UNEP FI – Principles for Responsible Banking 2023 Report

MEDIOBANCA

Contents

UNEP FI – Principles for Responsible Banking

Definitions, documents and links

CNFS 22/23	Consolidated non-financial statement 2022-2023 published on Mediobanca website at https://www.mediobanca.com/en/sustainability/index.html
Code of Ethics	https://www.mediobanca.com/static/upload/mb-/mb-code-of-ethics.pdf
Code of Conduct	https://www.mediobanca.com/static/upload_new/cod/codice_condotta_eng.pdf
ESG Product Catalogue	https://www.mediobanca.com/static/upload_new/esg/esg-catalogue-post--comitato-sost--engl-.pdf
MB Green, Social and Sustainability Bond docs.	Green, Social and Sustainability Bond Framework published on Mediobanca website at https://www.mediobanca.com/en/sustainability/esg-and-the-focus-on-consumers/responsible-investments-and-esg-products.html
Group ESG Policy	https://www.mediobanca.com/static/upload_new/pol/politica-esg_eng_23.pdf
Group Sustainability Policy	https://www.mediobanca.com/static/upload_new/pol/politicasostenibilita-_23-en.pdf
Group Remuneration Policy and Report	Documentation published on Mediobanca website at https://www.mediobanca.com/en/corporate-governance/governance-reports-and-documents/documents.html
HY Report Dec. 22	https://www.mediobanca.com/static/upload_new/int/interim-report_311222.pdf
Pillar 3 ESG reporting	Basel III - Pillar III - Disclosure to the public as at 30 June 2023: section. 8 ESG risk disclosures involve qualitative information on environmental, social and governance risks, quantitative information on climate change. https://www.mediobanca.com/en/investor-relations/capital-solidity/pillar-iii.html

Plan 23-26	Plan 23-26 means the strategic Plan 2023-2026 "One Brand-One Culture" of May 2023 and related guidelines https://www.mediobanca.com/static/upload_new/med/0000/mediobanca-group---presentation-strategic-guidelines-23-26.pdf
Polus	Polus Capital Management Group Limited
RAF	Risk Appetite Framework
RAM	RAM Active Investments SA
TCFD 22/23	Task Force on Climate-related Financial Disclosure Report 2022-2023 published on Mediobanca website at https://www.mediobanca.com/en/sustainability/index.html

PRINCIPLE 1: ALIGNMENT
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

BUSINESS MODEL
Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

RESPONSE

Mediobanca (**"Mediobanca"**) is the primary investment bank in Italy and a leader in Southern Europe. With FY22-23 revenues of €3.3bn, the Group headed up by Mediobanca operates in the following areas.

- Wealth Management (**"WM"**): the division - contributing approx. 25% of Group revenues - brings together asset management services and lending products (mortgages and Lombard) offered to premier (CheBanca!) and private banking (Mediobanca Private Banking and CMB Monaco) clients. This division also comprises the Group's Asset Management factories. Clients are mainly located in Italy, Monaco and UK.
- Consumer Finance (**"CF"**): with 312 points of sales located throughout the country, Compass is a leading consumer banking operator in Italy, supporting households in their spending and consumption needs, in a variety of forms which include personal loans, credit cards and salary-or pension-backed finance. It accounts for 34% of the Group revenues.
- Corporate & Investment Banking (**"CIB"**): this division brings together all services provided to corporate clients in Wholesale Banking and Specialty Finance (the latter being factoring and credit management activities). The division revenues – which account for 22% of the total income - derive from Lending (32% of divisional income), Markets (23%), Advisory M&A (20%), Specialty Finance (10%), Proprietary Trading (9%) and Capital Markets (6%).
  Clients are mainly located in Italy, France, Spain, UK and Germany.
- Insurance – Principal Investing (PI): this division manages the Bank's principal investments, which consist mainly of the stake owned in Assicurazioni Generali. It is also worth mentioning the 25.37% stake owned in Istituto Europeo di Oncologia (European Institute of Oncology), one of the world's most prestigious hospitals and the fastest growing comprehensive cancer centre in Europe. The division accounts for approx. 14% of the Group's revenues.
- In addition to these business areas, the Group also operates through its Holding Functions division, which comprises, among other activities, the Group's central staffing units and leasing operations (the latter only in Italy).

On 30 June 2023 the CIB accounted for 37% of the € 52.5 bn Group loan book, followed by CF (28%), WM (32%) and other businesses (mainly leasing, 3%).

At the same date, TFAs totalled €88bn and were made up as follows: Private Banking €38.8bn; Premier Banking €37.5bn and gross Asset Management TFAs €25.9bn, €14.2bn of which placed within the Group.

LINKS AND REFERENCES

- Description of business model and divisional information published on the Group's official website[1]
- FY 22-23 Results[2]
- CNFS 22/23
  - 3.1 – Mediobanca Group

1. https://www.mediobanca.com/en/our-group/business-model.html
   https://www.mediobanca.com/en/investor-relations/index.html
2. https://www.mediobanca.com/static/upload_new/pre/press-release-fy-2023-27july2023-final.pdf

STRATEGY ALIGNMENT
Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- [x] Yes
- [ ] No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- [x] UN Guiding Principles on Business and Human Rights
- [x] International Labour Organization fundamental conventions
- [x] UN Global Compact
- [ ] UN Declaration on the Rights of Indigenous Peoples
- [x] Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: ***NFRD (Italian Decree 254/2016), EU Taxonomy Regulation, Guide on climate related and environmental risk – ECB, EBA Pillar III - ESG reporting requirement under the CRR – environmental risk disclosure, Carbon Disclosure Project (CDP) and Task Force on Climate-related Financial Disclosure (TCFD)***
- [x] Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ***UK Modern Slavery Act 2015 (applicable to Polus) - EBA Pillar III - ESG reporting requirement under the CRR – social risk disclosure***
- [ ] None of the above

RESPONSE

We are aware of the fact that we generate material direct and indirect impacts both on the local areas in which we operate on a daily basis, and in the countries where we have a footprint.

Based on this awareness and on our willingness to help build a more sustainable world and as proof of our commitment to integrate sustainability into the Group's business and financial strategies:

- The **Group Sustainability Policy** and the **Group ESG Policy** have been created with the objective of governing the Group direct and indirect impact. The Policies are **based on widely recognized frameworks** including the Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the UN Global Compact and the Sustainable Development Goals.

- The Group has adhered to a series of **voluntary frameworks, commitments and reporting standards**, such as: Task Force on Climate-related Financial Disclosures (TCFD), UNEPFI Principles of Responsible Banking and Principles for Responsible Investments, Net-Zero Banking Alliance (NZBA), Net Zero Asset Managers Initiative (NZAM), Partnership for Carbon Accounting Financials (PICAF) and Carbon Disclosure Project (CDP).

- ESG targets have been included in the Group Strategic Plans since 2019 and are monitored annually. In the recently launched **2023-26 Strategic Plan** "**One Brand – One Culture**", **sustainability** has been **identified as a business enabler** across all business units, and quantitative, measurable **ESG objectives** have been set, providing our stakeholders with transparent information on non-financial performance.

  These objectives are **linked to eight** out of the seventeen macro **Sustainable Development Goals** ("SDG 4 – Quality education", "SDG 5 – Gender equality", "SDG 7 – Affordable and clean energy" "SDG 8 – Decent work and economic growth", "SDG 11 – Sustainable cities and communities", "SDG 12 – Responsible consumption and production", "SDG 13 – Climate action" and "SDG 16 – Peace, justice and strong institutions") to bring about positive change at global level.

LINKS AND REFERENCES

- Group Sustainability Policy
  - General principles (pp. 6-7)
- Group ESG Policy
  - Principles of Reference (pp. 14-15)
- CNFS 22/23
  - 3.8 - Sustainable Development Goals
  - 6.2 - Responsible supply chain management
  - 9 - Future Objectives
- TCFD 22/23
  - 3.1.1 Inspiring Principles
  - 3.1.2 - Climate Initiatives
  - 3.1.3 - The Group Policies
  - 3.2 - Net Zero and Other Ambition
  - 3.3 – Transition Plan and Strategy Resilience
- Plan 23-26
  - ESG objectives (Slides 82-83)

RESPONSE

LINKS AND REFERENCES

The table below provides Group wide objectives.

ENVIRONMENT	SOCIAL	GOVERNANCE
CARBON FOOTPRINT	DIVERSITY & INCLUSION	REMUNERATION
Net Zero financed emissions by **2050** **-35% financed emissions intensity** by **2030 (-18%** by **2026)** **Interim sector targets** for Net Zero Banking Alliance released by **2024**[1]	**>30%** female members of MB **Key Function Holders**[3] **>20%** female **executives** **>50%** women **out of total hires** **Parity** in **advancement rate**	**New Long-Term Incentive Plan** featuring: **50% of total variable compensation** (vs previous @20%) **for Group CEO and General Manager delivered all in equity** Extended to include other key Group strategic resources 20% assigned to ESG KPI weighting[4]
Phase-out from **coal** by **2030**[2]	**100%** employees **trained in ESG**	
Carbon neutrality on own emissions **100% renewable energy** at Group level	**>€20m** support to projects with **social and environmental impact**	Launch of the first **Employee Share Ownership Plan** to foster engagement and ownership at all levels
RISK **Incorporating more "Climate & Environment" metrics into risk management processes such as RAF, ICAAP and Stress testing**	**Stop** lending to/investing in **tobacco**[2]	
	70% of procurement expenses screened with **ESG criteria**	Full adoption of **Tax Control Framework** for all the Group Italian banks
At least **2 Sustainability bond** issues		

1. No exposure to coal mining and agriculture. Four sector targets published by September 2023 (Automotive and Power already published; Cement and Aviation will be added). The remaining NZBA sector will be disclosed by September 2024
2. In CIB lending (exxcluding Specialty Finance)and proprietary investment portfolio in all markets
3. Key Funcion Holders: Group senior management
4. Two proposed KPIs to be included in the 2026 LTI: % of female executives; reduction in financed emissions intensity

Environmental - and in particular climate-related topics - are a priority in view of the ambition to align the Group's business activities with the Paris Agreement objectives. Portfolio emission targets as well as sectoral ones have already been set and reported (see Principle 2).

Social objectives have been established in terms of sustainable products, policies (for example exit from the tobacco industry) and financial education.

The divisional targets contained in the 2023-26 Strategic Plan in terms of spreading ESG culture and products are further detailed in Principles 2 and 3.

This approach is supported by increasingly stringent screening criteria and detailed policies, and is more and more embedded into the Group risk framework, as well as into portfolio shaping and commercial strategy.

Sustainability strategy refers to the entire value chain, applying not just to clients, but also to suppliers (whose ESG profile is scrutinized).

PRINCIPLE 2: IMPACT AND TARGET SETTING

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 IMPACT ANALYSIS (KEY STEP 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[3] and fulfil the following requirements/elements (a-d)[4] :

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

RESPONSE

Mediobanca performed an impact analysis in the first half of 2023 using the most recent version of UNEP FI Portfolio Impact Analysis Tool for Banks (i.e. "version 3").

The assessment impact analysis involved the following activities:

- **WM:** lending, current accounts and saving accounts offered by CheBanca!. In the first half of Financial Year 2022-23 the revenues of the assessed area (all generated in Italy) totalled approx. € 142m, contributing to **9% of the Group's total income ("TI H1-22/23")**
- **CF:** with a total income of €560m (all generated in Italy), Compass consumer loans contributed **34%** of TI H1-22/23.
- **CIB:** wholesale business **lending portfolio** (Mediobanca and Mediobanca International). The e area generated €132m in revenues, contributing **8%** of TI H1-22/23. The portfolio's geographic composition is provided in point b) below.

The above scope covers more than 50% of TI H1-22/23. (57% excluding Insurance & Principal Investing). We have focused our analysis on "on-balance-sheet" activities in view of the fact that the Group's main asset managers - Mediobanca SGR, RAM and Polus - are PRI members and therefore disclose their Responsible Investment strategy and targets. RAM, as an NZBA member, also sets and publicly discloses Net Zero Targets.

This impact analysis is additional to more risk-centric mapping exercises such as the climate-related and environmental (C&E) risk materiality assessment and other risk methodologies applicable to the corporate and retail loan book as described, inter alia, in the TCFD 20/23.

LINKS AND REFERENCES

- HY Report Dec. 22
  - pp. 37, 44 and 52
- TCFD 22/23
  - 4.2 - Climate related and Environmental Risks Materiality assessment
  - 4.3 - Risk Assessment Results
- CNFS 22/23
  - 3.7 – Materiality analysis
- https://www.unpri.org/signatories/signatory-resources/signatory-directory
- https://www.netzeroassetmanagers.org/signatories/ram-active-investments-sa/

3. That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
4. Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries[5] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

RESPONSE

The **Consumer Banking Identification Module** has been used to assess WM and CF impacts: data on consumer loan and products to retail customers were collected from Compass and CheBanca!, and segmented according to product type and counterparty type (income, gender, age).

On 31 December 2022, the analised product range offered to retail customers was as follows.

COMPASS	%
Personal Loans	49,47%
Mobility (car and motocyle) personal loas	23,84
Other purpose loans	9,41%
Credit cards	4,20%
Salary backed financing	12,62%
CONSUMER FACTORING (Buy now pay later)	0,46%

CHE BANCA!	%
Mortgage loans	43,61%
Other loans	0,07%
Current Accounts	41,18%
saving accounts	15,14%

Data for **CIB wholesale lending** portfolio have been collected, grouped by ISIC code[6] and inserted in the **Institutional Banking Identification Module**.

ISIC CODE	%
B Mining and quarrying	1,92%
C Manufacturing	27,98%
D Electricity, gas, steam and air conditioning supply	13,37%
E Water suppy; sew erage, waste management and remediation activities	1,79%
F Construction	0,86%
G Wholesale and retail trade; repair of motor vehicles and motorcycles	3,05%
H Trasportation and storage	9,03%
I Accommodation and food service activities	2,05%
J Information and communication	11,31%
K Financial and insurance activities	20,11%

LINKS AND REFERENCES

- HY Report Dec. 22
  - pp. 41, 46 and 51

5. 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.
6. Sector segmentation is based upon an internal classification methodology adopted to provide an improved representation of the activity carried out by each counterparty compared to that used for regulatory purposes. The share is of committed amounts (i.e. drawn plus undrawn but available for drawing).

RESPONSE	LINKS AND REFERENCES

ISIC CODE	%
L Real estate activities	2,51%
M Professional, scientific and technical activities	0,10%
N Administative and support service activities	0,58%
O Public administration and defence; compulsory social security	0,92%
P Education	0,02%
Q Human health and social work activities	0,98%
R Arts, entertainment and recreation	3,51%

From a geographical point of view, on 31 December 2022, Italy accounted for 48.2% of the exposure, followed by France (14.1%) and Spain (8.9%). Germany and Netherlands account for approx. 3% each. Among non-EU countries the US and UK represented 6.6% and 5.8% of the book respectively.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate[7]? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

RESPONSE

The analysis was carried out using the **Context Module** made available by **UNEP FI**. Data and information embedded in the tool have been integrated to take into account the priorities stated by the National Recovery and Resilience Plan (NNRP) and by the NextGenerationEU.

We deemed these two sources to be particularly significant given the preponderance of Italian clients in WM and CF and the materiality of Italian/EU counterparties in CIB. The assessment results are shown below.

The following prioritized[8] areas emerged:

- "Availability, accessibility, affordability, quality of resources and services"- very high level of priority both in Italy and globally;
- "Climate Stability" – very high level of priority globally and high level of priority in Italy;
- "Circularity" and "Biodiversity and healthy ecosystems" - high level of priority both in Italy and globally;
- "Socio-economic convergence", "Infrastructure", "Strong Institutions, Peace and stability" and "Livelihood" - high priority globally, and relatively high priority in Italy.

Furthermore, relevant stakeholders are consulted annually as part of the materiality mapping exercise reported in the Consolidated Non-Financial Statement Published in accordance with Italian Legislative Decree 254/16. Focusing on indirect impacts, the following prioritized topics emerged: "Ethics and integrity in business", "Sustainable finance", "Support for the ecological transition", "Environmental protection and focus on climate change" and "Inclusion and financial education" (see also Principle 4.1 below).

LINKS AND REFERENCES

- CNFS 22/23
  - 3.6 - Stakeholder engagement
  - 3.7 – Materiality analysis

7. Global priorities might alternatively be considered for banks with highly diversified and international portfolios.
8. Very High level or priority corresponds to a Context Module need score of 4, while High and Moderately High levels correspond to a need score of 3 and 2 respectively.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[9]? Please disclose.

RESPONSE	LINKS AND REFERENCES
The most recent version of UNEP FI Portfolio Impact Analysis Tool for Banks (i.e. "version 3") was used. The exercise confirmed "**Climate Stability**" (which had already been selected last year) as a significant impact area. **"Financial Health and Inclusion**" emerged as a second impact area for its absolute relevance across the various divisions. ◇ **Retail** offering (Compass and CheBanca!): "Availability, accessibility, affordability, quality of resources and services" and "Socio-economic convergence" emerged as the main areas of both positive and negative impact in view of the product offering and clients composition; ◇ **CIB:** given the wholesale portfolio composition, the tool identified "Availability, accessibility, affordability, quality of resources and services" and "Livelihood" as the most relevant areas in terms of positive impacts and "Health and safety", "Circularity", "Climate Change" and "Livelihood" as the main negative impact areas. Financial Health and Inclusion has therefore been selected as a second impact area: ◇ Considering the positive impact displayed in terms of "Availability, accessibility, affordability, quality of resources and services",[10] by both the Group's CIB wholesale and retail businesses, which, by creating access to finance, stimulates the real economy and increases people's welfare; and; ◇ Being aware that our financial offering could potentially have negative impacts to customers, in retail banking in particular, due – for example – to the risk of over-indebtedness. **Both "Financial Health and Inclusion" and "Climate Change" are institutionally prioritized topics** in the key geographic markets in which we operate **and cover** the prioritized areas that emerged in the **materiality analysis** reported in the **CNFS FY 2022/23**: "Climate Change" addresses "Sustainable finance", "Support for the ecological transition", "Environmental protection and focus on climate change" and "Inclusion and financial education" is a key element of "Financial Health and Inclusion". Mediobanca is also engaged in improving its impact in the area of Health and Safety, as witnessed by its commitment to have a "tobacco free" Mediobanca and Mediobanca International proprietary book, and the strategic nature of its stake in Istituto Europeo di Oncologia (European Institute of Oncology).	◇ Plan 23-26 ◇ ESG objectives (Slides 82-83) ◇ CNFS 22/23 ◇ 3.7 – Materiality analysis

9. To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualization'
10. Financial Health and Inclusion protocol corresponds de-facto to this area.

d) For these (min. two prioritized impact areas): **Performance measurement**: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

RESPONSE

As mentioned above, we used the **UNEP FI Portfolio Impact Analysis Tool for Banks** to identify the most relevant impact areas related to the business relationship with Corporate and Retail clients as well as the most impacting sectors, clients and products.

With reference to the Retail business specifically, the UNEPFI Tool for Banks revealed the impact in terms of Climate Change as well as in the Financial Health and Inclusion areas in view of the lending products offered by Compass – personal loans and purpose loans (including sustainable mobility solutions) as well as salary-backed and other consumer finance products) - and mortgage loans, as well as CheBanca! current and saving accounts.

With specific reference to the **Climate Change** area, as well as the UNEPFI Tool, additional methodologies (both risk and impact based) have also been used as part of a multi-year plan launched in January 2021 to gradually adapt the Group's operations to the new regulations in the ESG area, with a particular focus on climate-related regulations, including the EU Taxonomy Regulation, the ECB Guide on climate related and environmental risk, and the EBA Pillar III - ESG reporting requirement under the CRR.

The TCFD 22/23 provides, inter alia, information in relation to

- Climate Risk (both transition risk and physical) mapping and assessment methodologies, results and mitigating actions, including the inclusions of climate risk indicators and metrics in the Group's RAF.
- Climate Opportunities linked to the Climate related products.
- Strategic moves (for example changes in screening criteria) aiming to improve the impacts generated by Mediobanca business activities.

The Report also contains the results of the following analyses and exercises that have been carried out during the 2022-23 financial year in order to comply with both regulatory requests and the commitment underwritten upon adherence to the NZBA:

- Portfolio emissions quantification in relation to the Group's exposure versus corporate counterparties (which allowed impacting sectors to be identified more precisely), sovereign bonds, mortgages and motor vehicle loans;
- Quantification of the economic emission intensity baseline of the lending portfolio of Mediobanca S.p.A. and Mediobanca International (Luxembourg) S.A. and definition of 2 reduction targets at 2026 and 2030;
- Definition of the interim sectoral targets related to aviation and cement (in addition to the ones already published for energy and automotive) applicable to the lending and investment portfolio at Group level.

LINKS AND REFERENCES

- CNFS 22/23
  - 9 – Future Objectives
  - 12 – EU Taxonomy
- TCFD 22/23
  - 1.2 – Mediobanca Second TCFD Report
  - 2.6 – ESG Projects and initiatives
  - 3.3 Transition plan and Strategy Resilience and, in particular
    - 3.3.1 – Climate related opportunities and Mediobanca Climate Solution Products
    - 3.3.2 – Responsible Business: ESG Policies, Exclusion policies
    - 3.3.6 – Climate risk in the Group's Risk Appetite Framework
  - 4 – Risk Management and, in particular
    - 4.2 – Climate related and Environmental Risks Materiality assessment
    - 4.3 – Riks Assement Results
  - 5 - Metrics and Targets and, in particular
    - 5.1 – Portfolio alignment
    - 5.2 – Financed emissions
- Plan 23-26
  - ESG objectives (Slides 82-83)

With regard to Financial Health and Inclusion, both baseline quantification and SMAR Target definition are ongoing. Nonetheless, quantifiable objectives in terms of product offering as well as ESG culture dissemination have been already set and incorporated into our 2023-26 Strategic Plan as further detailed in the following sections.

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[11]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis? *Climate change and Financial Health and Inclusion.*

How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication
☒ Up to 12 months prior to publication
☐ Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

2.2 TARGET SETTING (KEY STEP 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.
The targets[12] have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with[13] and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.
You can build upon the context items under 2.1.

RESPONSE	LINKS AND REFERENCES
The Mediobanca 2023-26 Strategic Plan represents an important step forward to embed sustainability as part of the Group's growth strategy: Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (being linked to the Plan horizon) targets have been disclosed and will be annually monitored. These objectives aim at contributing positively to 8 out of the 13 **SDGs**, which are also linked to the two selected areas (see also Principle 1) In addition, as a member of the **NZBA**, Mediobanca has undertaken specific commitments in terms of portfolio decarbonization, in order to reach the **Paris Agreement** objective.	◇ Plan 23-26 ◇ ESG objectives (Slides 82-83) ◇ TCFD 22/23 ◇ 3.2 – Net Zero and Other Ambition

11. You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.
12. Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.
13. Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

IMPACT AREA	INDICATOR CODE	RESPONSE
Climate Chance	... ...	See below
Financial health & inclusion	... ...	See below

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

RESPONSE

- *Climate Change*[14]
  Over the last couple of years, we have been assessing our financed portfolio emissions to set a baseline for our decarbonization target and track emission performance over time.

INDICATOR CODE	RESPONSE
A.1.1	Yes – see Principle 1
A.1.2	Yes – net zero by 2050, to do so Mediobanca joined NZBA (and RAM joined NZAM) The emission baseline of our corporate exposure is 31 December 2022 based upon the most recent available emissions. The Climate scenario used is the International Energy Agency NZE2050.
A.1.3	Yes - ESG policy exclusion criteria applied to all business - Engagement policy for Wholesale Banking - ESG questionnaire for Wholesale Banking For additional details, please see Principle 5.3
A.1.4	Yes, Mediobanca has analysed absolute financed emissions for the whole Group's on-balance-sheet banking book investment and lending portfolio, including sovereign bonds, mortgages and motor vehicle loans.
A.1.5	Yes, see also Principle 3.2 Amounts and relative weighting as a percentage of the portfolio are reported in the CNFS FY 2022-23.

LINKS AND REFERENCES

- TCFD 22/23
  - 3.2 – Net Zero and Other Ambition:
  - 3.3.6– Climate Risk in the Group Risk Appetite Framework
  - 5 - Metrics and Targets, in particular:
    - 5.1 – Portfolio alignment
    - 5.2 – Financed emissions
- Plan 23-26
  - Slides 82-83 – ESG objectives
- Pillar 3 ESG reporting
  - Template 10

14. The classification by sector of economic activity presented in what follows (NACE code - Nomenclature of Economic Activities) reflects the internal analysis carried out with reference to individual counterparties and based on available information specifically attributable to the counterparty, so as to identify the sector most aligned with the main economic activity conducted. This process was essential to focus exclusively on counterparties whose actual economic activity falls within the sectors reported under Pillar III Template 3 and the NZBA. Indeed, the latter are not limited to a purely disclosure function, but also, and more importantly, they pose strategic directions. The setting of consistent, achievable targets resulting in real emission reductions depends closely on the correct identification of the sector to which the counterparties belong.

RESPONSE	LINKS AND REFERENCES

INDICATOR CODE	RESPONSE
A.2.1	Yes, see also Principle 3.1 client engagement for additional details
A.2.2	◇ Investment and lending portfolio Scope 1&2 emissions: 2.2796 $MtCO_2eq$ ◇ Sovereign bonds Scope 1&2 emissions: 1.0038 $MtCO_2eq$ ◇ Mortgages: 0.4297 $MtCO_2eq$ ◇ Motor vehicle loans: 0.0702 $MtCO_2eq$
A.2.3	Each portfolio counterparty has been included in a physical intensity-based or an economic intensity-based target, based on the sub-sector to which it belongs. In some cases data availability influenced this split, resulting in some sub-sectors containing counterparties partly assigned to a physical-intensity based and partly to an economic-intensity based target. An overview of the two target-setting methodologies used is provided below (for further details reference is made to TCFD report 2022-2023 section 5): ◇ SDA methodology (green in the table below): methodology based on SBTi, in which the intensity target is defined by a reduction in emissions relative to a specific sectoral physical metric, such as the company's output (e.g., tons of CO_2e per tons of product); ◇ Economic intensity methodology (orange in the table below): where it is impossible (methodologically or due to lack of data) to apply the SDA methodology, the target is set through an annual economic intensity reduction rate defined a priori as constant from year to year.

SECTOR	NACE SECTORS	METRIC AND VALUE – 2022 BASELINE
Power	*3514* *3511* *3513* *351*	Average tonnes of CO_2eq per MWh [tonnes of CO_2eq per MWh] 0.34
	3511 *351* *3512* *3514* *2712* *4321*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 607.39
Automotive	*291*	Average grams of CO_2eq per vehicle-km [grams of CO_2eq per vkm] 139.23
	291 *2815* *2932* *292*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 48.36

RESPONSE | **LINKS AND REFERENCES**

INDICATOR CODE	RESPONSE

SECTOR	NACE SECTORS	METRIC AND VALUE – 2022 BASELINE
Aviation	*511*	Average tonnes of CO_2eq per passenger-km [tonnes of CO_2eq per pkm] 93.80
	5223 *303* *511* *3316*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 69.69
Cement	*2351*	Average tonnes of CO_2eq per tonne of output [tonnes of CO_2eq per tonnes of cement] 0.66
	2361 *2351* *893* *811* *2363*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 213.62

A.2.4 n.a.

A.3.1 n.a.

A.3.2

The Gross Carrying Amount invested or lent to corporate clients by the entire Group in Carbon Intensive sectors as defined by the EBA Pillar III Template 3 (and also indicated by the UNEP-FI "Guidelines for Climate Target Setting") is:

	Amount (million euro)
Sector	1616
Automotive	358
Aviation	141
Cement	146
Oil and gas	1141
Power	198
Shipping	70
Steel (comprising aluminium)	

According to UNEP-FI "Guidelines for Climate Target Setting", the following exposures are to be added (amount are in €m):

- General purpose investments in and loans to real estate corporate counterparties (NACE 68): 1312
- Mortgages (as defined by PCAF): 12904
- Motor vehicle loans (as defined by PCAF): 377

The Group has negligible/no exposure to agriculture/coal mining.
In addition, the Group invests approximately €2.3 billion in transition finance. These investments consist of sustainable-linked loans, that include clauses encouraging counterparties to reduce emissions and align with the Paris climate goals, and green loans meant to finance green activities. For further details, please refer to the template 10 of the Pillar 3 ESG reporting.

RESPONSE	LINKS AND REFERENCES

INDICATOR CODE	RESPONSE
A.4.1	Yes, see targets in Principle 2.2 c
A.4.2	Targets aligned with 1.5°C cover respectively: - Automotive: 80% - Power: 92% - Cement: 98% - Aviation: 73% of the total lending and investment on-balance-sheet banking book Group's drawn exposure (Gross Carrying Amount) in these sectors.

- Some of the targets included in the 2023-26 Strategic Plan testify to the Group's commitment to contributing positively to Financial Wealth and Inclusion:
  - Personnel and financial advisors training is a pre-requisite and an enabling factor to develop financial inclusion products for our clients and assist them in taking responsible financialchoices. For this reason we are launching a new ESG training course to cover 100% Group employees and financial advisors by June 2026. CheBanca! also has committed to have all wealth financial advisors certified in ESG by EFPA by the same date (57% as of 30 June 2023).
  - Quantifiable objectives in terms of product offering as well as ESG culture dissemination have been already set as well (as further detailed in section c of this Principle below, where the baseline is also provided).

During 2023-2024 financial year we will finalize our baseline quantification and SMART Target set-up.

c) SMART targets (incl. key performance indicators (KPIs)[15]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

RESPONSE

In the **Climate Change** area, Mediobanca Group's membership of the Net-Zero Banking Alliance (NZBA) confirms the Bank's intention to play an active role in the green transition.

- In this regard, with the aim of monitoring the achievement of the net-zero target, two transition risk indicators have been included within the Group RAF. The first is related to the financed emission intensity (Scope 1+2+3) of the Wholesale Banking lending portfolio of Mediobanca and Mediobanca International (the "WSB portfolio"; see related target below). Besides, due to the transition risks associated with the lesser efficient buildings used as collaterals, CheBanca! has introduced a specific metric to evaluate the mortgages' energy efficiency by tracking the share of mortgages disbursed during the quarter guaranteed by energy class A or B properties out of the total mortgages amount disbursed during the quarter. The indicator is currently only monitored (on quarterly basis), while a target has not yet been set.

- In the 2023-26 Strategic Plan, Mediobanca declared the objective of obtaining a **18-35% reduction of the emissions intensity of the WSB lending portfolio by 2026-2030**: on 31 December 2022 this scope accounted for 7 *MtCO$_2$eq* (or 76% of the emissions of the Group versus corporate counterparties, excluding mortgages and motor vehicle loans) based on counterparties' Scope 1, 2 and 3 emissions.
The intensity at the same date (sum of Scope 1-2-3 financed emissions (tCO_2eq) divided by the sum of the gross carrying amount) was **482 tCO_2eq/€m**.

- We have already set **NZBA aligned interim targets** for 4 high emitting sectors as detailed below.
We have negligible/no exposure to agriculture/coal. We plan to publish interim targets for the remaining NZBA sectors by 2024.

SECTOR	NACE SECTORS	METRIC AND VALUE-2022 BASELINE	TARGET-2025
Power	3514, 3511, 3513, 351	Average tonnes of CO_2eq per MWh [tonnes of CO_2eq per MWh] 0.34	0.26
Power	3511, 351, 3512, 3514, 2712, 4321	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 607.39	510.82
Automotive	291	Average grams of CO_2eq per vehicle-km [grams of CO_2eq per vkm] 139.23	117.39
Automotive	291, 2815, 2932, 292	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 48.36	40.67

LINKS AND REFERENCES

- TCFD 22/23
  - 3.2 – Net Zero and Other Ambition
  - 5 - Metrics and Targets, in particular:
    - 5.1 – Portfolio alignment
- Plan 23-26 Slides 82-83 – ESG objectives

15. Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

RESPONSE | **LINKS AND REFERENCES**

SECTOR	NACE SECTORS	METRIC AND VALUE – 2022 BASELINE	TARGET - 2025
Aviation	*511*	Average tonnes of CO_2eq per passenger-km [tonnes of CO_2eq per pkm] 93.80	90.5
	5223 *303* *511* *3316*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 69.69	58.61
Cement, clinker and lime production	*2351*	Average tonnes of CO_2eq per tonne of output [tonnes of CO_2eq per tonnes of cement] 0.66	0.59
	2351 *2361* *893* *811* *2363*	Average tonnes of CO_2eq per unit of Revenue [tonnes of CO_2eq per Million ($)] 213.62	179.65

- In terms of commercial offering, several targets have been set for ESG products; the more strictly linked to climate change are:
  - Share of green mortgages in the Wealth Management division's new business to reach ~20% (from current 13%).
  - Compass ESG product to grow at 15% CAGR during the 2023-26 Strategic Plan period: as of 30 June 2023, ESG loans amounted to approx. €202m and approx. €65m related to green products, which are envisaged to grow at a 19% CAGR over the business plan horizon.

Moving on to **Financial Health and Inclusion**,

- Objectives in relation to staff education training at Group level were already provided in Principle 2.2 b above.
- With reference to product offering, as previously mentioned, Compass has the objective of ESG loans growing at +15% CAGR. As at 30 June 2023, this category included €137m of social products (lending to SME in disadvantages areas, financial support to education and lending to elderly people), which are envisaged to grow at a 12% CAGR over the business plan horizon.
- Compass's effort in terms of ESG culture dissemination was translated into a commitment to send clients at least 35 million emails containing tips on green/financial education from 1 July 2023 to 30 June 2026.

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

RESPONSE	LINKS AND REFERENCES
The ESG targets embedded in the 2023-26 Strategic Plan have been set considering also the results of the impact analysis. The objectives are the results of a structured process involving working groups covering all legal entities the outcome of which has been discussed at Managerial and Board Committee levels (see Principles 5.1 and 5.2 for details respectively on governance and initiatives). The Targets have then been submitted to and approved by the Board of Directors as part of the new strategic plan and published on the institutional website. KPIs are monitored continuously and the main results are included in the presentation to the market approved by the Board. A specific focus on the state of progress made in achieving the ESG targets is provided in the annual CNFS. RAF KPIs (including ESG indicators) are part of a "Dashboard" which is presented to the Mediobanca Board on a quarterly basis. We are aware that a key success factor for the Group's ambitions and solutions is the level of awareness and knowledge of business lines (including relationship managers and senior bankers) and counterparties, which is why the Group has: ◇ Multiplied efforts in terms of training and education on ESG issues for both our staff and clients; ◇ Started transition engagement with our clients; ◇ Set increasing structured and quantifiable targets in employees' short-term and long-term incentive plans. We are constantly working to enrich our ESG product offering. For further details please see Principles 2.2 b and c, 5.1 and 5.3.	

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing.

	CONTRAST TO CLIMATE CHANGE	FINANCIAL HEALTH AND INCLUSION
Alignment	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No
SMART targets	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No

2.3 TARGET IMPLEMENTATION AND MONITORING (KEY STEP 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans ***(relevant for 2nd and subsequent reports only)***: describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

RESPONSE	LINKS AND REFERENCES

Climate Change
 	
The Group has implemented a series of actions that were planned and disclosed in the 2021-2022 TCFD Report (Section 3.5 Strategy Resilience: Incorporating Climate-related issues into strategy), i.e.
- "the implementation of new metrics in the Group's Risk Appetite Framework,
- client engagement,
- the proposition of ESG products and
- the adoption of ESG policies, among which exclusion policies."
 	
Accordingly, during the 2022-23 financial year several metrics were added to the RAF (see also Principle 5.3 below); exclusion policies were enhanced, specifically in terms of stricter maximum percentages of revenue from coal or unconventional oil & gas, and a client engagement and prioritization framework was implemented (for both topics see also Principle 3.1 below); new initiatives and commercial products were launched and related targets were set (see also Principle 2.2 c above and Principle 3.2 below).
 	
As far as the KPIs defined under Principle 2.2 b are concerned, in view of the application of a revised approach in terms of e.g. target setting methodology, metrics, scope, base year, data source, no comparison with last year's published targets is feasible. The revision was triggered by the necessity to formulate targets compliant with both the NZBA and EBA Pillar III requirements, so as to build and maintain a unique set of strategic objectives.
 	
Financial Wealth and Inclusion: not applicable since this impact area has been identified this year, therefore this section is not applicable.
 	
Overall, ESG goals have been included in the Group's strategic plans since 2019 and monitored annually. In particular, in the recent 2023-26 Plan, sustainability has been identified as a business enabler in all business units, and quantitative and measurable ESG goals have been set, providing our stakeholders, including within the Consolidated Non-Financial Statement published annually, with information about their implementation and actions taken in this regard.
	- TCFD 22/23
	  - 3.3. Transition plan and Strategy Resilience, in particular:
	    - 3.3.1.2. Climate Solution Products
	    - 3.3.2. Responsible Business: ESG Policies, Exclusion policies
	    - 3.3.3. Client engagement
	    - 3.3.6. Climate risk in the Group's Risk Appetite Framework

PRINCIPLE 3: CLIENTS AND CUSTOMERS

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 CLIENT ENGAGEMENT

Does your bank have a policy or engagement process with clients and customers[16] in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[17]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.
This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

RESPONSE

Mediobanca is committed to having a positive impact on society, and so supports its clients in their transition processes, while carrying out engagement activities to increase the level of its counterparties' awareness on sustainability issues.

The Group ESG Policy, adopted by all the Group Legal Entities, defines the guidelines for integration of ESG criteria applicable to the activities of lending, investing own funds, and providing investment advice to clients. The Policy is based on a combination of negative and positive screening criteria.

In addition to the general principles applicable to all types of business, the Group has also structured different positive and negative screening criteria for the various areas of activity. In particular, with reference to financing and proprietary investment activity, specific policies have been developed on biodiversity and excluded materials, plus sectors considered to be sensitive in ESG terms, namely: defence and arms, forestry and use of forested areas, production of agricultural goods, mining, the production, sale and consumption of energy, and infrastructure and transport.

The latest update of the Policy includes new limitations on sectors and operators with a negative impact on the climate and a specific section related to engagement activity with clients active in high-impact sectors, in particular with counterparties that are "misaligned" versus the sector net zero objectives.

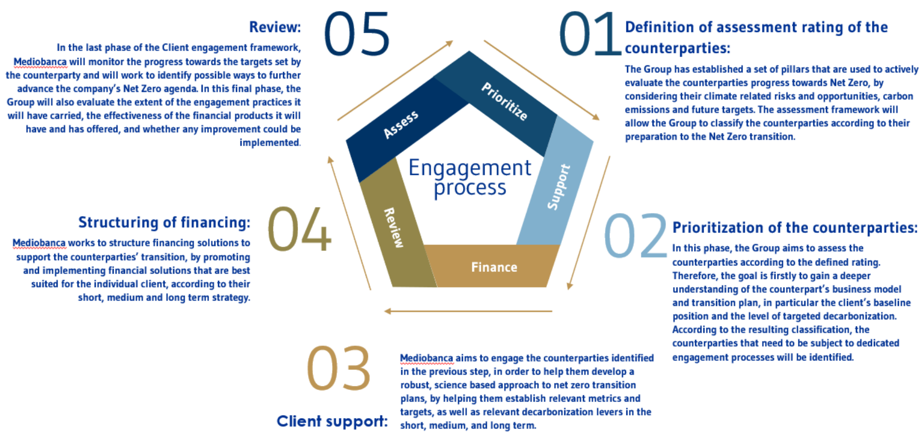
As such, the Group is implementing an engagement framework to help counterparties move towards more climate-responsible business and to align the Group's investments to the Net Zero Scenarios. The Group has currently completed the first of five steps in the framework, represented below, and is currently working to evaluate counterparties based on the assessment rating developed.

LINKS AND REFERENCES

- Group ESG Policy
  - Responsible Business activities (pp. 18-23)
  - Engagement activities (pp. 26-27)
  - Specific Lending and Investment Policies (pp. 42-59)
- CNFS 22/23
  - 6.1.6 - Responsible business
- TCFD 22/23
  - 3.3.3 - Climate engagement
- Plan 23-26
  - ESG objectives (Slides 82-83)

16. A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
17. Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

RESPONSE	LINKS AND REFERENCES



More recently, in the 2023-26 Strategic Plan, Mediobanca committed to exit from the tobacco and coal businesses at a global level, and set specific targets in terms of ESG culture dissemination.

Client engagement also takes place during interactions as part of ESG single-name assessment performed as part of the new deal approval process and portfolio monitoring activities as described in Principle 5.3.

3.2 BUSINESS OPPORTUNITIES

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

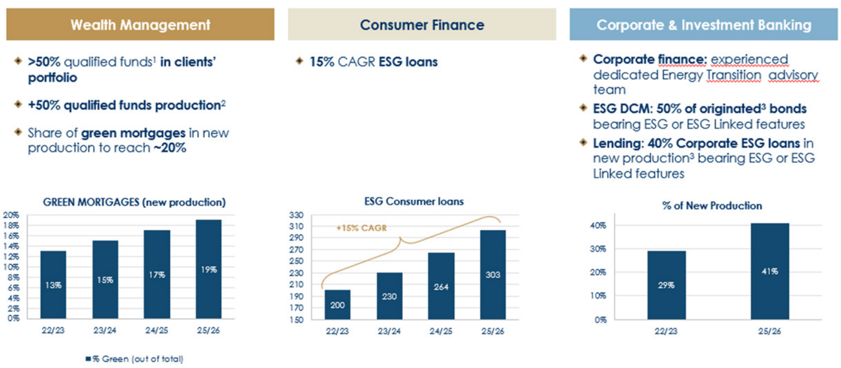
RESPONSE	LINKS AND REFERENCES

As proof of its commitment to structuring business opportunities related to sustainability issues as part of its corporate strategy, Mediobanca publishes an **ESG Catalogue** on its website, providing an overview of the whole range of sustainable products offered by the Group.

Disclosure on the value and portfolio share of ESG Products is annually provided in the Consolidated Non-Financial Statement.

The Group set objectives in terms of growth in sustainable products and promoting responsible investments for the first time in the **2019-23 Strategic Plan** (all achieved/ exceeded) and have been integrated in more granular form into the **2023-26 Strategic Plan** as described below.

Reference is also made to Principle 2.2 c. for further details in terms of baseline and targets related to products specifically linked to the two selected impact areas.



1) % of ESG qualified funds (SFDR Articles 8&9 funds) out of total funds in clients' portfolio
2) Numeber of ESG qualified funds (SFDR Articles 8&9 funds) manufactured by the Group Asset Managers
3) Cumulated figures over the 1 July 2023-30 June 2026 period

Links and references

- ESG Product Catalogue
- CNFS 22/23
  - 6.1.7 – Sustainable products
- Plan 23-26
  - ESG objectives (Slides 82-83)

PRINCIPLE 4: STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 STAKEHOLDER IDENTIFICATION AND CONSULTATION

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[18]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

RESPONSE

The Group believes it is fundamental to take the views and expectations of its stakeholders into consideration, i.e. those who, for whatever reason, have an interest or stake in the company's activities. The **stakeholders** with which the Group comes into contact in the course of its activities have been grouped together into the following categories: "Shareholders and investors", "Clients", "Staff", "Trade union organizations", "Entities and institutions", "Community", "Suppliers and commercial partners", and "Agents and promoters". Numerous engagement activities are arranged with each of these categories.

In 2017 the Mediobanca Group carried out its first materiality analysis, leading to the definition of a **materiality map** which has been updated annually since then, through multi-stakeholder forums or online questionnaires, in order to identify issues which are held to be increasingly sensitive and to focus action and reporting on them. Starting from the current year, the methodology used has been revised in accordance with the provisions of the "GRI 3 – Material Topics 2021", mandatory from 1 January 2023, which requires assessment of the most significant impacts, positive and negative, generated by the Group on society and its surrounding environment (impact materiality).

Relevant stakeholders belonging to each of the aforementioned categories have been asked to express their opinion. The results of this engagement process translated to the definition and prioritization of material topics. "Ethics and integrity in business", "Sustainable finance", "Support for the ecological transition", "Environmental protection and focus on climate change", and "Inclusion and financial education" are among the prioritized topics related to indirect impacts. As already mentioned, the Group reflected the results of this exercise in the definition of the ESG targets contained in the 2023-26 Strategic Plan as well as in the selection of the PRB impact areas.

The Mediobanca Group believes that the adoption of ESG criteria generates improved performances for investors over the long term, and so encourages the companies in which it has invested to engage openly regarding their own responsible approach and disclose how ESG topics affect their activity.

For details on Responsible Business Activities and Engagement activities with **clients** please refer also to Principle 3.

The Mediobanca Group is also committed to the practice of "**shareholder activism**", actively participating in the Annual General Meetings of the companies in which it has invested, according

LINKS AND REFERENCES

- CNFS 22/23
  - 3.6 - Stakeholder engagement
  - 3.7 - Materiality analysis
  - 6.2 - Responsible supply chain management
  - 7.2 - Entities and Public Institutions
  - 7.3 - Impact on and investments in the community
- Plan 23-26
  - ESG objectives (Slides 82-83)
- Group ESG Policy
  - Responsible Business activities (pp. 18-23)
  - Engagement activities (pp. 26-27)
  - Specific Lending and Investment Policies (pp. 42-59)
- TCFD 22/23
  - 3.3.3 - Climate engagement
  - 3.3.4 - Industry Associations Engagement
  - 3.3.5 - Collaborations with Investors

18. Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

RESPONSE	LINKS AND REFERENCES
to the specific voting policies/directives. Relations with **suppliers** are conducted based on principles of fairness and integrity, and suppliers are requested to sign a declaration confirming that their staff members are treated without distinction and/or discrimination (in terms of policy, religion, etc.), that they reject forced and child labour, condemn every form of harassment, and guarantee decent working conditions for all their employees. Counterparties which do not accept the Mediobanca Group Code of Ethics and refuse to sign the above declaration are accordingly excluded from the Group's supply chain. A project to carry out an ESG assessment of the suppliers covered by Group Procurement with the objective (stated in the 2023-26 Strategic Plan) of having 70% of procurement expenses screened by ESG criteria by June 2026 (approx. 4% at end-June 2023). Mediobanca also actively co-operates with several **public entities, institutions, trade** union **associations, and internationally recognized frameworks** to contribute to the establishment of a sustainable approach to business, plays an active role in the **community** in which it operates, and pursues growth and value creation objectives which are sustainable over the long term for all its stakeholders and are respectful of people, the environment and society as a whole. Additional details in relation to interactions in relation to climate topics are provided in the TCFD 2022-23 report.	

PRINCIPLE 5: GOVERNANCE & CULTURE
We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

RESPONSE

Sustainability issues, including **PRB** commitment related activities, **are governed by the framework** described below:

- In June 2017, the Board of Directors mandated the **Chief Executive Officer** to **supervise** activities relating to **sustainability** and the actions to be implemented and monitored in this area, with provision for a **Group Sustainability Management Committee** to be set up consisting of members from several business and staffing units.
- Within the Board of Directors itself, a **Board Corporate Social Responsibility (CSR) Committee** chaired by the CEO was also set up, with responsibility for processing CSR issues (in particular, **at the CEO's proposal, defining the ESG strategy**) and the proposals for submission to the approval of the Board of Directors. In FY 2022-23 this Committee met a total of five times.
- The **Board Risks Committee** performs duties of monitoring, processing and support to the Board itself, including in defining the guidelines for the internal control and risk management system, to ensure that the main risks (including **ESG risks**) to which the Bank is exposed are correctly identified and adequately measured, managed and monitored. In FY 2022-23 this Committee met 18 times.
- The Group Sustainability unit assists in managing all matters pertaining to social responsibility.

The methodological approach and target setting for climate change are the result of a joint effort between the Group Sustainability and Risk Management units, not least because some impact targets (for example those linked to portfolio alignment) are also Key Risk Indicators and therefore have been embedded in the RAF. In these cases, the decision process involves both the Board CSR and Risks Committees.

In this scenario, the **PRB implementation** pathway (for example the decision to adhere to NZBA and TCFD) path **and** the related reporting **disclosure** (CNFS/TCFD/PRB Reports) are discussed at Group Sustainability Committee level and then shared with and – to the extent applicable – approved by the Board CSR Committee, the Board Risk Committee and/or the Board of Directors itself.

LINKS AND REFERENCES

- CNFS 22/23
  - 3.3 - Compliance, internal control and risk management
  - 3.5 - Sustainability governance
  - 5.7 - Staff incentives, benefits and remuneration
  - 9 - Future Objectives
- TCFD 22/23
  - 2.1 - Sustainability Governance overview
  - 2.2 - Board oversight
  - 2.3 - The Chief Executive Officer
  - 2.4 - Management's role
  - 2.5 - Staff and Business Units responsibilities
  - 2.7 - Remuneration
- Plan 23-26
  - ESG objectives (Slides 82-83)
- Group Remuneration Policy and Report

RESPONSE	LINKS AND REFERENCES
During the 2022-23 financial year, ten meetings of the Board of Directors were held, many of which also dealt with ESG issues; in particular, in May 2023 the Board of Directors approved the 2023-26 Strategic Plan, which includes ESG targets (some of which are relevant also for the purposes of PRB alignment). The ESG dimension also plays an important role in the **Group's Incentive System**. Specific (also quantitative) ESG KPIs have been incorporated in the Long-Term Incentive Plan for senior management and Key Function Holders since 2019 (the KPIs linked to the 2019-23 Strategic Plan have been achieved). Qualitative and quantitative targets have also been included in the new Long-Term Incentive Plan 2023-26, which provides a weighting of 50% of the total variable compensation for the Mediobanca CEO and Group General Manager and extends the scheme to include other strategic Group figures. Of the LTI Plan objectives, 20% are ESG in nature and focused on indicators related to the issues of climate change (portfolio decarbonization) and diversity and inclusion (% women executives within the Group). The Plan will be submitted to shareholders for approval at the AGM to be held on 28 October 2023. The Chief Executive Officer's and Group General Managers' annual scorecards (Short-Term Incentives) include both financial and non- financial ESG and CSR objectives to be assessed for performance over a one-year time horizon. The short-term incentive scheme for other senior figures (strategic management and Material Risk Takers heading up the main business lines) also includes, both individually and as part of the scorecards used to define the divisional bonus pools, and where appropriate to the scope under consideration, the presence of quantitative, measurable ESG indicators with weightings of up to 10%.	

5.2 PROMOTING A CULTURE OF RESPONSIBLE BANKING:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

RESPONSE	LINKS AND REFERENCES
The Group is keen to spread responsible banking culture among its employees and therefore organizes several initiatives and training sessions on ESG including: ◇ Multi-year **ESG Programme**: the initiative, that was launched in 2021 and in FY 2023/24 will enter Phase 4, involves several units (including Sustainability, Risk Management, Compliance, and CFO). It is organized into three strands, based on the businesses involved and the reference guidelines: "Proprietary" (ECB Guide on climate related and environmental risk), "Clients and Markets" (SFDR, i.e. Regulation (EU) 2019/2088), and "Reporting" (Taxonomy Regulation, i.e. Regulation (EU) No. 2020/852, EBA Pillar III – ESG reporting requirement under the CRR and TCFD disclosure). ◇ **ESG Working Group**: set up in 2022, it includes members from various business and staffing units and comprises representatives of the main Group Legal Entities. The initiative reports to Group Sustainability Management Committee, and has the purpose of promoting understanding and awareness of sustainability in order to translate it into a business enabler. Frequent meetings take place to manage ESG risks, identify ESG opportunities, map the Group's positioning and define its ESG objectives in terms of product offering and impact generation. During the year, specific focus groups took place to identify the ESG objectives to be included in the 2023-26 Strategic Plan and discuss how to broaden the PRB impact analysis and target setting.	◇ CNFS 22/23 ◇ 3.3 - Compliance, internal control and risk management ◇ 5.5 - Professional training and development ◇ 5.7 - Staff incentives, benefits and remuneration ◇ 9 - Future objectives ◇ TCFD 22/23 ◇ 2.6 - ESG Projects and initiatives ◇ 2.5 - Staff and Business Units responsibilities ◇ Group Remuneration Policy and Report

RESPONSE	LINKS AND REFERENCES
◇ **Training sessions** are regularly organized for **Board of Directors** and **ESG education programmes** are in place for the **staff**, including: ◇ All employees receive first-level training on ESG topics; ◇ In 2022 specific sessions were organized for benefit of, inter alia, CIB staff (Debt Division and Corporate Finance) and Mediobanca Private Bankers, aiming to guide colleagues in understanding the regulatory scenario and climate-related priorities and opportunities; ◇ Specific modules for Mediobanca CIB Debt Division, Risk Management and Group Sustainability members took place from March to July 2023 aimed in particular at reinforcing the skills needed to assess and monitor clients' decarbonization plans and targets as part of customer engagement activities. A description of how ESG KPIs are included in the remuneration incentive system is provided in Principle 5.1 above. In addition, Group staff are assigned a Group objective (with a weighting of between 5% and 10% of the total) to evaluate the performance delivered in terms of the adoption of socially responsible behaviour on a management basis, in line with the Group's Corporate Social Responsibility policies.	

5.3 POLICIES AND DUE DILIGENCE PROCESSES

Does your bank have policies in place that address environmental and social risks within your portfolio?[19] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

RESPONSE	LINKS AND REFERENCES
Policies To embed and promote a corporate culture based on ethics, integrity and sustainability in business, the Group has adopted a Code of Ethics and a Code of Conduct which define the fundamental principles for protecting its reputation, and contain the values underpinning the Group's everyday activities, in addition to the **Group Sustainability Policy** already mentioned. The PRBs are expressly cited among the reference principles of the **Group ESG Policy**, the document which has the purpose of managing the Group's indirect Impact also though specific exclusion/sectoral policies (see also the description provided in Principle 3.1 above). Further details on how this Policy has been adopted by all the Group Legal Entities and integrated into their businesses are provided in CNFS 22/23. *Due diligence process* The Credit Risk Management unit prepares a memo (the "**ESG Risk Report**") for each lending counterparty, containing a summary of the ESG evaluations obtained during the origination process (such as the level of adherence to the Group ESG Policy and the synthetic ESG Internal Score) and an assessment of the counterparty's ESG risks. This memo is part of the documents to be submitted to the approval committee. The analysis is based on information collected from external info providers and from publicly available documentation, and also, to a lesser extent,	◇ Code of Ethics ◇ Code of Conduct ◇ Group Sustainability Policy ◇ Group ESG Policy ◇ Principles of reference (14-15) ◇ Responsible Business activities (pp. 18-23) ◇ Specific Lending and Investment Policies (pp. 42-59) ◇ CNFS 22/23 ◇ 4 - Ethics and integrity in business and anti-corruption measures ◇ 6.1.6 -Responsible business ◇ 9 - Future Objectives ◇ Plan 23-26 ◇ ESG objectives (Slides 82-83)

19. Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

RESPONSE	LINKS AND REFERENCES
on information deriving from dialogue with the counterparties themselves (in particular with borrowers. As at 30 June 2023, approx. 95% of the CIB Wholesale Banking lending portfolio in volume terms had been analysed. Counterparties not yet obliged to publish non-financial information/for which there was not enough public information available have been assigned a sector average rating. Risk Management also performs a **portfolio assessment** on a quarterly basis to enquire to what degree the CIB Wholesale Banking lending and investments portfolio (which constitutes most of the proprietary portfolio at the consolidated level) is impacted by ESG factors. For this purpose, Risk Management has developed an "**ESG Heatmap**", an instrument which applies international standards and methodologies to assign different levels of ESG risk to the sectors to which the assets included in the portfolio refer. As at 30 June 2023, 20% of this portfolio was related to high risk sectors from an environmental point of view (29% of lending portfolio); this percentage falls to 7% for social risk (10% of lending portfolio) and to 0% for governance risk. This sector based ESG Heatmap is recalibrated to take into account single-name ESG risk assessment of assets included in the portfolio to determine the share of clients' exposure attributable to sectors effectively at risk in environmental, social and governance terms. **As a result of this process the percentage decreased to approx. 0% in each pillar (0.3% in terms of environmental riks)**. In addition to the ESG Heatmap results, business decisions are also based on appropriate ESG-based limits set out in the RAF which are monitored on a quarterly basis being included in the Dashboard presented to the Board Risks Committee and the Board of Directors: the number of ESG-related KRIs has also recently been increased following the approval of the FY 2023-24 RAF and consistent with the objective stated in the 2023-26 Strategic Plan of incorporating more "Climate & Environment" metrics into risk management processes such as RAF, ICAAP and stress testing.	◇ TCFD 22/23 ◇ 3 - Strategy and, in particular: ◇ 3.1.3 The Group Policies ◇ 3.3.6 - Climate risk in the Group's Risk Appetite Framework ◇ 4 – Risk Management and, in particular: ◇ 4.1 Climate Risk Management Process ◇ 4.3 Risk Assessment Results

SELF-ASSESSMENT SUMMARY

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 ASSURANCE

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- [ ] Yes
- [ ] Partially
- [x] No

If applicable, please include the link or description of the assurance statement.

Mediobanca adhered to the PRB in April 2021, therefore this is its second self-assessment report.
We plan to have the PRB Report for FY 2023-24 assured independently.

6.2 REPORTING ON OTHER FRAMEWORKS

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- [x] GRI
- [x] SASB – (taken into consideration, where applicable)
- [x] CDP
- [ ] IFRS Sustainability Disclosure Standards (to be published)
- [x] TCFD

Other: EU Taxonomy – Pillar 3 ESG – plus several voluntary framework (see Response below)

RESPONSE

Mediobanca has published its Consolidated Non-Financial Statement once a year since FY 2017-18. The CNFS for FY 2022-23 has been drawn up in accordance with the provisions of Italian Legislative Decree 254/16 and with the "in accordance" option of the GRI-Sustainability Reporting Standards defined in 2016 and updated in 2021 by the GRI-Global Reporting Initiatives (the "GRI Standards").

The standards developed by the Sustainability Accounting Standards Board ("SASB") have also been taken into consideration, where applicable.

As from FY 2021-22, the Mediobanca Group is also subject to the reporting obligations introduced by Regulation (EU) 2020/852 of 18 June 2020 (the "Taxonomy Regulation") and by Commission Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 related to it. Since 30 June 2022 Mediobanca has provided qualitative information on environmental, social and governance risks as well as quantitative information on climate change on a half-yearly basis in Section 8 of Basel III - Pillar III - Disclosure to the public.

Since FY 2021-22 Mediobanca has also published the TCFD Report on an annual basis.
The Group has also adhered, directly or through some of its legal entities, to several initiatives and protocols including: Global Compact, PRB, PRI, NZBA, NZAM.

In 2020 the Group issued its first €500m Bond under the Green and Sustainable Framework (in July 2022 renamed the Green, Social and Sustainability Bond Framework) followed by the issuance of another €500m Sustainable Senior Preferred Bond in November 2022.
An annual report is published, reporting on the characteristics of the underlying pool of assets and the related impact metrics. EY was appointed as external auditor and has provided a positive outcome, validating the such report which will be published on Mediobanca's website to be made available to investors.

LINKS AND REFERENCES

- CNFS 22/23
  - 1.1- Reporting standards applied
  - 12 – EU Taxonomy
- TCFD 22/23
  - 3.1- The Framework
- Pillar 3 ESG reporting
- MB Green, Social and Sustainability Bond docs.

6.3 OUTLOOK

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[20], target setting[21] and governance structure for implementing the PRB)? Please describe briefly.

RESPONSE	LINKS AND REFERENCES
Mediobanca has for several years been strongly committed to ensuring its activities impact positively on society and the environment (as shown by the inclusion of CSR objectives for the first time in the 2019-23 Strategic Plan and by the additional ESG targets included in the 2023-26 Strategic Plan as well as the Group Remuneration policies). Its recent adherence to voluntary initiatives such as the NZBA and the TCFD, plus the numerous organizational and training activities undertaken, constitute further proof of the Group's growing commitment to sustainability issues, in view *inter alia* of its commitment to the PRB. Mediobanca will continue to assess positive and negative impacts. Next year the Group will: ◇ Conduct a double materiality exercise; ◇ Perform its impact analysis again; ◇ Quantify the baseline more exactly, and set targets for the Financial Health and Inclusion impact area; ◇ Monitor the progress of the SMART targets already set; ◇ Continue to set targets for the most polluting sectors covering the remaining scope requested by the Net-Zero Banking Alliance.	◇ CNFS 22/23 ◇ 9 - Future Objectives

6.4 CHALLENGES

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question). If desired, you can elaborate on challenges and how you are tackling these:

- [ ] Embedding PRB oversight into governance
- [ ] Gaining or maintaining momentum in the bank
- [ ] Getting started: where to start and what to focus on in the beginning
- [ ] Conducting an impact analysis
- [ ] Assessing negative environmental and social impacts
- [ ] Choosing the right performance measurement methodology/ies
- [x] Setting targets
- [ ] Other: ...
- [ ] Customer engagement
- [ ] Stakeholder engagement
- [x] Data availability
- [x] Data quality
- [ ] Access to resources
- [ ] Reporting
- [ ] Assurance
- [ ] Prioritizing actions internally
- [ ] Setting targets
- [ ] Other: ...

If desired, you can elaborate on challenges and how you are tackling these: ***we expect data availability and quality to increase in future, mainly through the implementation of Taxonomy reporting and CSRD implementation. Nonetheless, as of today we have experienced significant gaps in data availability and difficulties in data gathering (info providers often do not provide updated data). Estimating methodologies also still require further refinement and standardization.***

20 For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
21 For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Annex: Definitions

A set of indicators has been produced for the impact areas of climate mitigation and financial health & inclusion. These indicators will support you in your reporting and in showing progress against PRB implementation. Banks are expected to set targets that address minimum two areas of most significant impact within the first four years after signing the PRB. That means that Banks should ultimately set targets using impact indicators. Acknowledging the fact that banks are in different stages of implementation and on different levels of maturity and therefore might not be able to report on impact from the beginning, a Theory of Change approach has been used to develop the set of indicators below[22]. The Theory of Change shows the **pathway to impact** and considers the relationship between inputs, actions, outputs, and outcomes in order to achieve impact.

How to use: Both practice (action, outcome and output) and impact performance need to be understood because practice is the conduit for achieving desired impacts (including targets). The Theory of Change allows to identify metrics and set targets which align with a bank's maturity. The indicators below are all connected to a bank's impact and can be considered as steps towards measuring impact. Some of the practice indicators (on the action, output, and outcome levels respectively) are connected to portfolio composition and financial targets[23] (highlighted in green) or to client engagement[24] targets (highlighted in blue), which enable your overall target. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex to measure your performance and baseline[25]. Once you have set the target, you can use the indicators as guidance for your action plan as well as defining Key Performance Indicators (KPIs) which you can then use to measure progress against the set targets.

- **For Signatories of the Net-Zero Banking Alliance**: please report on the climate targets set as required in the Guidelines for Climate Target Setting. As a member of the Alliance, you are required to publish first 2030 targets for priority sectors within 18 months and further sectoral targets within 36 months after signing. You can use the PRB template to disclose the required climate target information if its publication date is in line with the committed NZBA timeframe.

22. It is not required from banks to work with the Theory of Change concept internally. In fact, the Theory of Change has been used to structure the requirements of setting SMART targets using relevant indicators.
23. Financial targets also aim for real economy outcomes but are not directly expressed as such. Instead, they are expressed with financial indicators and metrics, e.g., to redirect flows of lending and investments to sectors, activities or projects aligned with SDGs and/or related to the selected impact area. Banks can also set financial targets related to specific types of customers e.g., low-income customers or female entrepreneurs.
24. Client engagement targets involve engaging relevant clients and customers to enable your overall target. The purpose of client engagement is to support clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
25. You might not be able to report on all indicators and/or or levels of practice (i.e. from left to right), in which case you should report on all applicable indicators on the respective level of practice no matter if it is an action, output or outcome indicator.

IMPACT AREA	PRACTICE[26] (PATHWAY TO IMPACT)									IMPACT[27]		
	1. ACTION INDICATORS			2. OUTPUT INDICATORS			3. OUTCOME INDICATORS			4. IMPACT INDICATORS		
	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS
A. Climate change mitigation	A.1.1	**Climate strategy**: Does your bank have a climate strategy in place?	Yes/In progress/No	A.2.1	**Client engagement process**: Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (*for business clients*), or towards low(er)-carbon practices (*for retail clients*)?	Yes/Setting it up/No *If yes:* Please specify for which clients (types of clients, sectors, geography, number of clients etc.)	A.3.1	**Financial volume of green assets/low-carbon technologies**: How much does your bank lend to/invest in green assets/ loans and low-carbon activities and technologies?	bln/mn USD or local currency, and/or % of portfolio; *please specify* the definition of green assets and low-carbon technologies used	A.4.1	**Reduction of GHG emissions**: how much have the GHG emissions financed been reduced?	% over time; baseline and tracking GHG emissions in kg of CO_{2e} (or applicable metrics)[28]
	A.1.2	**Paris alignment target**: Has your bank set a long-term portfolio-wide Paris-alignment target? To become net zero by when?	Yes/In progress/No *If yes:* - please specify: to become net zero by when? - Emissions baseline /base year: What is the emissions baseline/base year for your target? - Climate scenario used: What climate scenario(s) aligned with the Paris climate goals has your bank used?	A.2.2	**Absolute financed emissions**: What are your absolute emissions (financed emissions = scope 3, category 15) in your lending and/or investment portfolio? *retail clients*)?	Total GHG emissions or CO_{2e} *(please also disclose what is excluded for now and why)*	A.3.2	**Financial volume lent to/invested in carbon intensive sectors and activities and transition finance**: How much does your bank lend to/ invest in carbon-intensive sectors and activities[29]? How much does your bank invest in transition finance[30]?	bln/mn USD or local currency, and/or % of portfolio	A.4.2	**Portfolio alignment**: How much of your bank's portfolio is aligned with Paris (depending on the target set [A.1.2] either 1.5 or 2 degrees)?	% of portfolio *(please specify which portfolio; for corporate and business clients: % of sectors financed)*
	A.1.3	**Policy and process for client relationships**: has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model? net zero by when?	Yes/In progress/No	A.2.3	**Sector-specific emission intensity** (per clients' physical outputs or per financial performance): What is the emission intensity within the relevant sector?	Please specify which sector (depending on the sector and/or chosen metric): kg of CO_{2e}/kWh, CO_{2e}/m^2; kg of CO_{2e}/USD invested, or kg of CO_{2e}/revenue or profit						

26. Practice: the bank's portfolio composition in terms of key sectors, its client engagement, and its relevant policies and processes, and, if applicable, its advocacy practices
27. Impact: the actual impact of the bank's portfolio
28. If possible and/or necessary, please contextualize the progress: Greenhouse gas emissions might even increase initially because the scope of measurements is extended and financed emissions from a growing proportion of the portfolio are measured, emission factors are updated etc. Emission reductions made by the clients should over time lead to a decrease in GHG emissions financed.
29. A list of carbon-intensive sectors can be found in the Guidelines for Climate Target Setting.
30. Transition finance is defined as financing the transition towards a low-carbon future in alignment with the Paris climate goals. It entails any form of financial support for non-pure play green activities to become greener and reduce emissions.

IMPACT AREA	PRACTICE (PATHWAY TO IMPACT)									IMPACT		
	1. ACTION INDICATORS			2. OUTPUT INDICATORS			3. OUTCOME INDICATORS			4. IMPACT INDICATORS		
	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS	CODE	INDICATOR	RESPONSE OPTIONS & METRICS
A. Climate change mitigation	A.1.4	**Portfolio analysis**: Has your bank analyzed (parts of) its lending and/or investment portfolio in terms of financed emissions (Scope 3, category 15); technology mix or carbon-intensive sectors in the portfolio?	Yes/In progress/No *If yes:* please specify which parts of the lending and investment portfolio you have analyzed	A.2.4	**Proportion of financed emissions covered by a decarbonization target**: What proportion of your bank's financed emissions is covered by a decarbonization target, i.e. stem from clients with a transition plan in place?	% *(denominator: financed emissions in scope of the target set)*						
	A.1.5	**Business opportunities and financial products**: Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?	Yes/In progress/No Please specify which ones, and what financial volume and/or % of the portfolio they account for									

Contact details

Group Sustainability

Mediobanca Banca di Credito Finanziaria S.p.A.

Piazzetta Cuccia, 1
20121 Milano
Tel. +39 02 88291
sostenibilita@mediobanca.com
www.mediobanca.com

MEDIOBANCA

All photos and other images are of Mediobanca offices and buildings