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THE CAPCO INSTITUTE
JOURNAL
OF FINANCIAL TRANSFORMATION

ESG

ESG commitment, social impact,
and a strong focus on climate:
The Business Plan formula sets out
Intesa Sanpaolo's new strategy

ELENA FLOR

**CRISIS
MANAGEMENT**

#57 APRIL 2023

THE CAPCO INSTITUTE

JOURNAL OF FINANCIAL TRANSFORMATION

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DEAR READER,

Recent events in the U.S. banking sector, and broader concerns around instability and contagion within the global financial services industry, have meant that crisis management is once more front of mind for many institutions.

In addition, the world of business and finance is facing broader geopolitical and socioeconomic challenges, ranging from conflict, climate change, inflationary pressures, and precarious energy resources. Factor in heightened regulatory and competitive pressures, and it becomes clear that financial institutions must prioritize risk management, within their own organizations and with their counterparties.

The papers in this edition of the Journal address the theme of crisis management through various lenses, including regulatory compliance and traditional risk management, as well ESG, the low carbon economy, and sustainable finance. Our authors also explore topics such as the impact of social change on the world of finance, the rise of artificial intelligence and virtual reality technologies, and cybersecurity.

Contributions in this edition come from a range of world-class experts across industry and academia, and showcase some of the very best expertise, independent thinking, and strategic insights within the financial services sector.

As ever, I hope that you find the latest edition of the Capco Journal to be engaging and informative. Thank you to all our contributors, and thank you for reading.

A handwritten signature in black ink, appearing to read 'Lance Levy', with a stylized, flowing script.

Lance Levy, Capco CEO

ESG COMMITMENT, SOCIAL IMPACT, AND A STRONG FOCUS ON CLIMATE: THE BUSINESS PLAN FORMULA SETS OUT INTESA SANPAOLO'S NEW STRATEGY

ELENA FLOR | Group Head of ESG and Sustainability, Intesa Sanpaolo

ABSTRACT

In an increasingly complex environment, where sustainability has become a global trend and increasing attention is being paid to ESG (environmental, social, and governance) issues by a myriad of stakeholders, including the regulators, Intesa Sanpaolo recognizes that its own and its corporate clients' innovations and sustainable actions can contribute to the transition to a low-carbon, eco-sustainable, and inclusive economy. Intesa Sanpaolo is one of the top banking groups in Europe with significant ESG commitments, with a world-class positioning in social impact and strong focus on climate. The group's focus on sustainability results in a wide-ranging and comprehensive program of initiatives within the new 2022-2025 Business Plan, having ESG as one of its four pillars. The ESG commitment of the Plan is programmed to be rolled out through six stages. In this article, Elena Flor, Group Head of ESG and Sustainability at Intesa Sanpaolo, shares her insights on the 2022-2025 Business Plan.

1. INTRODUCTION

Social and climate-related issues have in recent years become an important topic of discussion among senior executives and policymakers, and the COVID-19 pandemic can certainly take some credit for that. As a result, we are witnessing the growth of a new sustainability culture, with increasing attention being paid to ESG (environmental, social, and governance) issues by a myriad of stakeholders, including the regulators.

And the regulators have not shied away from introducing new regulations. These include the European Green Deal, which sets out the E.U.'s strategic initiatives to reach carbon neutrality by 2050, the Next Generation E.U., a plan issued for stimulating the recovery of the economies of member states after the pandemic shock, and providing, at the same time, for a more digital, resilient, and – above all – greener Europe. Furthermore, in May 2022, the European Commission

presented the REPowerEU Plan, in response to the hardships and global energy market disruption caused by Russia's invasion of Ukraine. Backed by financial and legal measures to build the new energy infrastructure and system in Europe, the plan's aims include saving energy, shifting production processes toward clean ones, and diversifying member states' supplies.

On the reporting side, on January 5th, 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. While amending the 95/2014 Directive on the disclosure of non-financial and diversity information by certain large undertakings and groups, the newest CSRD introduces more detailed reporting requirements and ensures that large companies are called-up to report on sustainability issues, such as environmental, social, and human rights, as well as governance factors. It also includes an assurance requirement

to ensure that the reported sustainability information is accurate and reliable. The CSRD also demands improved accessibility of information by introducing specific indications about the availability of data; it provides for mandatory European Sustainability Reporting Standards (ESRS), which are under development by the European Financial Reporting Advisory Group (EFRAG), appointed as the technical advisor of the European Commission. The ESRS are structured around three reporting themes (environment, social, and governance), three reporting levels (sector agnostic, sector specific, and entity specific), and three reporting areas (strategy, implementation, and performance measurement), according to the so-called “Rules of Three”.

It is important to note that it is not merely a matter of more detailed and available information. The application of the regulation will take place in three stages, which also envisage a broadening of its scope. First, companies subject to the non-financial reporting directive will have to apply the new rules for the first time in the financial year 2024, for reports published in 2025. Second, starting from January 1st, 2025, the CSRD will be gradually extended to undertakings that pass at least two of the following criteria: 250 average employees, 40 million euros of net revenues, and total assets equal to or exceeding €20 mln. Finally, in 2026, the perimeter of the Directive will include listed SMEs too (apart from the so-called “micro-enterprises”), to further expand in 2027, when it will also cover companies with non-E.U. parent companies that have revenues of more than €150 mln for two consecutive years in the European Union.

In this increasingly complex scenario, Intesa Sanpaolo recognizes that its own and its corporate clients' innovations and sustainable action can contribute to the transition to a low-carbon, eco-sustainable, and inclusive economy. Always aware of the impact it can generate as a systemic bank, since its establishment Intesa Sanpaolo has been committed to pursuing balanced growth models, and is willing to be a driver for this change and create long-term value for the benefit of its people, customers, community, and the environment. This focus on sustainability results in a wide-ranging and comprehensive program of initiatives aimed both at confirming the bank's leadership profile and supporting the transition of customers, even in periods of economic difficulty, such as those brought about by the pandemic and the worsening geopolitical environment.

2. INTESA SANPAOLO'S BUSINESS PLAN

Looking back at the 2018-2021 Business Plan, Intesa Sanpaolo set out on its path toward sustainable innovation, leveraging the strength of its relationships, its national and international presence, the expertise of its people, as well as its capital strength and ability to produce positive results in terms of revenues. The previous Business Plan had already established concrete goals and actions to contribute to global development by supporting clients in their ESG transition, promoting the development and wellbeing of people and communities, and protecting the environment, particularly combating climate change.

Key ongoing initiatives have been integrated into the new Business Plan 2022-2025 presented in February 2022. The Plan places sustainability as one of the four pillars of the bank's strategy, raises its level of ambition as far as ESG targets are concerned, and further confirms and strengthens Intesa Sanpaolo's focus on social and cultural issues, combating climate change, and safeguarding biodiversity. The Plan contemplates a “significant ESG commitment, with a world-class position in social impact and strong focus on climate,” which means that we are taking a further step forward. If an ethical and social commitment has always been in Intesa Sanpaolo's DNA, which can be easily seen in the historical path undertaken by the group in the reference territories and the role played by its shareholder banking foundations, sustainability is now written in black and white and recognized as a trend of profound transformation. It has become an evident strategic guideline in which to invest and on which to build with conviction the bank that will lead the market in the coming years. A commitment that is programmed to be rolled out through six stages.

3. STRONG FOCUS ON CLIMATE AND ENVIRONMENTAL INITIATIVES

The ecological transition is an innovation process that promotes the shift from an economic, social, and environmental model that is dissipative and extraneous to the environmental context in which it is inserted to a system of regenerative production and consumption that has economic, social, and environmental sustainability as its goal. It aims to decouple economic growth from natural resources depletion, which includes replacing fossil fuels with renewable energy sources.

The path toward ecological transition includes the commitment to net zero emissions by around mid-century undertaken by the E.U. and by a number of countries worldwide and supported by global initiatives. In 2021, Intesa Sanpaolo joined all Net-Zero alliances promoted by the United Nations Environment Programme Finance Initiative (UNEP FI), the U.N.'s 30-year-old network of banks, insurers, and investors that collectively catalyzes action across the financial system to deliver more sustainable global economies. The UNEP FI brings together financial institutions from around the world to shape the sustainable finance agenda. It established the world's foremost sustainability frameworks to drive the financial services industry to address global ESG challenges.

More specifically, the Intesa Sanpaolo Group adhered to: the Net-Zero Banking Alliance (NZBA) with the parent bank; the Net Zero Asset Managers Initiative (NZAMI) through the group's asset management companies Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland, and Asteria Investment Managers; and the Net Zero Asset Owner Alliance (NZAOA) and Net Zero Insurance Alliance (NZIA) through Intesa Sanpaolo Vita. Through these memberships, the group has committed to net zero for its own emissions and those connected with its loan and investment portfolios, and with the asset management and insurance businesses by 2050.

More than a year in advance of the NZBA's deadline, the 2022-2025 Business Plan has set emissions reduction targets for 2030, which are aligned with net zero, for the oil and gas, power generation, automotive, and coal mining sectors. This is particularly significant since these sectors account for more than 60 percent of the financed emissions of non-financial companies' portfolios in the sectors specified by the NZBA. In addition, in October 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland, and the Insurance Group Intesa Sanpaolo Vita published their first intermediate targets.

The group has also committed to bringing its own emissions to net zero by 2030 by purchasing 100 percent of its energy from renewable sources at the group level, a goal already achieved in Italy in 2021. The plan also makes a strong commitment to the conservation of natural capital, through the development of a specific biodiversity policy and a major reforestation project – aiming to plant more than 100 million trees directly and through customer financing.

To build trust, one has to be fully transparent, which is why in June 2022 Intesa Sanpaolo became an “investor signatory” of the CDP,¹ a not-for-profit organization that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts, further promoting transparency on climate and environmental issues. This contributes to the bank's commitment to facilitating industrial-scale environmental disclosure and engagement, aligned with the Task Force on Climate-Related Financial Disclosures (TCFD). Intesa Sanpaolo decided to support the recommendations of TCFD in October 2018, thus committing itself to voluntary dissemination of transparent reporting on the risks and opportunities related to climate change. The bank published its first TCFD report in October 2021, covering the four pillars of the TCFD: governance (responsibilities assigned for the management of risks and opportunities related to climate change), the company's strategy (to support the transition to a low-emissions economy), risk management (the inclusion of climate change risks in the risk management systems and processes of the company), and metrics and targets (used to assess and manage climate-related risks and opportunities and to monitor performance against targets).

Thanks to the bank's strong commitment to decrease its CO2 emissions (Scope 1 + 2), between 2012 and 2022 it was able to surpass the 36 percent target stated in the Climate Change Action Plan adopted in 2017. This was made possible partly through purchasing of renewable energy and specific medium- to long-term actions taken by the group aimed at reducing its consumption, such as the rationalization of its perimeter of branches and buildings and other energy efficiency actions put in place.

4. A NEW CREDIT FRAMEWORK TO DRIVE THE SUSTAINABLE TRANSITION

In order to ensure that climate-related and environmental risks are considered at all relevant stages of the credit process, the bank developed a holistic, comprehensive, and dynamic approach for integrating ESG/climate metrics in the credit framework. In particular, the bank is progressively implementing dedicated tools to set up a process that would incentivize lending to counterparties with a strong ESG/climate performance or which have started a transition toward more sustainable business models, while disincentivizing lending to the ones with high ESG/climate risk.

¹ <https://bit.ly/3lp0iM2>

The new credit framework process includes three evaluation levels.

1. **Sector/microsector level:** in 2021, the first sectoral mapping of business activities from an ESG/climate point of view was completed. This mapping is fundamental in determining which sectors to engage with, disengage from, or support in their transition, as one of the drivers of the overall lending strategy. The sectoral mapping was based on a classification of the loan portfolio by the NACE (Statistical classification of economic activities in the European Community) code (about 55 sectors and 185 microsectors were analyzed). The objective of the sectoral assessment is to identify the sectors (and microsectors) most exposed to climate change and ESG risks. Based on the risk scores attributed, it was possible to define high ESG risk microsectors and climate sensitive microsectors. The ESG sectoral scoring constitutes one of the methodological drivers for the identification of specific credit portfolio strategies (engagement, selective engagement, disengagement) represented by a color-code clustering (blue, orange, red, yellow, and white).
2. **Counterparty level:** following sector mapping, Intesa Sanpaolo developed a broad ESG score at a counterparty level for non-financial corporates, which also includes separate modules for measuring transition and physical risk. The score will support various decision-making processes, in particular credit underwriting and credit strategies. The aim is to holistically assess the ESG performance of corporate clients, adopting the same approach across the entire portfolio, from large listed clients to small- and medium-sized enterprises. The score leverages external and internal data and covers the most important markers of ESG risks and opportunities across the three sustainability dimensions based on 140 KPIs. Both the ESG sectoral scoring and the score at the counterparty level are to be included in the “credit underwriting framework”, guiding the “risk clearing process”.
3. **Transaction level:** within the defined sensitive sectors, a reinforced process is provided, aimed at the identification and assessment of potential reputational and ESG risks associated with the “most significant transactions” (MST) and corporate financing transactions. This reinforced process allows for the assessment of critical issues and provides a risk opinion including the assignment of a risk level (from low to very high) to support the decision-

making process. The assessment is carried out through the evaluation of companies' transition plans for high-risk sectors and larger, longer-term transactions, and the determination of transactions to undergo an enhanced ESG risk-clearing process through sector, counterparty, and product-level considerations.

5. ENABLING THE TRANSITION THROUGH SUSTAINABLE LENDING PRODUCTS AND ADVISORY SERVICES

As far as a bank is concerned, focusing on environmental, social, and governance matters cannot be separated from supporting its clients' projects and initiatives; basically, granting credit. To this end, €76 bln of new credits have been made available to support the green transition of businesses under the National Recovery Plan (NPR) 2021-2026, of which about €32 bln have already been disbursed in 2021 and 2022. Among the loan products, the Domus green loan stands out: it is a mortgage loan for the purchase of the customer's first or second home or financing the construction of a property for residential use in high-energy class (equal to or higher than B), or renovation with the improvement of at least one energy class of a building. Approximately €2.6 bln of mortgage loans were disbursed in 2022, compared to the targeted €12 bln of new green lending assigned to individuals in the 2022-2025 Business Plan.

The renewed commitment to the circular economy in the new Business Plan is also worth mentioning. It is pursued by promoting the spread of this model, renewing the strategic partnership with the Ellen McArthur Foundation, the world's leading reference on these issues, and announcing €8 bln in credit lines for the circular economy, of which €3.1 bln were disbursed in 2022.

Considering the significant role played by small and medium enterprises in the Italian economy, as well as in the country's industrial fabric, a significant role in supporting their sustainable transition can be played by sustainability loans. At Intesa Sanpaolo, they are represented by the S-Loan product, devoted to supporting SMEs that aspire to improve their sustainability profile by identifying specific ESG KPIs to be met by the borrower to allow for favorable conditions. In 2022, the bank disbursed €2.2 bln in the form of S-Loans (€3.5 bln since the launch of this financing product in July 2020). The S-Loan offering consists of different forms of financing, and companies interested in improving their ESG profile can choose between five lines of credit based on sustainable development goals.

Specifically:

- **S-Loan ESG** is dedicated to major improvements in sustainability performance related to, for example, sourcing energy from renewable sources or bioenergy (for the environmental sphere), community support activities (for the social sphere), and training activities for employees on environmental/social issues and development of programs to increase employee welfare (for the governance sphere).
- **S-Loan diversity** includes KPIs to enhance and promote gender equality and the role of women in the socioeconomic context.
- **S-Loan climate change** includes KPIs to develop the company's business in an environmentally friendly way by investing in projects that combat climate change and reduce emissions. The new KPIs relate to sourcing energy from renewable sources, introducing a "green procurement policy", achieving carbon neutrality, complying with green building and sustainable architecture standards, converting the fleet to vehicles with reduced environmental impact, and activating initiatives to protect and restore biodiversity.
- **S-Loan agribusiness** provides KPIs for corporations interested in protecting themselves against the risks of climate change and seizing key opportunities by adopting more sustainable business models.
- **S-Loan tourism**, based on KPIs for companies in the tourism sector, such as purchasing electricity from renewable or bioenergy sources, reducing energy consumption, improving the share of company vehicles with reduced environmental impact, renovation/construction of real estate assets to meet green building standards, reducing water consumption, and achieving carbon neutrality in business activities.

The digital transition is another extremely relevant issue for companies to foster competitiveness as well as to enable the sustainable transition. As part of the bank's commitment to providing financial support for companies willing to improve their digital profile, Intesa Sanpaolo delivered the D-Loan. Finalized and embedded in the bank's offer in October 2021, this specific product provides financing at favorable conditions on the rates charged for companies that declare a commitment to respect a list of selected digital KPIs. As of the end of 2022, about €22 mln of D-Loans were disbursed since its launch.

Business support during the transition is also provided through services, such as the Circular Economy Lab, which was established in collaboration with Criplo Factory in 2018 to contribute to the evolution of the Italian economic system and the spread of new models of value creation in the collective interest, accelerating the transition towards circular economy models. The Business Plan 2022-2025 also confirmed the implementation of new ESG laboratories in collaboration with specialized partners, with the aim of supporting SMEs and corporate companies through at least one ESG laboratory in each regional directorate. Eight ESG laboratories have already been activated in cities located in strategic places within the Italian industrial landscape. In addition, the Skills4ESG online platform for customer training and engagement thought for sustainability topics has also been launched.

Within the new "credit framework", a new "sustainable lending products framework" has been developed, which meets the requirements of the European Banking Authority for "loan origination and monitoring" and defines sustainability categories to classify products and transactions according to the E.U. Taxonomy Regulation and international market standards.

6. MAKING AND PROMOTING INNOVATION

Intesa Sanpaolo has always invested in and promoted innovation, both within the group and by supporting business customers, recognizing its role in the growth of the new economy. The group has committed itself to achieving around 800 innovation projects in the Plan arc (70 percent more than in the period 2018-2021). They include multidisciplinary applied research projects in collaboration with research centers of excellence (e.g., artificial intelligence, neuroscience, and robotics), business transformation projects benefiting both the group and corporate innovation processes (e.g., scouting and application of new technologies, open innovation programs), and acceleration paths and support for the development of innovation ecosystems from an international perspective. In all of this, an important role is attributed to Intesa Sanpaolo Innovation Center, the division dedicated to the frontier of innovation. It explores future trends and scenarios, develops multidisciplinary applied research projects, supports startups, accelerates business transformation for companies according to the criteria of open innovation and the circular economy, facilitates the development of innovative ecosystems, and disseminates innovation culture.

Spreading innovation also includes creating a new mindset through dedicated events and educational formats – be they placement and matchmaking events,² events to spread innovation culture to clients or colleagues, and lessons and speeches to be carried out in universities. In this regard, the bank launched a collection of podcasts on innovation topics “A prova di futuro” (“future-proof”), which are freely available on the Intesa Sanpaolo website, and other initiatives to foster greater awareness. In 2022, there were 32 positioning and matchmaking events, with approximately 2,200 participants, and 15 innovation reports on technologies and trends released.

In 2022, 201 innovation projects were implemented by Intesa Sanpaolo Innovation Center, and 14 multidisciplinary applied research projects were in progress by the end of the year in the fields of artificial intelligence, robotics, and neuroscience (25 companies were involved in corporate open innovation programs).

The new Business Plan also includes support for high-potential startups that are not within financial services and a €100 mln investment from NEVA SGR, a venture capital company of the Intesa Sanpaolo Group. In 2022, Neva SGR invested over €54 mln.

The Business Plan also calls for investments in the group's technology infrastructure to provide all customer segments with innovative, secure, and effective offerings and for the creation of Isybank, the new digital bank of Intesa Sanpaolo that aims to effectively serve about four million customers who do not go to branches mainly due to the new digital habits that were accelerated by the pandemic. Isybank will provide them with the best digital experience, leveraging cutting-edge technology, distinctive features, and a lean service model that will contribute to structural cost reductions while further improving the group's footprint profile.

7. SUPPORTING FINANCIAL INCLUSION

In addition to solutions that help with the transition to a more sustainable economy, Intesa Sanpaolo also remains strongly committed to social inclusion, a crucial factor enabling the path toward an equitable and inclusive transition (the so-called “just transition”).

In 2021, the last year of the previous business plan, in which the bank stated its intention of establishing itself as one of the European leaders in impact banking, the group disbursed

about €20.6 bln of new loans to activities that have high social impact (26.6 percent of the total disbursed). Out of that, nearly €14 bln were used to support the production system during the health emergency (about €43 bln since the beginning of the pandemic). As for lending to groups that have difficulties accessing credit despite their potential, the €1.5 bln Fund for Impact has been active since 2018.

In the new Business Plan, the group has committed to granting about €25 bln of new credit to support various initiatives that have social impact. Credit will be provided to nonprofit organizations to promote territorial initiatives that benefit communities and the environment, with €339 mln already disbursed in 2022. The Fund for Impact project for direct support to people who cannot access credit despite their potential will continue to be nurtured (more than €53 mln were made available in 2022). Dedicated programs of Fund for Impact include MAMMA@WORK, a loan with highly subsidized conditions to reconcile the balance between motherhood and work in the early years of children's lives; “Per Merito”, the first unsecured credit line dedicated to all college students; and “XME StudioStation”, consisting of loans to families to support distance learning.

Social credit will be provided to vulnerable people who have difficulty accessing different forms of financing, such as young people or the elderly, or who have been affected by calamitous events. In 2022, the group granted about €9.3 bln in social lending. Key innovations to support financial inclusion include a specific urban regeneration program that envisages investments in hospitals, smart mobility, broadband networks, education, and sustainable infrastructure and services. In 2022, in the latter area, the group committed €616 mln in new loans to support investments in student housing, services, and sustainable infrastructure, in addition to the most important urban regeneration initiatives underway in Italy.

8. ADDRESSING SOCIAL NEEDS

Attention to communities in which the group operates and to people has been confirmed in the framework of the ongoing Business Plan, even accelerating and further strengthening support provided to fulfill social needs as the foreseeable continuation of the commitment to being a reliable partner of the bank's reference territories. In the bank's strategy for the period 2022-2025, this resulted in a comprehensive allocation of about €500 mln, including both investments and donations.

² A “positioning event” is an event in which a leading player illustrates innovation topics; a matchmaking event is an event that fosters a match between the supply and demand of innovation.

Looking back at 2022, there was also no lack of monetary contributions to the community in the social sphere, which stood at around €97 mln. In addition, Intesa Sanpaolo's Charitable Fund disbursed about €15.7 mln in support of more than 750 projects carried out by nonprofit entities, with 99 percent of the resources allocated to interventions in favor of the weakest segments of the population.

Current initiatives include the widening of the food and shelter program for those in need, with about 50 million interventions (meals, beds, medicine, and clothing). In 2022, more than 21.3 million interventions were carried out including 15.9 million meals, over 2.2 million dormitory spaces, 3 million medicine prescriptions, and about 264,000 items of clothing (also supporting people in Ukraine).

Moreover, Intesa Sanpaolo has always been attentive to the younger generation, and it will continue the promotion of educational inclusion and youth employability through programs such as "Giovani e Lavoro" (youngsters and work) and "Generation4Universities". The programs aim to support youth employability of more than 3,000 young people and the involvement of more than 4,000 schools and universities in inclusive education programs (e.g., through the WeBecome project). Regarding the "Giovani e Lavoro" program, over 2,300 companies have been involved since the program's inception, with 770 students trained or in training through 30 courses in 2022 (around 3,000 trained or in training since 2019).

Among the Plan's initiatives dedicated to the needs of the people and communities in which the bank is present, one of the most extensive social housing projects in Italy, targeting young people and the elderly, stands out. The project will promote housing (about 6,000-8,000 residential building spaces available to people in need over the Plan's horizon) for students or young workers and low-income seniors living alone. An additional project will be dedicated to assisting elderly people through the establishment of about 30 senior community hubs to locally offer social and leisure activities and dedicated health and social care services.

In 2022, the total contribution to the community amounted to €103 mln, including a donation of more than €10 mln to UNHCR and other nonprofit organizations for solidarity and shelter projects for the people affected by the humanitarian emergency in Ukraine. This initiative is intended to provide a prompt and meaningful response that can ensure concrete and immediate help while acting against future developments.

9. CONTINUOUS COMMITMENT TO CULTURE

Culture plays a strategic role in the development of any country. It is a means of nurturing civil progress and social inclusion, and a driving force for sustainable economic growth. This is particularly true for Italy, which can be easily defined as a cultural superpower. Intesa Sanpaolo strongly believes in this, and it is witnessed by its continuous contribution to life in Italy that goes beyond the financial sphere to include the country's cultural and civic life. The bank's support of Italian art and culture is an ongoing commitment and an inherent part of Intesa Sanpaolo's mission and identity.

Consequently, the 2022-2025 Business Plan calls for the expansion of exhibition spaces through two new Gallerie d'Italia venues, in Turin and Naples (opened in May 2022), and the expansion of the spaces of the two existing venues in Milan and Vicenza. Such an enlargement will bring the Group's Gallerie d'Italia – internationally recognized as a hub of excellence in Italian cultural offerings – to 30,000 square meters in 2025 from 14,200 square meters in 2021. The two new venues were originally historic buildings owned in the center of Turin and Naples, later converted into museums: the gallery in Turin is focused on photography, digital topics, and ESG themes, while the museum in Naples houses 680 works of art from the bank's collections, from archaeology to a Caravaggio masterpiece to modern and contemporary art.

The group's commitment to promoting, preserving, and spreading knowledge about art and culture in Italy also takes the form of a multi-year program of original temporary exhibitions, educational workshops with schools, and social inclusion projects dedicated to vulnerable groups. In 2022, 1,550 workshops for school groups were held at the Gallerie d'Italia with 33,000 students participating, and 260 tours for visitors with special needs with 3,680 participants.

In addition, the Restituzioni (Restitution) program, dedicated to the restoration and enhancement of the national heritage curated by the bank in collaboration with the Ministry of Culture, will continue over the current Business Plan period, as well as partnerships with museums and public and private institutions (at the end of 2022, 277 works of art from the proprietary collections are on loan to 61 temporary exhibitions hosted in Italian and foreign venues), while new sponsorships in the artistic and cultural sphere will be confirmed and activated. Furthermore, dedicated training paths in the professions of art and culture will be established (with the master's programs of Gallerie d'Italia Academy).

10. CONCLUSION

In summary, sustainability today has become a global trend that sees the convergence of major international institutions and requires an active contribution from the private sector. Beyond ethical considerations, there is a growing awareness that the financial cost of failing to solve environmental and social problems is enormous and that sustainability can be a strategy that both mitigates risks and generates competitive advantage by bringing about superior performance.

Reinforcing the sustainable growth role in its business strategy, therefore, testifies to Intesa Sanpaolo's strong commitment to present and future generations, and is also an important indicator of the company's ability to seize market opportunities related to the new environment. The 2022-2025 Business Plan confirms and accentuates the bank's commitment in this regard.

However, there are still many challenges to face: the frontiers in which banks are, and will be engaged in the coming years range over new or, until recently, little-considered areas, with the need to simultaneously advance technological progress and define ambitious environmental and social goals, to stimulate and lead the transition process towards a digital and sustainable world.

Intesa Sanpaolo, similar to other banks, has embarked on a transition path, which has a long-term horizon and that cannot fail to consider contingent factors, such as the current geopolitical context, in achieving its medium- and long-term goals. In 2022, the crisis in the energy and gas markets had a significant impact on the Italian economy, squeezing companies' operating margins and putting families in difficulty. This is the why Intesa Sanpaolo's CEO, Carlo Messina, announced the allocation of an additional €8 bln to help families in crisis, bringing the total aid package allocated by the bank to businesses and households to €30 bln.

In the long run, the transition path will lead to a transformation of financial institutions, not only in terms of the direct effects on their business and operating methods but also, and above all, because they will be increasingly called upon to broaden their role in supporting and addressing the economic and social environment around them and in supporting institutions and the regulators in fostering market transparency and corporate ESG disclosures.

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