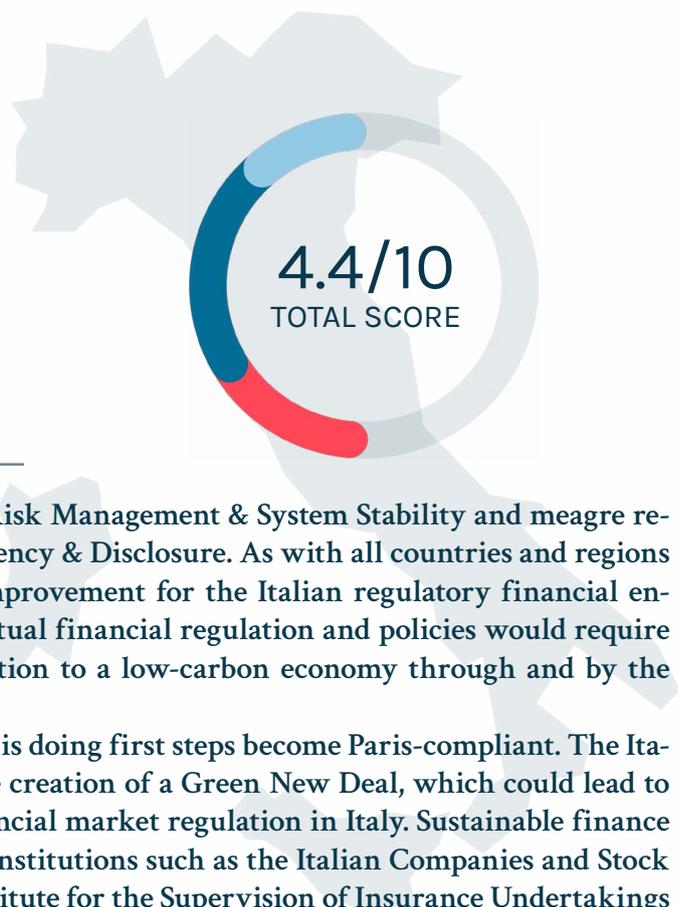


Italy



Italy achieves good results on Supervision, Risk Management & System Stability and meagre result on the Enabling Environment Transparency & Disclosure. As with all countries and regions considered, there is still ample room for improvement for the Italian regulatory financial environment to become truly ‘fit for Paris’. Actual financial regulation and policies would require further improvement to support the transition to a low-carbon economy through and by the financial sector.

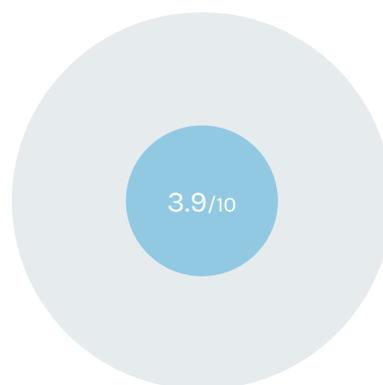
The 3fP-Tracker assessment shows that Italy is doing first steps become Paris-compliant. The Italian Prime Minister Mr. Conte proposed the creation of a Green New Deal, which could lead to substantially increased action on green financial market regulation in Italy. Sustainable finance is starting to gain traction at Italian public institutions such as the Italian Companies and Stock Exchange Commission (CONSOB) or the Institute for the Supervision of Insurance Undertakings (IVASS). The Italian enabling environment mainly profits from support of green finance with public incentives.

TRANSPARENCY & DISCLOSURE

Transparency on climate-related risks and opportunities in the Italian regulatory environment for financial markets could still be further developed. Currently, EU Directives are the key driver to change the status quo. The integration of the Shareholder Rights Directive II in June 2019 has increased responsibility and power for shareholder engagement with respect to ESG considerations.

Furthermore, it aims at inclusion of climate considerations in executive remuneration or the role of shareholder activism.

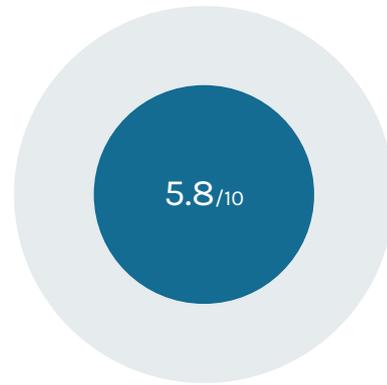
Reporting on climate change related governance is partially covered by the Decree on Disclosure of Non-Financial Information (Legislative decree No. 254/2016) that implements the EU Non-financial Reporting Directive (EU Directive 2014/95) into Italian law. The Decree requires the disclosure of, among others, environmental data and the publication of a non-financial statement with respect to which an “assurance” (or a limited assurance) by an external accountant must be provided.



SUPERVISION, RISK MANAGEMENT & SYSTEM STABILITY

The supervisory environment in Italy is good. Italy has put in place an ambition governance system for insurance undertakings. They must identify, assess and manage any risk affecting the company. Moreover, the provision requires that the structure of the governance system must be such that any type of risk, including environmental and social risks, affecting the company and triggered by the company must be identified, assessed and managed. In the public consultation leading up to the approval of Regulation No. 38, IVASS clarified that climate risk is within the range of risks to be covered and managed under Article 4.2. IVASS explains that such provision is meant to “steer insurance companies towards sustainability by taking decisions aimed at increasing medium to long-term value and by paying close attention to the management of matters that are not profit-oriented“.

Furthermore, through the establishment of the dedicated Observatory for Sustainable Finance in 2018, the Italian government has started to increase awareness on climate change related risk and opportunities.

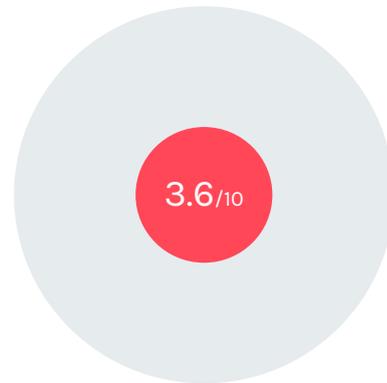


ENABLING ENVIRONMENT

The enabling environment of Italy has room for improvements. The 3fP-Tracker result in this dimension is mainly driven by support of green finance with public incentives. The Italian Code for Public Procurement sets forth the rules applicable to public procurements. It provides guarantees for risk reduction support provisions if the entities participating in the process or the supplies to be procured hold certain “green certifications“.

In 2019, the Italian government created the “Italian Innovation Fund“ that will adopt venture capital criteria to fund start up, innovative SMEs and projects in areas such as EcoIndustries, New Materials, Mobility, Social Impact. The Fund has an initial budget of €1 billion.

The Italian Prime Minister Mr. Conte proposed the creation of a Green New Deal along the lines of the positions by incoming EU Commissioner. The Deal would include the incorporation of a reference to the protection of the environment in the Italian constitution. Further incentives and subsidies will probably result from the Green New Deal announced by the new Italian government on 5 September 2019.



Note for interpreting this evaluation: given current state of methodology development, data availabilities and market experiences, the ideal total score (10) might not be realistically achievable in some categories today, best practices today score significantly lower.