) • Coal bed methane/coal seam gas: methane gas extracted from the layers of coal present in some geological basins
Financing aligned with the European taxonomy	Finalized credit operations whose underlying activity is aligned with the European Taxonomy on the basis of the criteria defined by the EU commission (so-called technical screening criteria)
Sustainable environmental financing - “environmental sustainability”	Finalized credit operations defined as "environmental sustainable", whose characteristics/areas of application comply with the LMA (Loan Market Association), Green Loan, LMA Social Loan and LMA Sustainability-linked loan principles frameworks
Sustainable financing – “other sustainability”	Non-finalized credit operations associated with sustainable covenants/KPIs. These covenants/KPIs comply with the LMA (Loan Market Association), Green Loan, LMA Social Loan and LMA Sustainability-linked loan principles frameworks.
Sustainable social financing - “social sustainability”	Finalized credit operations defined as "social sustainable", whose characteristics/areas of application comply with the LMA (Loan Market Association), Green Loan, LMA Social Loan and LMA Sustainability-linked loan principles frameworks
Sustainable governance financing - “governance sustainability”	Finalized credit operations defined as "governance sustainable", whose characteristics/areas of application comply with the LMA (Loan Market Association), Green Loan, LMA Social Loan and LMA Sustainability-linked loan principles frameworks
Upstream Oil & Gas	Upstream, also known as Exploration and Production (E&P), broadly includes:

	• the search for oil and/or natural gas deposits on-shore and off-shore through various geophysical techniques; • drilling of deposits aimed at determining the presence and the size of existing reserves; • drilling aimed at extracting oil and/or natural gas; • the first "processing" of oil or natural gas
Midstream Oil & Gas	Midstream generally refers to activities that fall between upstream and downstream and includes storage, commodity trading, pipeline transportation and other infrastructure such as liquefaction and regasification plants.
Downstream Oil & Gas	Downstream, also known as refining and marketing (R&M), mainly includes the refining of oil, the distribution and sale to final consumers of products deriving from oil and gas processing such as, for example, petrol, kerosene, aircraft fuel and other petrochemical products
Trading Oil & Gas	Purchase and sale of commodities