



TCFD Report 2022-2023

September 2023



MEDIOBANCA



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Introduction



MEDIOBANCA

1. Introduction

1.1 Mediobanca and its commitment against Climate Change

The Mediobanca Group is a highly specialized financial Group offering Corporate & Investment Banking, Consumer Finance and Wealth Management services. It has a long history in the insurance industry thanks to its ownership of Assicurazioni Generali¹.

Since Mediobanca's foundation, a responsible approach to banking based on a long-term perspective has been part of its DNA.

The ESG strategy is firmly integrated into the 2023-26 Strategic Plan that, in continuity with the previous one, combines business growth and financial stability with social and environmental sustainability, thereby creating long-term value for all stakeholders.

The commitments undertaken by the Group in this area have been translated into qualitative and quantitative targets that are measurable over time and integrated into the evaluation programmes for the entire corporate population and for senior management.

The targets set, which consolidate the integration of Environmental Social & Governance (ESG) topics into the corporate strategy, cover all the main areas of sustainability, with specific focus on Environment and Climate Change, which is one of the priorities stated in the Group Sustainability Policy.

ENVIRONMENTAL E CLIMATE CHANGE



Our choices are based on guaranteeing compatibility between economic initiative and environmental requirements.

Awareness of the fundamental role of finance in the transition to a net-zero emissions economy has led Mediobanca to launch a series of initiatives aimed at raising awareness throughout the organization at all levels - from the Board of Directors and its Committee to the entire personnel - on risk and opportunities linked to and arising from climate change.

Coherently with its ambition of aligning its business activities with the goals of the Paris Agreement, Mediobanca formalized its support to the **Climate-related Financial Disclosures (TCFD)** and joined the **Net-Zero Banking Alliance (NZBA)**, launched by the UN Environment Programme Finance Initiative (UNEP-FI), committing to reduce greenhouse gas emissions arising from its credit and investment portfolio at the path required to achieve a net-zero economy by 2050.

1. Additional information on Group are available on the Bank's website <https://www.mediobanca.com/en/our-group/index.html>.

In the **2023-2026 Strategic Plan**, Mediobanca reiterated its climate commitment to achieve **carbon neutrality by 2050**, with the **interim target** of a 35% reduction in financed emissions intensity by 2030.

At the same time the Group maintained its focus on **direct impact**, confirming use of electricity **100% from renewable sources by 2026** and maintaining **carbon neutrality** on own emissions.

1.2 Mediobanca Second TCFD Report

In continuity with the previous one, this Report discloses the results achieved and the methodologies applied to integrate environmental, social and corporate governance (ESG) criteria into Group's activities.

A section is dedicated to each of the TCFD pillars - Governance, Strategy, Risk Management, Metrics and Targets - to provide a comprehensive overview of the Group approach to climate risk and opportunities.

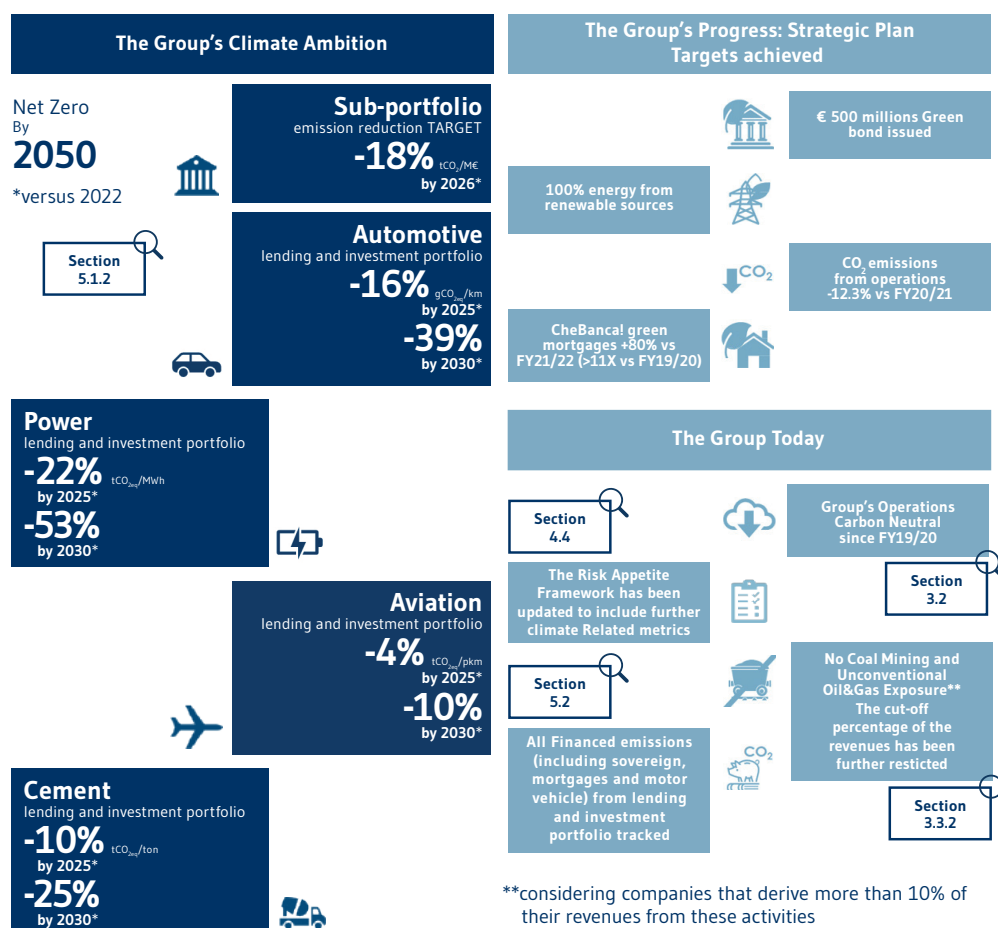
◆ **Governance** - In 2022, the governance structure adopted by the Bank for investment choices remained unchanged; at the same time various climate knowledge dissemination initiatives continued within the Group. In the section the following topics are described: the stages of the investment process in which sustainability and climate risk profiles are integrated; the structures in charge of proposals and the bodies that oversee their approval; the ways in which information on sustainability profiles and climate risks is transmitted to the Bank's top management; the role played by the CEO, the Managerial and Board Committees, which coordinates and directs the Bank's work on all ESG issues. An overview is given also on the way climate KPIs are integrated into remuneration incentive plan. Being aware that a key success factor to decarbonize the portfolio is represented by the level of awareness and knowledge of business lines and of counterparties on the Group's ambitions and solutions, Mediobanca has introduced an ad-hoc training to provide employees with the necessary skills to start a dialogue with the counterparties present in the Bank's portfolio, to deepen their transition plans and to illustrate the Bank's sustainability strategy.

◆ **Strategy** - Since 2019, the Bank's investment strategy has combined financial and sustainability criteria. With the 2023-2026 Strategic Plan, the Group has further strengthened its commitment to the integration of the two aspects, contributing to improving the management of sustainability risks and combating climate change. The section provides an overview of climate related objectives contained in the new strategic plan. These targets, which are both commercial and in terms of portfolio shaping, are instrumental to the strategy resilience model that the group is developing through the strengthening of climate Transition Products offering, exclusion Policies and stakeholders engagement, all within the context of a Risk Appetite Framework which increasingly incorporates climate related metrics. During the last financial year, more stringent exclusion criteria for high-impact sectors have been introduced with a view to decarbonising the portfolio.

◆ **Risk Management** - Sustainability risks have an impact on the financial risk and return profiles of portfolios. They also affect people's well-being, financial and price stability, the actual and potential growth of the economy, and thus the context in which the Group operates. For these reasons, Mediobanca integrates climate and sustainability factors into risk management, with the objective of identifying, managing and mitigating them, while progressively reducing the weighted average carbon intensity of its portfolio. In this section information is given on the climate risk materiality map developed during FY 2022-23, risk assessment methodologies and related results with reference to different risk classes (credit, market and operational risks etc.). Stress test methodologies and the Risk Appetite Framework (RAF) are also described. In its first TCFD, Mediobanca already described the methodology to identify the potential ESG Transition risk of the bank's corporate portfolio, based on

an ESG Heatmap at sectoral level, identifying the maximum acceptable level of exposure to counterparties with high environmental risk among risk appetite triggers. The 2021-22 RAF monitoring metric on CheBanca! mortgage loans and the related climate-risk, has been translated into a trigger in the FY 2022-23 RAF, which now also includes monitoring metrics related to a) Mediobanca S.p.A. and Mediobanca International (Luxembourg) S.A. (from now on “Mediobanca International”) lending portfolio emission intensity, b) CheBanca!’s mortgage collaterals energy efficiency and c) client’s portfolio exposure to SFDR products.

- ◆ **Metrics and Targets** - Mediobanca intends to manage its activities in line with the objectives of the Paris Agreement and with the target of climate neutrality to 2050 of the European Union. To this end and to comply with the commitment underwritten upon adherence to the NZBA, the Group went on setting 2030 interim targets as well as providing transparent reporting and accounting in line with the Race to Zero criteria. This section also contains the results of the following analyses and exercises which have been carried out during FY 2022-23 to align the Group with a bold climate ambition:
 - ◆ reporting of portfolio emissions: last year, a pilot exercise was conducted to quantify the emissions of the lending and investing portfolio held by Mediobanca S.p.A. and Mediobanca International using the methodology developed by the Partnership for Carbon Accounting Financials (“PCAF”). In FY 2022-23, the exercise has been extended to the corporate portfolio, as well as to mortgages, motor vehicle loans and sovereign bond asset classes to cover all the PCAF asset classes held by the Group;
 - ◆ setting of additional NZBA interim sector targets: last year, 2030 reduction targets were identified in relation to a limited scope of lending portfolio exposure in the Power and Automotive sectors. In FY 2022-23 additional sectoral targets, for Cement and Aviation, have been set. Moreover, these last targets and the previous ones have been extended to the Group and to the investment portfolio.



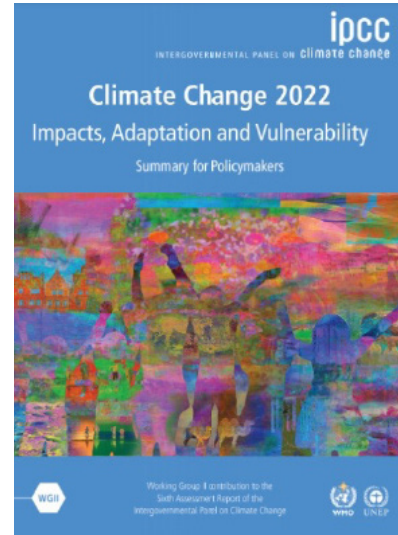
1.3 The context

1.3.1. The Climate Challenge

In February 2022 the IPCC (Intergovernmental Panel on Climate Change) published the second part of its sixth assessment report (AR6), where it presented the latest evidence on the impacts of climate change².

While stating that *“the threat that climate change poses to human well-being and the health of the planet is unequivocal”*, the IPCC warns that any further delay in global action to slow climate change and adapt to its impacts *“will miss a brief and rapidly closing window of opportunity to secure a liveable and sustainable future for all”* since the *“rise in weather and climate extremes has led to some irreversible impacts as natural and human systems are pushed beyond their ability to adapt”*.

Among the findings, highlights that if global warming passes 1.5°C – even temporarily before falling back again – *“human and natural systems will face additional severe risks”*, including some that are *“irreversible”*.



In light of these and previous scientific findings, Mediobanca is aware that climate change impacts and risks are becoming increasingly complex and more difficult to manage. Multiple climate hazards will occur simultaneously and multiple climatic and non-climatic risks will interact, resulting in compounding overall risk and risks cascading across sectors and regions.

2. The first part, published in August 2021, focused on the «physical science basis» of the Earth's changing climate.

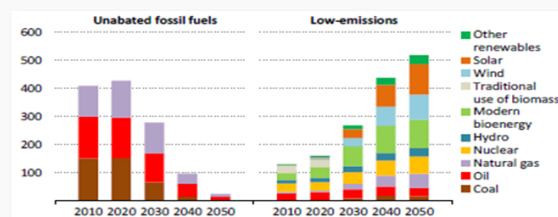
1.3.2. Market Context and Business Opportunities



MACROECONOMICS CONTEXT

According to Swiss Re Institute Report on the current trajectory, global GDP could contract by 11-14% by 2050 if the measures of the Paris Agreement are not implemented. The contraction of global GDP can be further aggravated by conflicts between states that can affect energy prices and energy supply, as happened due to the Russia-Ukraine conflict. The achievement of the agreed objectives would limit the loss to around 4%.

The current energy crisis can drive banks to consider investments in renewable energy and sustainable energy solutions.



Source: IEA 2021, Total energy supply of unabated fossil fuels and low-emissions energy sources



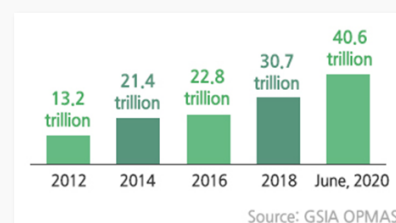
STAKEHOLDERS TRENDS

With ESG risks and opportunities driving more customers and investor decisions, expectations are rising for companies across all sectors to implement stronger climate commitments and performances.

- 86% of institutional investors cited climate change as the most significant ESG factor influencing investment decisions¹.
- 66% of Europeans feel that climate change will still be a serious issue by 2050².

Stakeholders are becoming increasingly aware of ESG issues, prompting banks to offer financial products and services that align with ESG criteria.

GLOBAL ESG-RELATED ASSET INVESTMENTS TREND (\$)



Source: GSIA OPMAS



REGULATION FRAMEWORK

Climate change poses material financial risks for the banking sector. It's up to regulatory authorities and banking institutions to better manage these environmental systemic risks and at the same time redirect capital towards sectors that are contributing to a more sustainable future.

In the 2018 The EU introduced the European Framework for Sustainable Growth, which includes the EU Sustainable Finance Action Plan and the Green Taxonomy to define sustainable investment activities from the end of 2021.

EU FRAMEWORK FOR SUSTAINABLE GROWTH



Legal and regulatory instruments are pushing banks to take concrete steps to align themselves with sustainability goals and to contribute to the transition to a low-carbon economy. **Banks must adapt to these new rules and adopt consistent approaches and tools to assess and monitor the ESG impact of their activities.**



INDUSTRY TRENDS

The ESG industry is experiencing significant growth, with increased demand for sustainable financial products and services. A study conducted by McKinsey and NielsenIQ in February 2023, showed that products with ESG-related claims averaged 28% cumulative growth over the past five-year period, versus 20% for products that made no such claims³.

Banks are increasingly incentivized to offer innovative ESG solutions to meet this demand. For example, **banks can provide ESG investment funds, advise investors on integrating ESG into investment strategies, and develop environmental and social impact assessment tools.** Being at the forefront of ESG integration can enhance banks' reputation and attract new customers who prioritize environmental and social concerns.

1. Source: Kiran Vasantham and David Shammal, Institutional investor survey 2020, Morrow Sodali, 2020.

2. Source: EIB – The EIB Climate Survey 2021-2022, Citizens call for green recovery, April 2022.

3. Source: McKinsey & NielsenIQ, Consumers care about sustainability—and back it up with their wallets, February 2023.

1.3.3. The role of finance

As highlighted by the most recent WGIII IPCC report, finance has a pivotal role in enabling the net zero transition: “Average annual modelled investment requirements for 2020 to 2030 in scenarios that limit warming to 2°C or 1.5°C are a factor of three to six greater than current levels, and total mitigation investments (public, private, domestic and international) would need to increase across all sectors and regions.”

The global capital and liquidity are deemed “sufficient to close global investment gaps”. Indeed, an increased availability of and access to domestic and international finance, when in conjunction with other supportive actions “can act as a catalyst for accelerating adaptation and mitigation and enabling climate resilient development” and would allow for an accelerated climate action.

However, this is affected by the presence of multiple barriers including the “inadequate assessment of climate-related risks and investment opportunities” for which action and disclosure, in line with TCFD recommendations, are crucial to overcome this barrier and thus finally make the climate transition effective.

CALL TO ACTION

Mediobanca is conscious that businesses and financial institutions are critically dependent on the healthily functioning of social and environmental systems for their value creation. Working collaboratively, Mediobanca must structure climate action in a deliberate way, ensuring plans are socially just and properly consider the systemic interconnections with related issues such as nature loss, geopolitical instability and growing levels of inequality.

Having made bold commitments, society must now focus on taking action to implement transition plans.

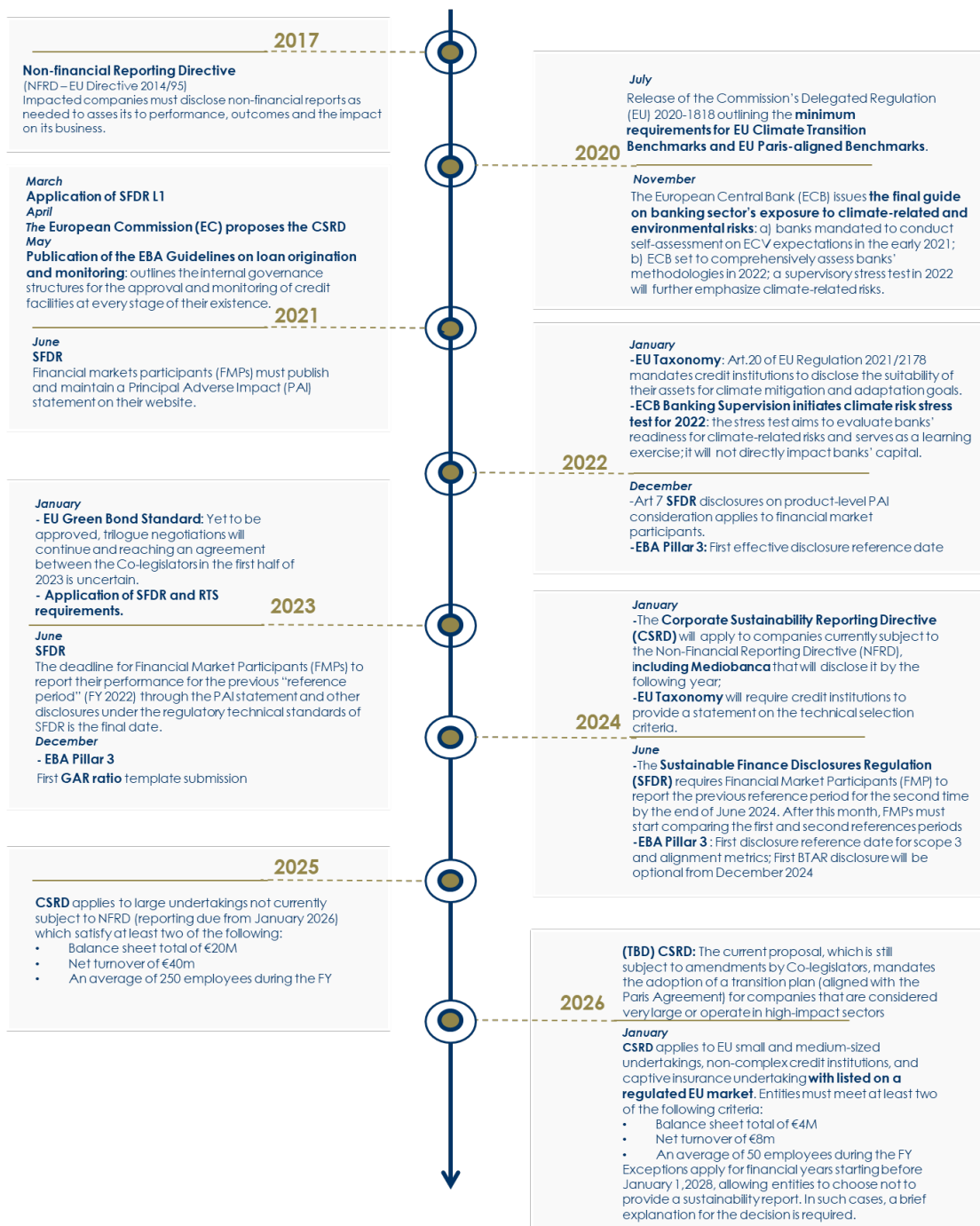
Banks’ Net-Zero commitments require financial institutions to adapt their operating models shifting the way financial institutions analyze risk and generate revenue. More broadly business strategies shall incorporate this new vision, with client-facing staff to understand what this means for the way they and their clients do business.

Mediobanca recognizes its responsibility as an operator of the financial system in contributing to the fight against **climate change**, which **represents one of the pillars of ESG objectives embedded in the 2023-2026 Strategic Plan**.

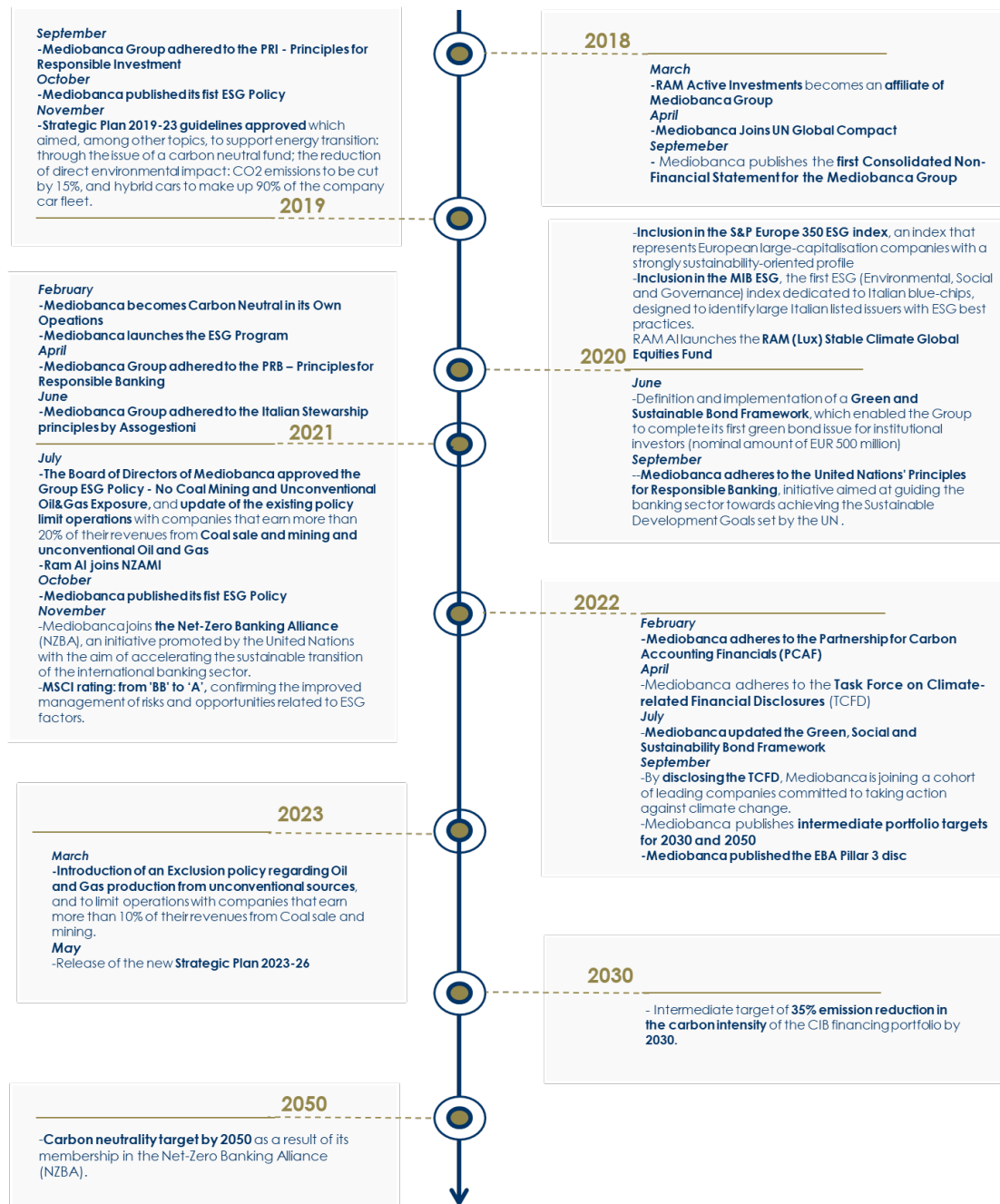
1.4. Mediobanca towards Net Zero

The political environment surrounding sustainability and climate disclosure is evolving internationally. Companies are required to provide an increasing number of disclosures, with ever greater granularity.

The main policies that affect the Mediobanca Group are displayed in the following timeline:



Mediobanca Group picked up the Climate Challenge and has invested to grow sustainably. This has been achieved over the years by implementing internal policies, joining a variety of initiatives and setting targets to reduce its emissions.



1.5 Report overview

TCFD RECOMMENDATIONS: CROSS REFERENCES			
TOPICS	TCFD RECOMMENDATIONS	REFERENCES ³	
GOVERNANCE	<p>Disclose the organization's governance around climate-related risks and opportunities, describing:</p> <ul style="list-style-type: none"> The Board's oversight of climate-related risks and opportunities Management's role in assessing and managing climate-related risks and opportunities 	<p>TCFD</p> <ul style="list-style-type: none"> 2. Governance of the Organization in relation to Climate-related Risks and Opportunities 2.2 Board oversight 2.4 Management's role <p>CNFS</p> <ul style="list-style-type: none"> 3.2 Governance Model 3.5 Sustainability Governance 5.7 Staff incentives, benefit and remuneration 9 Future objectives 	
STRATEGY	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning, describing:</p> <ul style="list-style-type: none"> The climate-related risks and opportunities the organization has identified over the short, medium and long term The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario 	<p>TCFD</p> <ul style="list-style-type: none"> 3.3.1 Climate related opportunities and Mediobanca Climate Solution Products 3.3 Transition plan and Strategy Resilience 4.2 Climate related and Environmental Risks Materiality assessment; 4.5 Scenario analysis for Climate Stress Testing <p>CNFS</p> <ul style="list-style-type: none"> 3.3 Compliance, internal control and risk management 6.1.6 Responsible business 6.1.7 Sustainable products 	
RISK MANAGEMENT	<p>Disclose how the organization identifies, assesses, and manages climate-related risks, describing:</p> <ul style="list-style-type: none"> The organization's processes for identifying and assessing climate-related risks The organization's processes for managing climate-related risks How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management 	<p>TCFD</p> <ul style="list-style-type: none"> 4 Risk Management <p>CNFS</p> <ul style="list-style-type: none"> 3.3 Compliance, internal control and risk management 8.1 Relevant policies and risks Group ESG Policy 	

3. TCFD means this report and CNFS means the Consolidated Non-Financial Statement 2022-23 published on Mediobanca website at <https://www.mediobanca.com/en/sustainability/index.html>

TCFD RECOMMENDATIONS: CROSS REFERENCES			
TOPICS	TCFD RECOMMENDATIONS	REFERENCES ⁴	
METRICS & TARGETS	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material, in particular:</p> <ul style="list-style-type: none"> • Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process • Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks • Describe the targets used by the organization to manage climate-related risks and opportunities and performances against targets. 	<p>TCFD</p> <ul style="list-style-type: none"> ◇ 5 Metrics and Targets ◇ 5.1 Portfolio Target ◇ 5.2 Financed emissions ◇ 5.3 Targets & Metrics relative to direct impacts (own operations) <p>CNFS</p> <ul style="list-style-type: none"> ◇ 3.8 Sustainable Development Goals ◇ 7.3.1 Environment and territory ◇ 8.2 Support for the climate transition ◇ 8.4 Energy consumption and CO₂ emissions ◇ 9 Future Objectives <p>Definition of a Green and Sustainable Bond Framework; and issuance of the first Green Bond⁴</p>	

4. Published on Mediobanca website at <https://www.mediobanca.com/en/sustainability/esg-and-the-focus-on-consumers/responsible-investments-and-esg-products.html> and at <https://www.mediobanca.com/en/investor-relations/financing-rating/green-social-and-sustainability-bond-framework.html>



Governance of the Organization in relation to Climate-related Risks and Opportunities



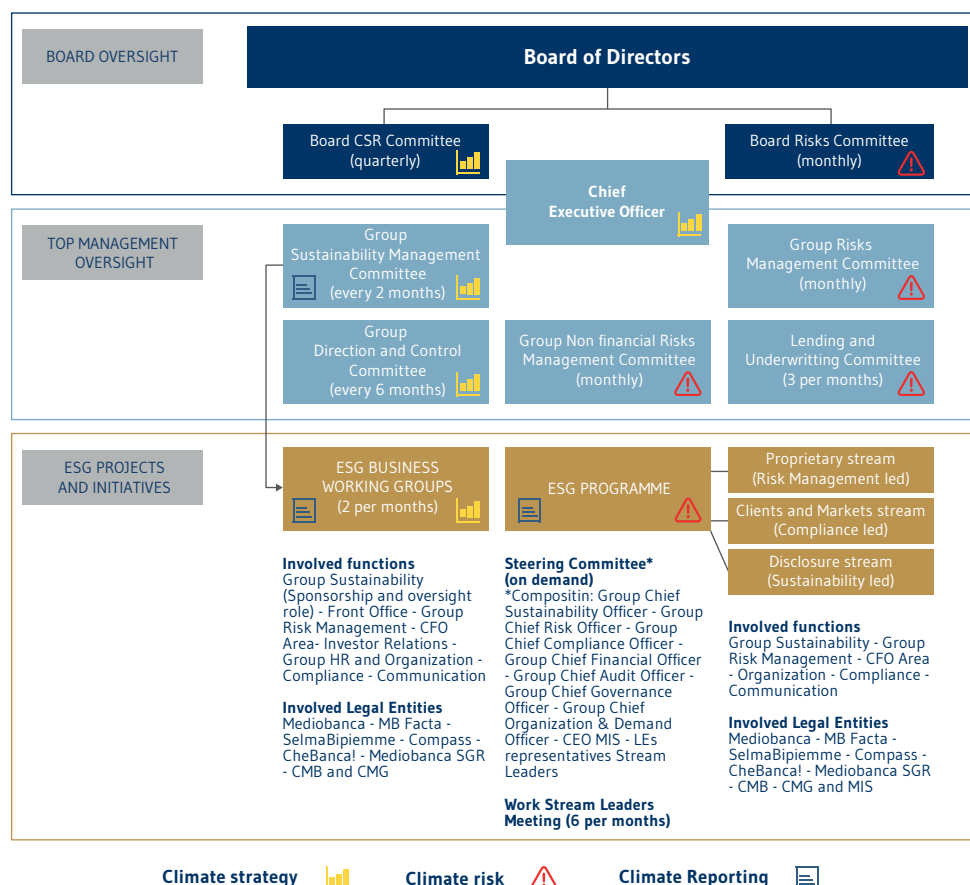
MEDIOBANCA

2 Governance of the Organization in relation to Climate-related Risks and Opportunities

2.1 Sustainability Governance overview

Mediobanca has been a pioneer among Italian Banks in designing ESG governance, starting from the Board of Directors assignment to the **Chief Executive Officer**, on 14 June 2017, of the responsibility oversight over sustainability activities.

In the following years **Board, Directional and Management Committees** have been set up to cover specific sustainability topics, increasing awareness of risk and opportunities related to environmental topics (in particular on climate change), ensuring that all levels have: adequate understanding of the issues, dedicated resources and skills to identify and manage risks and to seize opportunities arising from this matter.



The following paragraphs provide details on **Board and management oversight over climate topics**, management and staff **incentives** linked to climate, as well as on **initiatives and organizational changes** implemented to spread knowledge and decline climate related topics into business approach and daily activity.

2.2 Board oversight

Mediobanca has adopted a traditional system of governance based on the appointment of a Board of Directors and Statutory Audit Committee by shareholders gathered in Annual General Meeting⁵.

2.2.1 Board of Directors

The **Board of Directors** is responsible for strategic management and oversight, approving the Bank's strategic direction, including sustainability and ESG/climate related topics, and reviewing their implementation on an ongoing basis by defining the Bank's overall governance and organizational structure. In this context, the Board of Directors is responsible for, inter alia:

- ❖ defining the **business model**, in full knowledge of the risks to which such a model exposes the Group and the Bank;
- ❖ approving the **strategic guidelines** and direction, business and financial plans, and budgets (monitoring their implementation, and regularly comparing the results delivered with those planned);
- ❖ approving the draft of individual and consolidated financial and non financial statements, as well as Pillar III disclosure;
- ❖ reviewing and guiding the risk management process, by approving the Risk Appetite Statement («RAS»), the Risk Appetite Framework («RAF»), risk objectives, risk governance policies and tolerance thresholds (where identified), checking them to ensure they are consistent with the strategic plans adopted;
- ❖ the main Internal **Regulations, Policies and Codes**, including its Code of Ethics, Code of Conduct, as well as Group Sustainability Policy and Group ESG Policy which also cover relevant climate related topics.

It is also responsible for compiling the staff remuneration and incentivization policy (including the sustainability ESG related performance indicators contained therein), submitting it to the approval of shareholders in Annual General Meeting, and revising it on at least an annual basis, and is responsible for ensuring it is implemented correctly in practice.

During FY 2022-23 the Board of Directors met 10 times and in each meeting climate related documents and topics have been discussed/approved, including the ones listed below, thus exercising its oversight on climate-related risks and opportunities related to banking and investment activities performed by Mediobanca as well as on the impacts generated directly (i.e with its own operations) and indirectly (through banking, investing and advisory activities) on the climate by the Group.

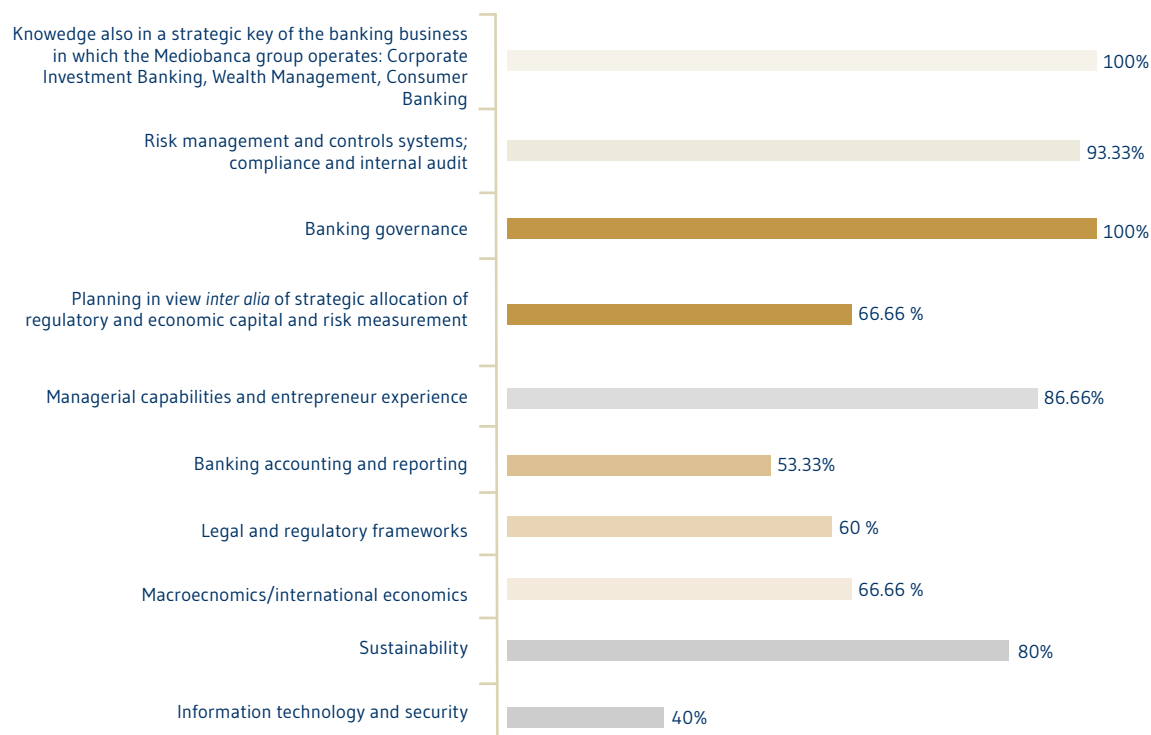
5. Mediobanca provides detailed information on its corporate governance and the composition of its governing bodies in its «Annual Statement on Corporate Governance and Ownership Structure» which is published on its website at www.mediobanca.com under Governance Reports and Documents.

- ◆ 2021-2022 Consolidated Non-financial Statement (CNFS) and TCFD Report
- ◆ 1st set of Net Zero Targets (Power and Automotive)
- ◆ Pillar III ESG disclosure at 30 June 2022 and 31 December 2022
- ◆ New strategic and operational plan to advance the identification and management of climate-related and environmental risks (remediation plan following 2022 ECB Climate and Environmental risk Thematic Review)
- ◆ Remuneration and incentivization policy (including climate related performance indicators contained in the LTI and in the Bluebook)
- ◆ 2023 Material Topics (according to new GRI Standards)
- ◆ RAS and RAF: incorporation of climate key risk indicators (KRIs), RAF monitoring and update to take into account additional physical risk and transition risk metrics
- ◆ ICAAP: economic perspectives are updated to take into account the quantification of physical risk and transition risk
- ◆ Group Sustainability Policy and Group ESG Policy (updates approval)
- ◆ Introduction of additional climate related KPIs (in addition to the two introduced in FY 2022-23) in next financial year RAF - further details are provided in section 4.4.
- ◆ Review and **integration of climate related objectives in the 2023-2026 Strategic Plan.**
- ◆ Debriefing of latest CSR Committee and Risk Committee (see below for further details).

Besides this document, which contains the 2nd set of Net Zero Target (related to Cement and Aviation) and the transition plan related to the 1st sectoral targets (Power and Automotive) was shared with the **Board of Directors on 20 September 2023**. Further details are provided in Section 5.1.

Mediobanca Directors are banking experts, corporate and legal compliance specialists and professionals who bring their international experience and in-depth understanding of global dynamics. The table aside provides an overview of their skills and expertise of the current Board of Directors⁶: **80% of the members have sustainability competences.**

6. For details of the individual Directors' professional qualifications and areas of competence, please refer to the dedicated sections of the Mediobanca website at <https://www.mediobanca.com/en/corporate-governance/board-of-directors/composition-and-role.html> - <https://www.mediobanca.com/en/corporate-governance/board-of-directors/board-of-directors.html>



To further enhance ESG competences, in 2022 and 2023, the following **Board of Directors** training sessions on «ESG Risk Awareness» took place:

- ❖ February 2022 – «Impact of ESG topics on European Banks», providing an overview of the Climate Change and the related risk and opportunities for Financial Institutions;
- ❖ October 2022 – «The integration of ESG risks», specifically focused on climate and environmental (C&E) risk, detailing the regulatory road map, the feedback received by the ECB Thematic Review and of the Climate Stress test on C&E risk, key TCFD Report takeaways and next priorities on climate topics;
- ❖ February 2023, «Sustainability issues related to the Group's activities», providing an overview on upcoming regulations and the sustainability positioning and objectives of the Group with a specific focus on Portfolio Decarbonization and climate related targets.

2.2.2 Board Committees

As provided by Articles of Association, the Board of Directors has established an Executive Committee (responsible for the ordinary management of the company) and other Board Committees⁷ tasked with researching, preparing the documentation for and giving their opinion on items to be submitted to the approval of the Board itself⁸ in relation to some areas of competence.

On 24 March 2022 the Board of Directors announced that **the governance of climate strategy and risk are respectively under the responsibility of Corporate Social Responsibility (CSR) Committee (following CEO proposal) and Risks Committee**, the latter providing support to the Board in its supervision of ESG risks, with reference in particular to the implications of climate and environmental risks on business model and strategy.

The **Board CSR Committee** - set up in September 2019 – meets at least on a quarterly basis and

7. Board Committees are: the Corporate Social Responsibility Committee, the Risks Committee, the Related Parties Committee, the Remunerations Committee, the Appointments Committee and the Committee instituted pursuant to Article 18 of the Articles of Association.

8. Except for the Committee instituted pursuant to Article 18 of the Articles of Association, which is vested with powers of approval for matters which fall within its remit.

currently consists of the Chief Executive Officer (who chairs it) and 4 non-executive Directors. The Group General Manager, Group Chief Governance Officer, Group Chief Sustainability Officer and Group Chief Risk Officer take part in Committee meetings, along with any other Group staff invited by the Committee Chair based on the items on the agenda.

The Committee **ensures that the Group is correctly positioned with respect to its strategy of sustainable growth** (including from a climate-related point of view) over time, valorising its staff, sensitivity to social issues, and reducing direct and indirect impact on the environment. **It has responsibility for processing sustainability proposals/documents to be submitted to the Board's approval** including the Group Sustainability and Group ESG Policies, the Consolidated Non-Financial Statement⁹ and (following CEO proposal) the ESG (and in particular climate-related) strategy. Besides the Committee liaises with the Remuneration Committee to assess whether the ESG objectives set in the management scorecards have been met.

During FY 2022-23 the CSR Committee met 5 times and assessed, inter alia, the following climate related documents and topics, thus supporting the Board of Directors in the exercise of its oversight role on climate related opportunities and direct and indirect impacts.

- ◆ Monitoring of the 2021-2022 CNFS and TCFD Reports stages
- ◆ Overview of the setting of the 1st set of Net Zero Target (Power and Automotive)
- ◆ Green, Social and Sustainability Bond Report
- ◆ Overview of best practice Decarbonization Plans
- ◆ Revised Group Sustainability Policy
- ◆ Revised Group ESG Policy
- ◆ 2023 Material topics
- ◆ Monitoring the implementation of the Climate related objectives to be included in the 2023-2026 Strategic Plan.

Each immediately following Board meeting is informed about and, to the extent applicable, takes decision in relation to proposal submitted for approval in relation to the topics pre-discussed on the preceding CSR Committee meeting.

Besides the **CSR Committee held on 8 September 2023** approved the 2022-2023 Consolidated Non-financial Statement and reviewed the 2022-2023 TCFD Report which contains the 2nd set of Net Zero Target (related to cement and aviation) and the transition plan related to the 1st sectoral targets (energy and automotive).

The **Board Risks Committee** meets at least on a monthly basis and consists of 5 non-executive Directors; the Statutory Audit Committee attends the meetings too. The Group Chief Governance Officer, Group Chief Risk Officer, Group Chief Financial, Group Chief Audit Officer and Group Chief Compliance Officer take part in Committee meetings, along with any other Group staff invited by the Committee Chair based on the items on the agenda. At least twice a year, the Chief Executive Officer and the Group General Manager participate in meetings to report on the adequacy of the internal control system.

9. The Board of Directors approves the Consolidated Non-Financial Statement, subject to prior review by the CSR Committee. The Statutory Audit Committee performs monitoring to ensure that the provisions of the regulations on non-financial reporting are complied with, and reports on it in the annual report to shareholders on the occasion of the annual general meeting.

The Committee advises and supports the Board of Directors with respect to internal control, risk evaluation, monitoring and management (including ESG/climate related/environmental risks) and the accounting/reporting model. Inter alia it: a) supports the Board of Directors in the supervision of risk management policies; b) regularly checks the functioning and efficiency of the risk control and management system and procedures; and c) reviews plans for calculating the adequacy of the Bank's current and estimated aggregate capital at consolidated level with respect to large risks that the bank and group are exposed to (ICAAP), reporting the results to the Board of Directors. The Committee also checks that the Bank's remuneration and incentivization system is consistent with the RAF and defines the Bluebook KPIs¹⁰ for the scorecard of Top Management.

During FY 2022-23 the Risks Committee met 18 times and assessed, inter alia, the following climate related documents and topics, thus supporting the Board of Directors in the exercise of its oversight role on climate related risks connected both to the own operations of the Bank and its business model.

- ◆ New strategic and operational plan to advance the identification and management of climate-related and environmental risks (following 2022 ECB Thematic Review)
- ◆ Update on the bank's climate-related and other environmental risks disclosures practices and adherence to supervisory expectations
- ◆ RAS and RAF: incorporation of climate key risk indicators (KRIs), RAF monitoring and update to take into account additional physical risk and transition risk metrics
- ◆ ICAAP: economic perspectives are updated to take into account the quantification of physical risk and transition risk
- ◆ Pillar III (including section. 8 ESG risk)
- ◆ Quarterly review of the Corporate Loan & Investment Portfolio ESG Heatmap
- ◆ Climate Stress Tests Results
- ◆ Group Risk Map (including climate risk) updates
- ◆ ESG (including climate) related Issuer Risk limits review
- ◆ Remediation plan following 2022 ECB Climate and Environmental risk Thematic Review
- ◆ Focus on Portfolio Alignment Methodology
- ◆ Monthly update on «Single Supervisory Mechanism» (interaction/requests from the Supervisor, including climate related ones)
- ◆ The immediately following Board meeting is informed about and, to the extent applicable, takes decision in relation to proposal submitted for approval in relation to the topics pre-discussed on the preceding Risk Committee meeting.

10. Containing a basket of indicators used in the individual scorecards of the Group's senior management representatives whose performance is evaluated directly by the governing bodies and as part of the performance evaluation of the other non-senior management Material Risk Takers (MRT).

2.3 The Chief Executive Officer

As previously stated, the Chief Executive Officer is responsible for governance of sustainability and corporate social responsibility activities, for the implementation of action to be taken in this area and for monitoring it, ensuring that the Group is positioned correctly on sustainability issues in the relevant areas.

Given his **crucial organizational position**, CEO plays a catalyst role on the Bank's line of action, **guaranteeing an effective connection in all bottom-up or top-down decision-making processes between the Board and the management**, ensuring that the Group is correctly positioned on these issues in the affected areas.

During FY 2022-23 the CEO has been deeply involved, in the following activities.

- ◆ Review of the Consolidated Non-financial Statements and TCFD Report
- ◆ Monitoring of group initiatives and activities to develop climate risk awareness within the organization and the business
- ◆ Implementation of Mediobanca Climate Transition Plan
- ◆ Setting of 2023-2026 Strategic Plan, including climate related targets
- ◆ Continuous monitoring of the corporate loan and investment portfolio of Mediobanca to assess the ESG (incl. Climate and Environmental) risk thereof: an updated heatmap is analyzed and discussed on a quarterly basis in the context of Group Risks Management Committee (see below)
- ◆ Single name credit and investment decisions also based on climate related risk assessments in the context of Lending and Underwriting Committee (see below).

Please note that decisions of any topic discussed in the committees mentioned in the last two bullets requires necessarily the Chief Executive Officer's approval which has a – de facto – veto right.

The attendance in the main Committees allows for a safe and correct flow of information that enable the CEO to be informed, monitor and have a clear vision of business risks and opportunities, including those climate-related.

2.4 Management's role

2.4.1 Directional Committees¹¹

- ◆ The **Group Risks Management Committee** («CGRG») examines in advance, and expresses its opinion on, resolutions on **risk-related issues** for which the Risks Committee, the Executive Committee and the Board of Directors have responsibility, with reference in particular to the ICAAP, ILAAP, RAF and the risk assessment policies. The Committee monitors the development and operation of commercial, lending and financial policies in accordance with the RAF. The Committee defines and updates the framework for managing the impacts deriving from **ESG risk factors (including environmental and climate related risk)**, evaluates their sub-division in terms of regulatory risk, assesses the set of methodologies employed on a regular basis, and monitors the overall effectiveness of the measures adopted.

11. The Directional Committees have been attributed with specific tasks within the risk assumption, management, measurement and control processes. Other Directional Committees are: Group ALM Committee, New Operations Committee, Investments Committee, Group Wealth Investment Committee, Private & Affluent Investments Committee and Conduct Committee.

The Committee meets at least once a month and consists of five¹² members with powers of approval (the Chief Executive Officer; Group General Manager; Group Chief Risk Officer; Chief Executive Officer of Compass and CheBanca!) and some non-voting guests including the Chairman and the Chief Group Sustainability Officer (if ESG related risks are discussed). Resolutions of the Group Risks Management Committee are approved with a majority of members with powers of approval voting in favour, including **necessarily the Chief Executive Officer's approval**.

- ◆ The **Lending and Underwriting Committee** («LUC») has been attributed risk-taking powers within the limits set forth in the 26 October 2021 Executive Committee Resolution in respect of operating powers.¹³ Such resolution has also explicitly delegated the LUC to examine the **ESG risk profile** of the counterparties named in the proposed lending resolution. The Committee meets regularly (at least once per month, but de facto more frequently). LUC members with powers of approval are the Chief Executive Officer, Group General Manager and Group Chief Risk Officer. Resolutions are approved with a majority of members with powers of approval voting in favour, including **necessarily the Chief Executive Officer's approval**.
- ◆ The **Group Non-Financial Risks Committee** is responsible for monitoring and mitigating non-financial risks. In particular, the Committee checks the non-financial risk profile of Mediobanca and main Group companies on a regular basis, through analysis of the most significant non-financial risks, including climate-related operational and reputational risks. The Committee meets at least once every three months; members with powers of approval are: Group General Manager, Group Chief Risk Office, Head of Group Technology and Operations; Head of Non-Financial Risks Management and Head of Compliance & Group AML. It evaluates and arranges the actions/initiatives necessary in order to mitigate non-financial risks, issuing specific mandates to the relevant bodies carry them out, monitors the effectiveness of the mitigation actions and provides indications regarding the possible creation of provisions in order to cover specific non-financial risks. The Committee also examines the results of the checks and tests of the business continuity plan and the possibility of updates to the plan itself. Resolutions are approved with a majority of members with powers of approval voting in favour, including necessarily the Group General Manager's approval.

2.4.2 Management Committees

- ◆ The **Group Sustainability management Committee** has the task to propose, promote and monitor initiatives aiming to have a positive contribution on the community both in terms of direct and indirect impacts as well as to make sure that such actions are in line with the stakeholders expectations and are adequately represented and reported inside and outside the Group. It supports the CEO and the CSR committee in the definition of the overall **ESG strategy including the approach to climate topics** at Group level. In the last few years, for instance, it has evaluated and, where necessary, submitted several initiatives to the CSR Committee, including updating internal Policies and adhering to voluntary ESG goals and frameworks (including the Sustainable Development Goals, Principles for Responsible Banking and the Net-Zero Banking Alliance).

It also oversees how climate topics are integrated into the activities and business of the various legal entities, inter alia:

- a) selecting the CSR and ESG (including climate related) initiatives

12. The members are currently four since the CEO role of Compass and CheBanca! is covered by the same person.

13. And, without prejudice to the limits set by the Articles of Association and the supervisory limits in force, in particular those relating to risk concentration.

- b) evaluating the Group's ESG product offer, monitoring their contribution to the Group's results.
- c) expressing a prior opinion on the plan to reduce the carbon footprint of the Group's portfolio and, consequently, on the sectoral transition plans drawn up in compliance with the requirements of the Net-Zero Banking Alliance.

From a climate disclosure point of view, the Committee expresses a prior opinion on the drafts of the Consolidated Non-Financial Statement as well as on the draft of the Task Force on Climate-Related Financial Disclosures (TCFD Report) and the documents that the Group is required to publish having adhered to the Principles for Responsible Banking and the Net Zero Banking Alliance, defining the methods of communication. It also provides a prior opinion on the Principal Adverse Impact (PAI, including those climates related) reduction targets for the portfolio management service on an individual basis, i.e. the main negative effects for sustainability deriving from investment decisions.

The Committee meets at least once every two months and is composed of the following members with powers of approval: the Chairman of Mediobanca; Chief Executive Officer; Group General Manager; Group Chief Sustainability Officer; Group Chief Risk Officer; Chief Executive Officer of Compass and CheBanca!; Group Chief Human Resources Officer; Group Chief Financial Officer; Group Chief Strategy & Investor Relations Officer; Group Chief Governance Officer. Representatives of both business and staff units can be invited. Resolutions of the Committee are approved with a majority of members with powers of approval voting in favour, including **necessarily the Chief Executive Officer's approval**.

- ◆ The **Group Direction and Control Committee** meets at least once every six months and, with reference to the principal Group Companies, shares the strategic plan and budget, discusses earnings and commercial performances, monitors and reviews the main strategic projects, reviews commercial initiatives (**including ESG ones**), checking consistency with the risk appetite adopted of the Group as a whole and of the individual Group companies.

The committee includes members with voting powers of both Mediobanca (Chief Executive Officer; Group General Manager; Group Chief Financial Officer; Group Chief Risk Officer, Head of Planning, Control & Budgeting, Head of Group M&A, Group Chief Strategic Corporate Development & Investor Relations Officer); and other Group Companies (Chief Executive Officer and/or General Manager; the Head of Administration, or, if a different person, the Head of Planning and Control; Head of Risk Management). The Chairman of Mediobanca is invited to participate in Committee meetings, along with any other Group staff that may be invited based on the items on the agenda. The Head of Group Sustainability is invited in case of reviewing commercial initiatives regarding ESG area.

Resolutions are approved with the majority of members with powers of approval voting in favour, including necessarily the Chief Executive Officer's and Group General Manager's approval.

2.5 Staff and Business Units responsibilities

Several units are involved in the assessment and management of climate risks and opportunities; internal regulations are constantly updated to reflect C&E risk management roles, responsibilities, reporting and methodologies¹⁴. Activities among the Bank's departments which are summarized below:

- ◆ The following Units are involved in the **internal environmental risk control framework**

14. To this extent an organizational Directive will be issued before the end of the year in order to describe how to integrate ESG – and in particular climate related ones – principles into corporate processes related to the proprietary portfolio and disclosure activities, formalizing related roles and responsibilities.

1ST LINE OF DEFENCE

Front Office

- contributes to the definition of the ESG strategy taking into account climate related risks and business opportunities in light of the market context
- receives climate related objectives deriving from the Group's adherence to ESG agreements/initiatives and translates them into the business offering
- analyzes, together with Risk Management, clients' climate transition plans and actively engages clients to encourage the adoption of Paris aligned business models
- manages the credit portfolio in coherence with ESG Credit Guidance and RAF
- together with Risk Management and Group Sustainability, checks the correct application of the Group ESG Policy (negative screenings and ESG investment limits).

2ND LINE OF DEFENCE

Group Risk Management units, each for its own areas of competence, defines methodologies aimed at measuring the impacts of environmental/climate related risk (both physical and transition) on the different risk categories (credit, market, liquidity and non-financial risk).

It also supports regular reporting internally and to supervisory authorities on issues related to climate and environmental risk.

Below some of the tasks performed:

- manages relations with the Supervisory Authorities also in relation to climate risk expectations, and with the support of Group Sustainability, monitors external regulation and best practices for climate risk management
- oversees the qualitative and quantitative integration of climate issues in – inter alia - RAF and ICAAP frameworks; defines, implements and updates on at least an annual basis the «materiality assessment», prepares the Risk reporting periodically shared with to the Board; coordinates the regulatory and management stress tests (incl. climate related ones);
- assess the exposure to climate risks of the credit and the proprietary investments portfolio, inter alia preparing and updating of the ESG «Heatmap»
- assess the «single name» ESG risk and – together with Group Sustainability check compliance of the ESG Policy of borrowers and invested counterparties
- defines the methodology and carries out the calculation of the Group's portfolio emissions («Scope 3») and portfolio alignment analysis exercises
- assesses, together with the Compliance & Group AML unit, the reputational risk aspects related to ESG factors.
- assesses operational risk connected to climate topics (i.e. business continuity of the Group's structures and of the main outsourcers).

Compliance and Group AML presides over the regulatory risks facing the Group and the reputational risks deriving therefrom. Within the broader ESG spectrum, Compliance and Group AML manages the AML, anti-bribery and corruption, and greenwashing risks. With specific reference to climate-related and environmental topics, Compliance unit is involved in the definition of the framework in co-operation with Group Risk Management and Group Sustainability.

3RD LINE OF DEFENCE

The Group Audit function performs a third-level reviews of climate related activities carried out by the Group in response to the requirements set by the Regulator, the initiatives to which the Group has adhered and the evolution of the market context.

◆ The following Units have **strategy setting and reporting responsibility**

STRATEGY

Group sustainability

- supports the CEO and the Corporate Bodies in defining the ESG strategy and setting up the ESG (including climate-related) objectives and KPIs included in the Strategic Plan
- prepares and updates sustainability and ESG Policies and proposes initiatives to be submitted to the CSR Committee and the Board of Directors for approval
- establishes the portfolio alignment targets to achieve the objectives set by the protocols to which the Bank adheres (and in particular by the Net Zero Banking Alliance)
- supports CFO, Risk Management and Front Office areas in the context of planning/budget activities to understand the impacts of the ESG strategy on business
- supports Group HR in the definition and monitoring of ESG KPIs included in the short-term and long-term incentive schemes (including those climate related)
- supports Risk Management and Front Office in verifying compliance with the screening criteria set out in the ESG Group Policy.

CFO unit

- supervises the process and data consolidation and monitors the quantitative climate related objectives and KPIs that are part of the Strategic Plan/Budget
- coordinates the planning/budgeting process (including climate related aspects), carrying out ex-post monitoring activities and actively collaborates with Group HR and Group Sustainability in the definition and periodic monitoring of climate related KPIs inserted into the remuneration reward system, providing the Remuneration Committee with detailed information on the results achieved
- through the Group Treasury unit, it takes care of the origination and structuring of financial instruments related to sustainable finance and manages the related Green, Social and Sustainable Bond Framework asset pool besides, it defines and updates the internal funding cost transfer curve (FTP), integrated with ESG logic.

REPORTING

Group sustainability

- is responsible for the preparation of the Consolidated Non-Financial Disclosure (and to this end coordinates the process of collecting contributions from the various structures of the Bank impacted) and for collecting the eligibility and alignment data required by the legislation in the Taxonomy field (also coordinating the LEs in the perimeter) and for preparing the disclosure on such data
- is responsible for producing and publishing the disclosure required by the Task Force on Climate-Related Financial Disclosures ("TCFD") and by the Principles for responsible Banking ("PRB"), producing the sections for which it is responsible and coordinating the collection of information from the other Bank units involved
- contributes to Pillar III ESG disclosures.

CFO unit

- prepares the Public Disclosure (Pillar III) including ESG tables (information set with directly derived accounting data and financial data on physical risk, GHG emissions and other data required by the Taxonomy), for which it coordinates the collection of information from the other units (es. Risk Management, Group Sustainability)
- contributes to the preparation of Taxonomy disclosure contained in the DNF providing accounting/financial data
- prepares the Green, Social and Sustainable Bond Framework annual reporting information.

◆ **Other Units** involved in climate related topics are

Group HR

- actively collaborates with Group Sustainability and CFO area in the definition and periodic monitoring of climate related KPIs inserted into the remuneration reward system
- in coordination with Group Sustainability (and if necessary, with Risk Management) organizes and delivers training sessions towards the operating structures on climate and environmental topics to promote corporate culture on these issues.

Group Technology and Operations through the "Group Data Office" unit, periodically checks the quality of the ESG data, integrating the data quality framework with controls on specific data/information flows prepared to meet the Bank's ESG needs (including those required by the Taxonomy disclosure).

IT – Mediobanca Innovation Service (MIS) is responsible for the design, implementation and maintenance of the architecture underlying the ESG reporting framework and of the tools to support ESG activities (heatmaps, ESG questionnaires on the credit risk side, etc.), ensuring the consistency of the data used for the needs of the different structures.

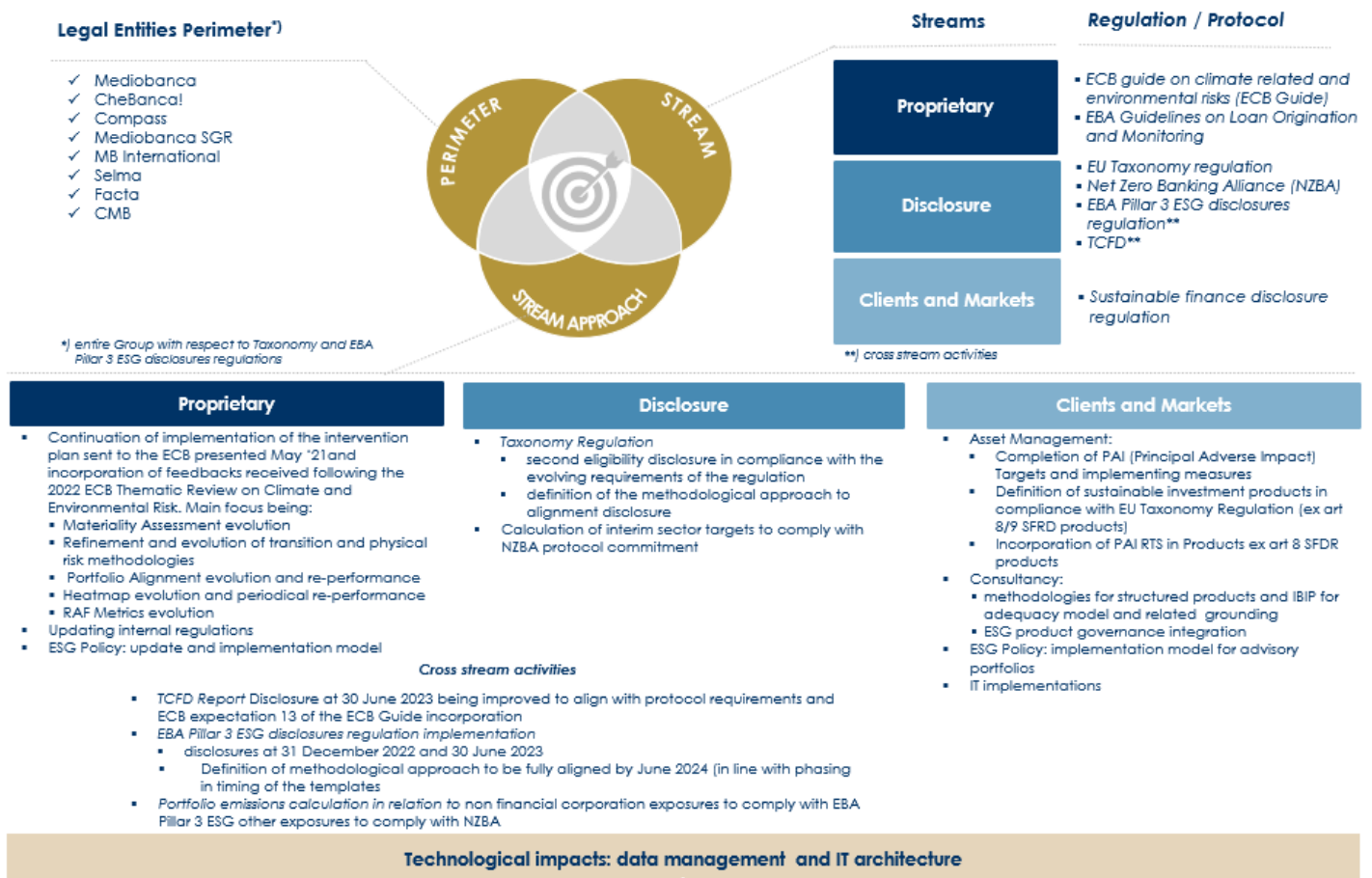
2.6 ESG Projects and initiatives

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2.6.1 ESG Programme

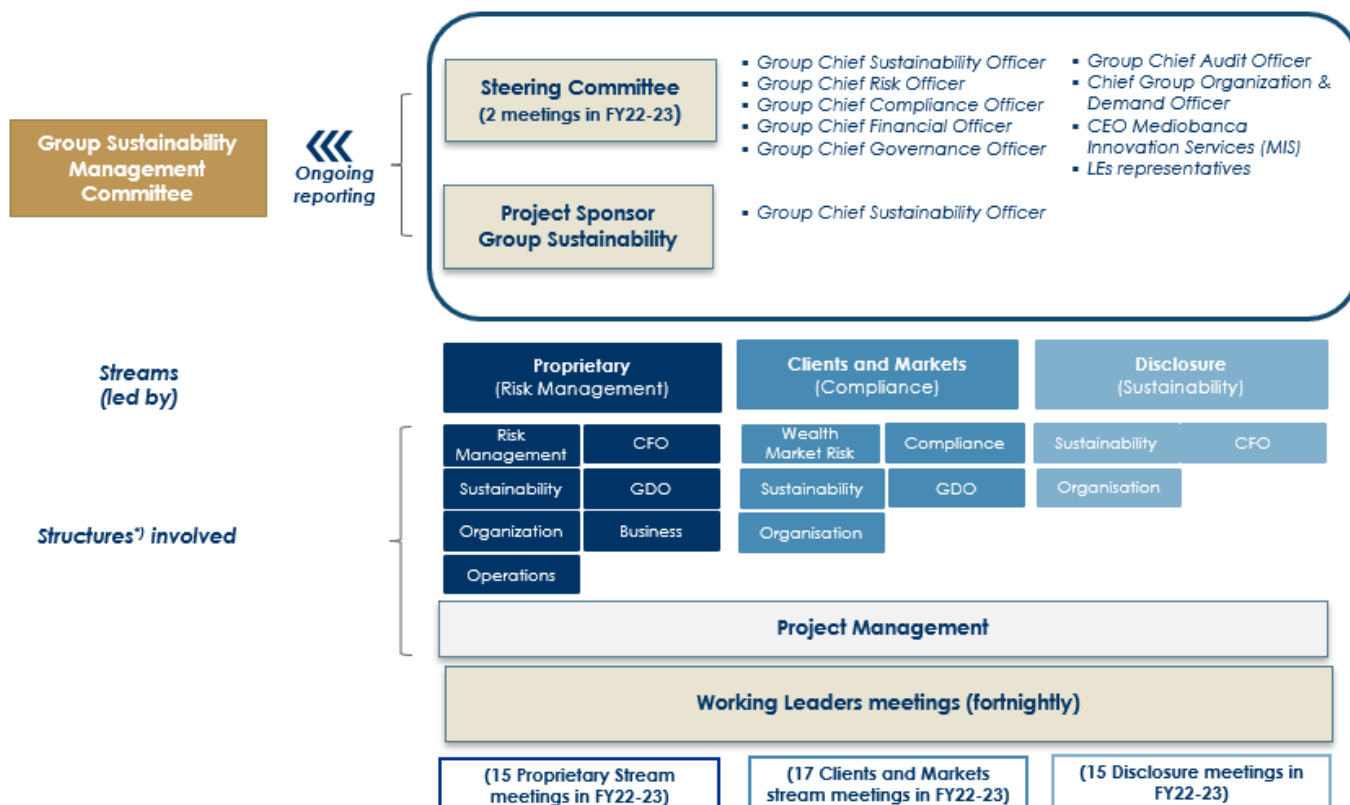
A multi-year plan was launched in January 2021 to gradually adapt the Group's operations to the new regulations in the ESG area.

The initiative denominated «ESG Programme», is articulated into three strands based on the business areas affected by the regulations.



The ESG Programme is sponsored by Group Sustainability and reports to the Group Sustainability Management Committee. Board Committees and the Board itself are periodically informed on key milestones and achievements of the ESG Programme. Indeed, Control Rooms meetings are held weekly, for a total of 26 times since January 2021, and WLM meetings are held fortnightly. These meetings have the scope to track the development of the ESG programme with all relevant parties included.

The chart below provides an overview of the governance of the initiatives as well as additional details on the organizational units involved.



^{*)} of Mediobanca and – where applicable – of the involved legal entities

Several actions implemented during the year under the Proprietary and Disclosure strands are contained in this TCFD report which represents in itself one of the initiatives accomplished by the Bank to align climate related and environmental risks disclosure to the expectations of the Regulator (Exp. n° 13 of the ECB guide on Climate and Environmental Risk) and other stakeholders.

More in detail, Phase 2 of the ESG Programme, in which the implementation of the interventions shared with ECB began, was completed in June '22. In addition, the groundwork was laid for compliance with obligations under SFDR as well as initial disclosures were made under Taxonomy and Pillar 3.

During FY 2022-23, Phase 3 focused on implementing the interventions declared to ECB, incorporating the findings from the Thematic Review '22 exercise, enlarging SFDR reporting, and preparing the second cycle of disclosure in the Taxonomy and Pillar 3 area, which envisages a progressive increase in the information to be reported.

2.6.2 ESG Working Group

Directors, CEO and Top Management support the establishment of sustainability culture and practice in which all employees understand their role in delivering alignment to the UNEPFI Principles of Responsible Banking (including with regards to climate topics) and translate this conviction into their approach to making business and daily behavior.

In this context an ESG Working Group («ESG WG») has been established to:

- ♦ promote understanding and awareness of sustainability issues within the Group;
- ♦ facilitate the adoption of a business strategy aimed not only at factoring risks, but also at identifying and seizing opportunities related to ESG issues;
- ♦ map the initial positioning and define the Group's objectives regarding ESG issues both in terms of impacts on society and the offer of sustainable products and services to customers.

The ESG WG, which reports to the Group Sustainability Management Committee, is structured in two thematic subgroups «**Business**» which will have the primary objective of declining in the business strategy the risks and opportunities related to ESG issues and «**Reporting**» focused on the quantification and monitoring of the economic and financial KPIs of the ESG-labeled product portfolio. Each subgroup meets indicatively on a monthly basis.

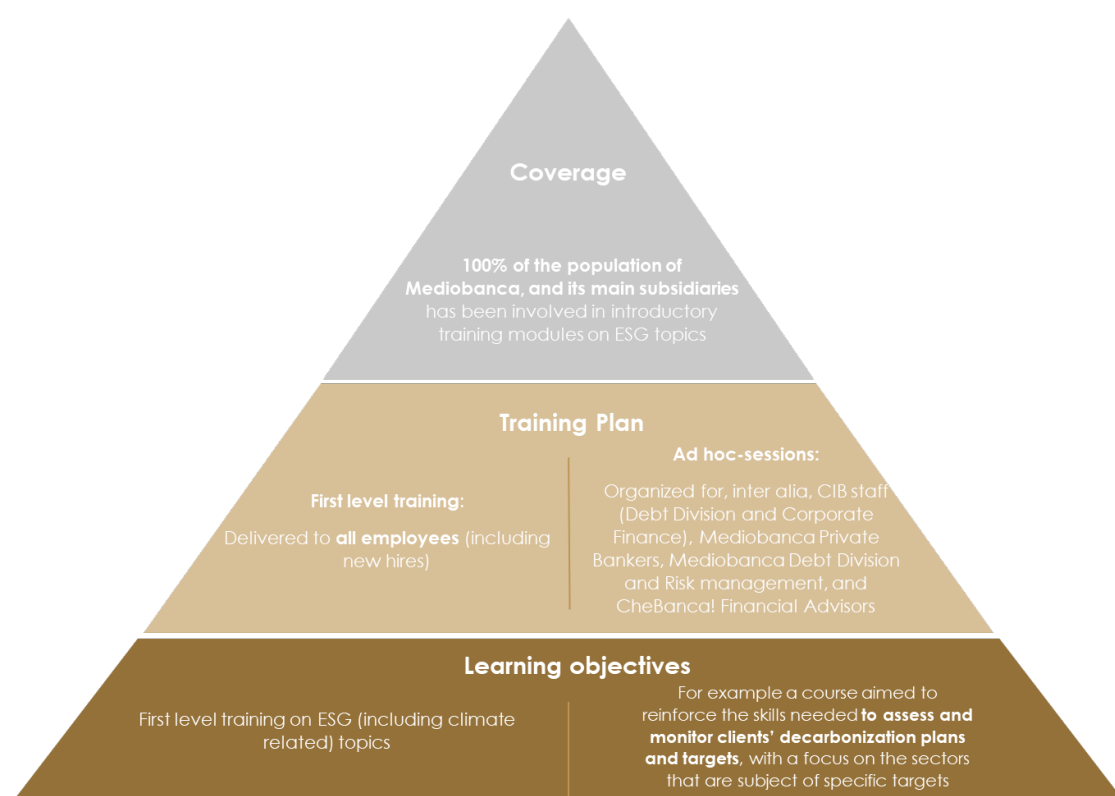
2.6.3 Training initiatives

During the fiscal year, several **training initiatives** were **launched to increase the Board Competences and Group employees' awareness on ESG and, in particular, climate related topics**. The entire population of Mediobanca, and its main subsidiaries was involved in introductory training modules on ESG topics which also covered Climate Change and Green Products.

The entire corporate population of Mediobanca and the main Group legal entities (including new hires) receive a first level training on ESG (including climate related) topics. Furthermore in 2022 ad hoc-sessions have been 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 context and climate related priorities and opportunities.

Specific training sessions took place from March to July 2023 in preparation of customer engagement, aimed in particular at reinforcing the skills needed to assess and monitor clients' decarbonization plans and targets. The courses addressed to Mediobanca Debt Division and Risk Management, illustrated the regulatory, climate risk, technological and business context in which the counterparts operate within the sectors that are the subject of specific targets, detailing the characteristics required for a transition plan consistent with international mitigation commitments. It also examined the levers, particularly in the form of engagement, available to the banking sector to achieve its portfolio targets, acting as a support and facilitator of the counterparty's decarbonization path.

As far as Financial Advisors are concerned, at the end of June 2023 57% of CheBanca! Wealth Financial Advisors have obtained a ESG certification by EFPA; among the Strategic 2023-2026 Plan a specific objective has been to reach 100% coverage.



2.7 Remuneration

The Staff Remuneration and Incentivization Policies, which are approved by shareholders at the Annual General Meeting held each year, seek to generate sustainable value over the long term.

As part of the performance evaluation process in connection with the remuneration and incentivization policy, the Mediobanca Group devotes special and increasing attention to the achievement of environmental, social and governance (ESG) objectives, including those that are climate-related. These are structured according to individual scope of responsibility and taking into account the incentivization systems applied to the individuals and/or divisions concerned.

Mediobanca has updated its remuneration and incentive policies and practices with the aim of stimulating behaviour that is consistent with its climate and environmental (risk) approach, as well as with the commitments undertaken on a voluntary basis, and thus orienting the conduct of beneficiaries towards the creation of long-term value.

2.7.1 Long Term Incentive Plan 2019-23 achievement

The Long-Term Incentive Scheme (LTI) linked to the 2019-23 Strategic Plan of which the Chief Executive Officer and Group General Manager of Mediobanca and the Chief Executive Officer of Compass and CheBanca! were the recipients, set clearly-defined ESG targets which referred to the Sustainable Development Goals. All the objectives were public, measurable and quantified, and their weight in the result of the LTI's financial component ranged from -5% to +7.5%, based on the Board of Directors' assessment of whether or not they were met.

- ◇ average hours' training +25%
- ◇ AM: 100% of new investments selected using ESG as well as financial criteria
- ◇ €700m to be invested in outstanding Italian SMEs
- ◇ 30% more ESG products in clients' portfolios
- ◇ €4m per annum in projects with positive social/ environmental impact
- ◇ customer satisfaction:
 - ◇ CheBanca! CSI in core segments @73, NPS @25
 - ◇ Compass: CSI @85, NPS @55
- ◇ Energy:
 - ◇ 92% from renewable resources
 - ◇ CO₂ emissions reduced by 15%
 - ◇ hybrid vehicles @90% of MB fleet
 - ◇ CheBanca! green mortgages up 50%.

The LTI Scheme for 2019-23 was closed in July 2023, the ESG objectives (including climate related ones) contained therein were met. Nevertheless, since the related applicable correction is subject to the cap coming from the achievement of the financial targets (which were reached at the maximum) the qualitative upward correction was not applied.

2.7.2 The new Long-Term Incentive Plan 2023-26

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Qualitative and quantitative targets have 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. 20% of the LTI Plan objectives are ESG in nature and focused on indicators related to the issues of climate change (portfolio decarbonization) and diversity and inclusion (% women executives among the Group). The Plan will be submitted to shareholders for approval at the AGM to be held on 28 October 2023.

				Assessment criteria		
		KPI	Weight	Threshold KPIs	KPIs	% fixed salary - annual basis - Plan horizon for CEO/GM
20% - ESG KPIs	Climate Risk Related	% reduction in portfolio carbon intensity (portfolio decarbonization) ¹	10%	Max and/or >	> -22%	100%
				BTW Target and Max	-18% / -22%	85% - 100% linear interpolation
				Target Plan	-18%	85%
				BTM Min and Target	-16% / -18%	65% - 85% linear interpolation
				Below Minimum	< -16%	0
	D&I (to DEI) Human Capital	% women Executives among the Group	10%	Max and/or >	> 23%	100%
				BTW Target and Max	20% - 23%	85% - 100% linear interpolation
				Target Plan	20%	85%
				BTM Min and Target	19% - 20%	65% - 85% linear interpolation
				Below Minimum	< 19%	0

1. Climate emissions intensity (tCO2e./€mil.) Purpose 1-2-3 of loans granted by the CIB division (excluding Specialty Finance) to non-financial counterparties.

2.7.3 Short-Term Incentive Plan

The **Chief Executive Officer's and Group General Manager's annual scorecards** (Short Term Incentives) include both **financial and non-financial ESG and CSR objectives** to be assessed over the one-year time horizon for the performance.

The weighting of the financial ones is up to 10% of the quantitative component, and they refer to the annual ESG targets contained in the Strategic Plan for the Group's principal businesses, with financial KPIs related. For example, to growth in the volume of green products (CIB, Compass and CheBanca!), or deeper penetration rates for ESG funds in clients' portfolios (both affluent/premier and private banking).

The CEO's and Group General Managers' annual scorecards also include non-financial ESG objectives, the impact of which on the financial component ranges from a 5% decrease to a 7.5% increase for each objective identified. Qualitative objectives are considered of equal weight, to be evaluated individually. In the case of including only one non-financial KPI of ESG matrix it still weighs for a corrective two-thirds of the total. If only one non-financial, ESG-related KPI is included, it is still weighted in such a way as to correct two-thirds of the total.

With reference to FY 2022-23:

The quantitative objectives below have been largely overreached (even with reference to the max KPI) both for the **CEO** and the **GM**.

GOAL	WEIGHT	KPI TARGET	MAX KPI	FY 2023
ESG Goals	10% (2,5% each)			significantly above the target
a) Stock of CIB Client lending to corporate clients with ESG/ GREEN features.		€ 2.000 mln	€ 2.580 mln	€ 2.793 mln
b) ESG issued to retail customers (Consumer - WM Premier)		€ 310 mln	€ 360 mln	€ 490 mln
c) ESG products in the WM Premier client portfolio.		55%	61%	71%
c) ESG products in the WM Premier client portfolio.		13%	14,25%	15%

Qualitative objectives below have been reached as well.

QUALITATIVE OBJECTIVE FY2022-23	
Mediobanca Chief Executive Officer and Group General Manager	Diversity, Equity, Inclusion & Engagement. This goal is linked to the toDEI project, which is another step in the strategic direction taken by the Mediobanca Group for sustainable growth that pays attention to ESG factors.
Mediobanca Chief Executive Officer	Planet, Environment & Climate Change to focus on the Group's ESG initiatives related to environmental sustainability.
Group General Manager	Mediobanca Digitalization Journey with focus on the technological and digital transformation ongoing in the Group, as part of planned operations

With reference to "Planet, Environment & Climate Change to focus on the Group's ESG initiatives related to environmental sustainability", in FY 2022-23 the following initiatives and results can be reported: Scope 1 + Scope 2 Market based emissions based on headed utilities at -12.3% compared to 2019; planting of 2,750 trees; compensation of 4,241 tons of CO₂eq by carbon credits sufficient to make the Group Carbon Neutral on Scope 1+2. As far as indirect impacts are concerned the Group widened Scope 3 portfolio emissions quantification and decarbonization target set-up, as reported in TCFD Report and PRB Report. The Non-Financial Statement provides further details on the topic as well as on Taxonomy aligned activities.

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%. These include, without limitation: higher volumes of green products and deeper penetration of ESG funds in clients' portfolios; monitoring and accounting for assets in portfolios from an ESG standpoint; integrating ESG evaluations into the fund investment process, increasing green-/ESG-linked bond issues and lending activities; assessment of suppliers according to ESG criteria, target levels for electricity from renewable resources, cutting CO₂ emissions.

The **rest of the 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 adopting socially responsible behaviour on a management basis, with reference in particular to protection of the environment, corporate diversity, and defence of human and social rights.

Below a summary of **FY 2023-24** objectives that have been assigned by the Board of Directors for the CEO and the GM:

FINANCIAL OBJECTIVES FY 2023-24	WEIGHT	KPI TARGET = 75% FIXED SALARY	Δ KPI OUT-PER- FORMANCE = 90% FIXED SALARY
ESG Goals	10% (2,5% each)	vs budget	
a) Loans with ESG characteristics as percentage of total new loans in Corporate Banking (CIB)			+29% target
b) ESG new loans vs retail clients (Consumer Finance – WM Premier)			+14% target
c) Percentage of SFDR Article 8/9 Funds and ETF in WM Premier customer portfolios			+3% target
d) Percentage of SFDR Article 8/9 Funds and ETF in MB Private Banking customer portfolio			+5% target

NON FINANCIAL OBJECTIVES FY2023-24	
Mediobanca Chief Executive Officer and Group General Manager	Our People: to focus on initiatives linked to diversity and inclusion, development of skills and engagement: toDEI – projects post-2023 survey and gender certification; “Move Beyond” Engagement Survey 2023-24; Mediobanca Academy; Team Up 4Good 2024
Mediobanca Chief Executive Officer	Our Community: to focus on social initiatives impacting on the communities in which we operate and related to the Mediobanca Group’s corporate social responsibility: Insieme/together project; Financial education – “Count on the Future” programme; corporate social volunteering by Group staff; UNHCR women refugee initiative.

2.7.4 ESOP Plan 2023-26

As part of the Strategic Plan 2023-26, a Plan was introduced that gives Group employees the option of:

- ◆ join a shareholding and/or co-investment plan, which allows them, on a voluntary basis, to mandate the purchase of Mediobanca shares on the market, to be received afterwards on favourable terms (so-called “discount”);
- ◆ expand the participation of the corporate population in the creation of sustainable value of the Group by providing a premium of shares (so-called “matching”) upon the occurrence of certain conditions (maintenance of the purchased shares for a three-year period, presence in the company at the end of the period, achievement of certain key indicators of the new Strategic Plan).
- ◆ among the conditions that allow the achievement of so-called matching shares is also the achievement (1 for every 10 shares) of a climate-related KPI, consisting of maintaining Electricity from 100% renewable sources at the Group level.

For additional details on long-term, short-term incentives and EOP Plan please refer to the Group Remuneration Policy and Report and related AGM documentation.¹⁵

15. <https://www.mediobanca.com/en/corporate-governance/remuneration/remuneration.html> and https://www.mediobanca.com/static/upload_new/ite/item-5a-b--agm-report-remunerazione23_eng.pdf

Strategy



MEDIOBANCA

3. Strategy

3.1 The framework

Growth and sustainability are two of Mediobanca distinctive traits. The Group's development strategy is based on the conviction that ethics and profits can and indeed must go hand in hand, as in the long term there cannot be economic growth without social and environmental progress as well. Mediobanca, which has been assigned of constantly improving ESG ratings as results of its strong ESG commitment, has been also included in several ethical indexes, empowering its visibility and weight in market investments. The Bank also participates in various sustainability questionnaires.¹⁶

The Inspiring Principles and the Climate Initiatives as well as the Group Policies set out below are the cornerstones of Mediobanca's behaviour with respects to climate and environmental topics.

3.1.1 Inspiring Principles



Since 25 April 2018 the Group has officially been a participant in the **United Nations' Global Compact**, an initiative based on voluntary adherence to a set of principles to promote sustainability values such as human rights.



The Mediobanca Group intends to contribute to promote the **Sustainable Development Goals (SDGs)** set out in the United Nations' 2030 Agenda: ESG objectives linked to eight (including SDG 13 – Climate Action) out of seventeen SDGs were included in the 2023-26 Strategic Plan.



In July 2021 the Group adhered to the **Principles for Responsible Banking (PRB)**, launched in 2019 by the United Nations with the aim of incentivizing the banking system objectives for sustainable growth and to measure the impact of their own activities on individuals and the planet.



Mediobanca SGR, RAM Active Investment SA (hereon RAM AI) and Polus Capital Management (hereon Polus) are all signatories to the **Principles for Responsible Investment (PRI)**, launched by the United Nations in 2006 to promote a sustainable and responsible approach to investment by institutional investors.

16. For additional details please refer to <https://www.mediobanca.com/en/sustainability/indexes.html>



Mediobanca SGR has adhered to the **Italian Stewardship Principles** operated by Assogestioni, in the conviction that sound corporate governance policies and practices are able to create value over the long term.

3.1.2 Climate Initiatives



Mediobanca and RAM AI are both supporters of the **Task Force on Climate-related Financial Disclosures (TCFD)**, which promotes the voluntary disclosure of financial data in relation to climate change.



In November 2021 Mediobanca adhered to the **Net-Zero Banking Alliance (NZBA)**, confirming its intention to play an active role in the green transition. By joining this initiative, Mediobanca committed to aligning its lending and investment portfolios with net-zero emissions by 2050 or sooner, in line with the targets set by the Paris Climate Agreement.



In July 2021 RAM AI joined the **Net Zero Asset Managers Initiative** which aims to galvanize the asset management industry to commit to a goal of net zero greenhouse gas emissions by 2050 or sooner, for all assets under management (AUM), in line with global efforts to limit warming to 1.5 degrees Celsius.



In February 2022 Mediobanca **was the first major Italian bank to join the Partnership for Carbon Accounting Financials (PCAF)**, so reiterating its commitment to tackling climate change with the objective of achieving net zero by 2050. PCAF is a global partnership of financial institutions that work together to develop and implement an harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.



Both Mediobanca SGR and RAM AI have adhered to the **Non-Disclosure Campaign** promoted by the Carbon Disclosure Programme (CDP), thereby committing to the achievement of a global economic system which is able to prevent the damaging effects of climate change.

3.1.3 The Group Policies

3.1.3.1 Code of Ethics and Code of Conduct

The attention to environmental protection and the approach adopted in the contest of the fight against climate change are inspired by the **Group Code of Ethics**¹⁷ and by the **Group Code of Conduct**¹⁸ that define the fundamental principles underlying the reputation of the Group and the values that inspire its daily operations, also describing the standard of conduct required of all employees and collaborators of Mediobanca.

In particular, the following statement is included among the General Principles of the Code of Ethics: *"The Group is sensitive to the issue of protecting the environment as an asset of primary*

17. <https://www.mediobanca.com/static/upload/mb-/mb-code-of-ethics.pdf>

18. https://www.mediobanca.com/static/upload_new/cod/codice_condotta_eng.pdf

importance. To this end, it directs its choices in such a way as to ensure compatibility between economic initiative and environmental requirements, in accordance with the legislation in force.”

On the other hand, in the Code of Conduct, the Group requires recipients to consider at all times the economic, social and **environmental impacts** that their business decisions may have and the consequences of their activities, even personal ones, on the Bank’s brand and reputation.

3.1.3.2 Group Sustainability Policy

The **Group Sustainability Policy**¹⁹ originally approved by the Board of Directors on 26th March 2020 with the objective of formally defining the non-financial areas of Group commitment, is sub-divided into four areas held to be priorities: measures to tackle climate change and the environment, bribery and corruption, human rights, diversity and inclusion. It applies to the entities of the Group; suppliers are also encouraged to adopt the principles and provisions thereof.

Though **mainly focused** on the management of the Group **direct impacts**, the Policy reiterates that Mediobanca Group is sensitive to the need to protect the environment, and climate change and its decisions are geared towards ensuring compatibility between economic initiative and environmental requirements in accordance with the regulations and codes of conduct in force. Moreover, Mediobanca recognizes the key role that the financial system has in supporting the transition to a climate neutral economy and undertakes to ensure that the transition happens fairly leaving no one behind.

The Policy has been **updated in 2023** comprising changes to the “climate change and the environment” section: to improve its performance in environmental issues, the Group has modified the following priorities and set the following specific targets:

- ◆ **Reduction of direct environmental impact:** energy savings, increase in electricity sourced from renewable sources, CO₂ emissions to be cut, and promotion of sustainable mobility.
- ◆ **Supporting energy transition:** increase in “green” loans and mortgages , issue of new environmentally friendly products and gradual alignment of the Bank’s portfolio to the Paris Agreement objectives.

To be noted above, with respect to the previous version, the addition of the expression “gradual alignment of the Bank’s portfolio to the Paris Agreement objectives”.

The following priorities have not been modified: **reduction of indirect environmental impact and responsible consumption of natural resources**.

3.1.3.3 Group ESG Policy

In order to regulate the Group indirect impact, Mediobanca has adopted a **Group ESG Policy**²¹, which defines the general principles and guidelines for assessing environmental and social factors as well as financial ones in lending, investment and advisory activities.

The Group ESG Policy has been recently updated since the previous version published in 2021 to reflect Mediobanca’s adherence to the Net-Zero Banking Alliance, and to describe

19. https://www.mediobanca.com/static/upload_new/pol/politicasostenibilita-23-en.pdf.

20. “Green” mortgages are mortgages with subsidized interest rates financing the purchase, refurbishment, or construction of low environmental impact properties.

21. https://www.mediobanca.com/static/upload_new/pol/politica-esg_eng_23.pdf.

engagement activity for climate transition purposes.


Indeed, the revised version of the Group ESG Policy outlines the Group's position with respect to client engagement as a means for reaching the portfolio decarbonization targets, while making sure that this leads to real-world emission reductions. In particular, Mediobanca and Mediobanca International have committed specifically to a process of trying to understand and assess the transition strategies of both their clients and borrowers in their portfolio, or with whom they are considering entering into a lending relationship, and the results of this analysis are integrated into the decision-making process regarding whether or not to grant or renew the loan. A similar approach will gradually be rolled out also to the other Group Legal Entities according to appropriate relevance and proportionality criteria, to be formalized in the next updates to the Group's ESG Policy.

For more details in relation to the Policy and client engagement activities see respectively paragraph 3.3.6 and paragraph 3.3.2.

3.2 Net Zero and other ambition

The principles, initiatives and policies outlined above have been the source and inspiration for the Group Portfolio and Own Operations Climate targets, the former referring to the Climate objectives concerning Mediobanca's financial activities, the latter to the Group's own processes.

Qualitative and quantitative ESG objectives were integrated into the 2019-2023 Strategic Plan (all targets achieved). As far as Social and Governance KPIs, the Group set targets on addressing responsible investing, implementing a sustainable procurement, and supporting local communities through economic backing. Here below the environmental & climate-related targets:

CLIMATE AND ENVIRONMENTAL OBJECTIVES IN 2019-23 STRATEGIC PLAN			
SDG	AREA	OBJECTIVES TO 2023	30/06/2023
	Reducing direct impact on environment	94% ²³ energy from renewable sources	100% energy from renewable sources
		11% ²⁴ reduction in CO ₂ emissions vs FY18/19	-12,3% CO₂ emissions vs FY20/21
		Hybrid cars at 72% of the Mediobanca Group's float in Italy ²⁵	75% of hybrid cars
	Supporting transition to clean energy	Green bond issued: €500 millions	€500 millions Green bond issued
		RAM: carbon neutral fund to be issued	RAM Stable Climate Global Equities carbon neutral fund issued
		CheBanca! green mortgages up 50%	CheBanca! green mortgages +80% on 30/06/23 vs. 30/06/22 (more than eleven times 30/06/20 data)

As further confirmation of the willingness to reflect sustainability into the strategy, the Board of Directors approved the **"One Brand – One Culture" 2023-26 Strategic Plan**, which integrates new quantitative ESG objectives, among which those related to climate change contrast are definitely a priority.

22. For further details on ESG targets of the 2019-2023 please see on page 172 of the 2022-2023 CNFS.

23. Target adjusted from the original (92%).

24. For Scope 1 + Scope 2 Market-based, named users. Target adjusted from the original (15%) due to delays in the delivery of hybrid cars and the extension of fuel cards to the entire commercial and pool segments.

25. Target adjusted from original 90% because of delays in delivery of electric/hybrid cars due to pandemic and war.

CARBON FOOTPRINT	
OWN OPERATIONS	Carbon neutrality on own emissions 100% renewable energy at Group level
PORTFOLIO	Net Zero financed emissions by 2050 Portfolio Target: -35% financed emissions intensity by 2030 (-18% by 2026) Interim sector targets for Net Zero Banking Alliance released by 2024 Phase-out from coal by 2030 Incorporating more "Climate & Environment" metrics into risk management processes such as RAF, ICAAP and Stress testing

The Group also set a portfolio wide emission reduction target with reference to Mediobanca S.p.A. and Mediobanca International lending exposures, committing to reduce financed emissions intensity²⁶ by 18% and by 35% respectively within 2026 and 2030. Such metric will be analysed more in depth in paragraph 5.1.7, and it also will be monitored in the context of the RAF, as a further step in the commitment to incorporate an increasing range of climate related KRIs in the group risk framework.

In particular, as far as thermal coal is concerned, the Group has introduced a further exclusion criterion on top of the limits already provided into the Group ESG Policy restricting lending to and investing in companies producing electricity from coal, with the objective to reach a global phase-out by 2030²⁷. Customers coal-exit trajectory will be scrutinized and monitored.

Furthermore, the 2023-26 Strategic Plan states some targets regarding a) environmental criteria to be integrated into the assessment processes for new investments/loans, b) the increase of ESG product offerings and c) spreading sustainability culture (including on climate related topics) (please refer to the table in Section 3.3).

BUSINESS OBJECTIVE	
At least 2 Sustainability bond issues	
WEALTH MANAGEMENT	>50% ESG qualified funds in clients' portfolio (volumes of Articles 8&9 SFDR out of total funds in clients' portfolio) +50% ESG qualified funds production (# of ex Article 8&9 SFDR funds manufactured by the Group Asset Managers) Share of green mortgages in new production to reach -20% (at the end of the plan)
CONSUMER FINANCE	15% CAGR ESG loans (over the strategic plan period)
CIB	Corporate finance: experienced dedicated Energy Transition advisory team DCM: 50% of originated bonds bearing ESG or ESG Linked feature Lending: 40% Corporate ESG loans in new production bearing ESG or ESG Linked features

26. Financed emission intensity calculated as tCO₂ of Financed emission (Scope 1+2+3) divided by the total amount of lending.

27. The restriction currently applies to the Corporate & Investment Banking Division, excluding specialty finance. Such perimeter covers ca. 90% of the Group's proprietary Corporate lending and investing book.

SUSTAINABILITY CULTURE	
WEALTH MANAGEMENT	All wealth financial advisors certified in ES by EFPA 100% financial advisors trained ESG
CONSUMER FINANCE	≥35mln emails containing tips on green/financial education set to clients by Compass
CIB	Engagement with clients to assist them in their decarbonization pathway

As a member of the Net-Zero Banking Alliance and following its strategic priorities, the Group has set climate targets **on the Power, Automotive, Cement and Aviation sectors proprietary lending and investing exposure at Group level**, which represent an important step forward vis-à-vis last year disclosure²⁸.

The targets, aligned with a 1,5° climate ambition, are summarised in the table below.

TARGET VERSUS 2022 BASELINE	AUTOMOTIVE	POWER	AVIATION	CEMENT
SDA <i>Scope depends on sector</i>	gCO _{2e} /vkm	tCO _{2e} /MWh	tCO _{2e} /pkm	tCO _{2e} /ton
	16% by 2025	22% by 2025	4% by 2025	10% by 2025
	39% by 2030	53% by 2030	10% by 2030	25% by 2030
Economic intensity method <i>Scope 1 + Scope 2</i>	tCO _{2e} /€ (revenue)			
	15,9% by 2025			
	42,4% by 2030			

The Group has no/negligible exposure in Coal mining and Agriculture and plans to cover the remaining NZBA sector (aluminium, commercial and residential real estate, iron and steel, oil and gas, and shipping) in the next Report.

More details about the target setting methodology can be found in paragraph 5.1.1.

3.3 Transition Plan and Strategy Resilience

The Group identifies the risk profile it intends to adopt according to its strategic objectives, which are geared towards long- term value creation. The objective is therefore not to eliminate risks but to identify and manage them in such a way as to guarantee the sustainability and profitability of the business over the long term as well as prudent asset valuation. In this respect, the Group embraces the challenges that climate change poses to society and financial institutions and the opportunities related to decarbonization, embedding these subjects into its strategy, financial planning and activities.

Mediobanca is proceeding to this end, with the objective of an ever-growing integration, encompassing, as of today:

28. In the 2021-2022 TCFD interim targets were set only in relation to Mediobanca S.p.A. and Mediobanca International lending exposures in Power and Automotive sectors.

- ◇ the proposition of products and services contributing to climate change contrast and risk mitigation, setting up in the 2023-2026 Strategic Plan of qualitative targets in terms increasing weight of these products to clients;
- ◇ adoption of ESG policies, among which exclusion policies;
- ◇ client engagement (also with reference to the decarbonization plan of portfolio counterparties);
- ◇ the implementation of new metrics in the Group's Risk Appetite Framework.

3.3.1 Climate related opportunities and Mediobanca Climate Solution Products

3.3.1.1 Climate related opportunities

There are numerous opportunities for banks triggered by the increased attention to climate topics. Mediobanca has the potential to capitalize on these opportunities and make significant strides. One way in exploration is the development of financial products and services that incentivize investments in low-carbon assets: green bonds, green mortgages, carbon market, energy efficiency loans and ESG Funds are emerging. These products are set to grow and expand, following the EU Taxonomy regulation, the EU Commission's legislative proposals and EU ETS trading. By aligning themselves with new environmental and social standards, financial institutions like Mediobanca can ride the wave of increasing demand from consumers and investors who are eager to minimize their environmental impact.

The Group is increasingly engaging to incorporate climate and environmental factors into its risk management, lending and investment processes and it is working actively in the interaction with customers to support them in their decarbonization process. This not only adds value for customers seeking to reduce their environmental footprint but also positions Mediobanca as leader in low-carbon finance. Collaborating with other industry stakeholders such as government agencies, environmental organizations, and local communities presents another opportunity for the financial institutions. By working together, banks can develop effective strategies to address climate change and its financial ramifications.

Mediobanca has demonstrated its determination to pursue these opportunities through its bold commitments towards decarbonization, including its participation in the Net Zero Banking Alliance. The Group is actively reducing its environmental impact, embracing the use of renewable energy sources while maintaining carbon neutrality targets. Furthermore, Mediobanca is supporting social and environmental initiatives by selecting suppliers based on ESG criteria. By implementing these sustainable measures, the Group enhances its own growth, improves its reputation and simultaneously, it generates shared value with stakeholders, mitigating its environmental impact and benefiting society.

The table below highlights the opportunities that Mediobanca is actively pursuing through its new goals and targets.

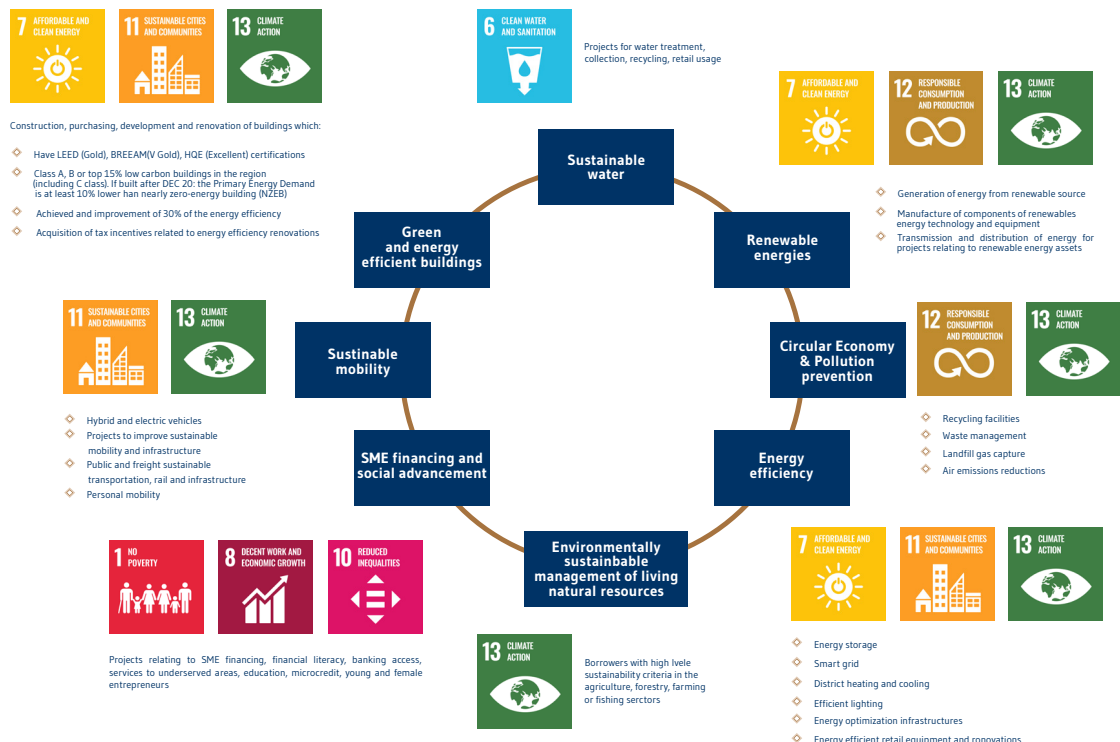
BANKING OPPORTUNITIES	Description and financial impact	Time Horizon	Legal Entities:
Product and Services	<p>With the growing demand for green products on the market, various opportunities such as Green Bonds, Green Mortgages, Carbon Market, Energy Efficiency Loans, and ESG Funds are emerging. Through R&D and innovation banks can increase the promotion and acceleration of innovative carbon-efficient technologies and supply chains, such as renewable energy sources and circular business models. Mediobanca can support their development and assist customers who are committed to reducing their environmental impact by offering green products and services.</p> <p>Financial impact: increased revenues resulting from increased demand for products and services.</p>	ST - MT	Mediobanca, Mediobanca International, CheBancal, Compass,, CMB Monaco, MB Credit, Solution / Revalea, Selmabipiemme, MB Facta
Markets	<p>Tap into emerging markets and adapt to changing industry dynamics such as the offer of sustainable investments and renewable energy financing. By providing funding for clean energy initiatives, Mediobanca can access a growing market and contribute to the transition towards a low carbon economy.</p> <p>Financial impact: increased revenues through access to new and emerging markets and increased diversification of financial assets.</p>	MT	Mediobanca
Resource Efficiency	<p>Mediobanca can adopt energy-efficient practices within its own operations, including implementing renewable energy source and optimizing building energy consumption and reducing water usage. These measures can result in cost savings and demonstrate the bank's commitment to sustainability.</p> <p>Financial impact: reduced direct/indirect (operating) costs</p>	ST	Mediobanca, Mediobanca International, CheBancal, Compass,, CMB Monaco, MB Credit, Solution / Revalea, Selmabipiemme, MB Facta

3.3.1.2 Climate Solution Products

The Group is aware of the impact deriving from the company's activities, and of the role which it can play in the promotion of responsible behaviour. In line with market standards and consistent with its strategic direction towards decarbonization, the Group has therefore continued its path to support the spread of sustainable products.

In this context Mediobanca's **Green and Sustainability Bond Framework**²⁹ sets out rules and procedures to identify eligible projects and initiatives. An amount equivalent to the net proceeds from the Green, Social and Sustainability Bonds issued under the Framework serves to finance and/or refinance **Green, Social and Sustainable Assets** belonging to the following Eligible Categories:

29. <https://www.mediobanca.com/en/sustainability/esg-and-the-focus-on-consumers/responsible-investments-and-esg-products.html>



The Group's sustainable products targeting climate related topics/ objectives are synthetically outlined below. For a comprehensive description of the Group offer of sustainable products, please refer to the Group ESG Catalogue,³⁰ details on volumes of such products are also provided in the Consolidated Non-Financial Statement.

LEGAL ENTITY	OFFER DESCRIPTION
Mediobanca	<p>Lending: Green loans and ESG/sustainability-linked financing.</p> <p>Debt Capital Markets: green bonds, sustainability bonds and sustainability-linked bonds.</p> <p>Market-Sales & trading: ESG Products offered to investors including notes with an ESG label, as well as investments linked to equity and credit underlying assets selected with ESG filters, ESG swaps, Participation to the carbon trading market and Warehouse financing of ESG securitizations</p> <p>Corporate Finance: in the next years the Energy team will be particularly focused on supporting clients in energy transition strategy.</p>
MBFacta	<p>Factoring solutions on tax receivables related to investments in energy efficiency renovations and improvements introduced by Italian or other EU governments.</p>
SelmaBipiemme Leasing	<p>Sustainable mobility solutions: leases, related - inter alia - to: hybrid and electric vehicles, personal mobility devices (zero emissions or combination of zero emissions and physical activity)</p> <p>Instrumental leasing transactions concluded with SMEs which benefit from state contributions to support green/digital investments (Sabatini Green, Sabatini 4.0)</p> <p>Leasing transactions involving green investments made by corporate customers with the support of SACE guarantees (SACE Green).</p>

30. https://www.mediobanca.com/static/upload_new/esg/esg-catalogue-post--comitato-sost--engl-.pdf

LEGAL ENTITY	OFFER DESCRIPTION
CheBanca!	Green and energy efficient buildings loans: financing – including retail mortgages – or refinancing for construction, purchasing, development and renovation of buildings which comply with stringent criteria based on best practices. ³¹
Compass	<p>Green and energy efficient buildings loans: consumer credit solutions to help households fund green energy renovation work.</p> <p>Sustainable mobility solutions: consumer financing related inter alia to: hybrid and electric vehicles, personal mobility devices (zero emissions or combination of zero emissions and physical activity).</p>
Mediobanca Private Banking CheBanca! CMB Monaco Mediobanca SGR CMG Monaco Mediobanca Management Company RAM AI	<p>Investment advisory: offer of different types of ESG-compliant financial instruments in the selection and management of their portfolios. The selection criteria, depending on the legal entity, may translate into the distribution of ex art.8/9 SFDR labelled products, the use of negative and/or positive screenings, as well as qualitative and quantitative analysis of the results of the investment process.</p> <p>Discretionary asset management services: Mediobanca Private Banking offers a discretionary asset management mandate compliant with ex art.8 SFDR, with investment management activities delegated to Mediobanca SGR and CMB Monaco offers a discretionary asset management contract based on a “best-in-class” ESG positive screening methodology delegated to CMG Monaco.</p> <p>Mediobanca SGR, CMG Monaco, Mediobanca Management Company and RAM AI manufacture several ex art.8 SFDR and 1 ex art.9 SFDR compliant fund.</p>

3.3.2 Responsible Business: ESG Policies, exclusion policies

In July 2021, the Board of Directors of Mediobanca approved the **Group ESG Policy**,³² which develops and builds on the Group Policy on Responsible Lending and Investing adopted in 2019.

The Policy defines the guidelines for integration of ESG criteria (Environmental, Social and Governance), and outlines the reference principles involved, plus the negative and positive screening criteria applicable to the **activities of lending, investing own funds, and providing investment advice to clients**.

The changes made in 2021 (and further articulated in 2023) chiefly involved the addition of more structured selection criteria, enlarged scope of application, and the introduction of sector-based guidelines.

The Policy is based on a combination of negative and positive screening: in addition to the general principles applicable to all types of business, the Group has also established and is increasing implementing different criteria for the various areas of activity.

In lending (at Group level) **and** in the direct **proprietary investments** activity performed by the Insurance – Principal Investing (PI) Division of Mediobanca³³, specific policies have been developed on sectors considered to be sensitive in ESG terms, namely: **forestry and use of forested areas, production of agricultural goods, mining, the production, sale and consumption of energy, and infrastructure and transport**.

31. Such criteria include, without limitation:

- Having environmental standard certifications, such as LEED (Gold or above), BREEAM (Very Good or above), HQE (Excellent or above) or equivalent comparable international certifications; or
- Complying with energy efficiency class A or B; or new or existing residential buildings belonging to the top 15% low carbon buildings in the region (including building with energy efficiency class C); or
- Being part of renovation projects with an improvement in terms of energy efficiency of at least 30% or at least two steps of improvement in energy efficiency class label.

32. https://www.mediobanca.com/static/upload_new/pol/politica-esg_eng_23.pdf.

33. Please note that this division also manages Mediobanca Principal Investing activities.

According to these policies financing and the above-mentioned investment activities are **excluded with counterparties impacting adversely on the climate**, there being evidence, inter alia, for all sector mentioned, of serious breaches of regulations on the environment, health, safety, corruption and human rights. Mediobanca is also keen to protect the forests as a source of **biodiversity** and an **instrument for mitigating climate change** and has therefore also developed an ad hoc **Biodiversity Policy**³⁴. Attention to natural resources protection is reflected in sectors policies related to **forestry and use of forested areas, mining, production, sale and consumption of energy, and infrastructure and transport**, where the Group commits not to finance and invest in projects whose activities are performed in, or otherwise impact negatively on a) world heritage sites designated by UNESCO, b) sensitive areas in terms of biodiversity such as the High Conservation Value Areas, Alliance for Zero Extinction sites, Ramsar wetlands sites, areas included in IUCN Categories I-IV.

Further exclusion criteria have been stated, among which the ones related to climate and environmental issues have been outlined:

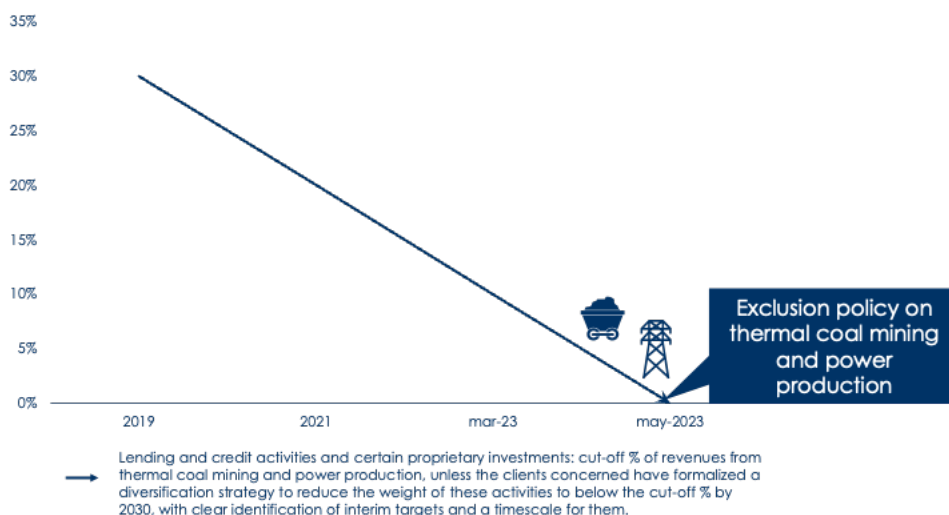
SECTOR	BOUNDARY: THE GROUP DOES NOT FINANCE/ INVEST IN	CRITERIA
Forestry and use of forested areas	Initiatives:	<ul style="list-style-type: none"> performed in rainforests or primary tropical moist forests with high conservation value or natural habitats at risk; which exploit tropical timbers without the necessary certification, FSC (Forestry Stewardship Council Certification) or PEFC (Programme for the Endorsement of Forest Certification) which guarantee compliance with correct forestry management principles.
	Counterparties for which it has evidence of:	<ul style="list-style-type: none"> illegal deforestation activity; behaviors which are seriously harmful of biodiversity sources.
Production of agricultural goods, livestock farming and fishing	Counterparties for which it has evidence of:	<ul style="list-style-type: none"> illegal deforestation activity; behaviors which are seriously harmful of biodiversity sources; lack of adoption of a water management plan in order to reduce the use of water and lack of a policy to minimize the use of pesticides and fertilizers that pollute the atmosphere; production, refinery or sale of sell palm oil not certified by the "Roundtable on Sustainable Palm Oil" (or for which the procedure for obtaining such certification is not in progress); trade of any species or vegetable or animal product governed by the "Convention on International Trade in Endangered Species of Wild Fauna and Flora" (or CITES), not authorized by a CITES permit; fishing using drift nets longer than 2.5km; deep-sea trawling.
Mining industry	Initiatives:	<ul style="list-style-type: none"> that involve asbestos mining; to realize new thermal coal mining sites or expand existing ones; Mountain Top Removal (MTR) in the Appalachian mountains; that do not have a plan for mine reclamation; for which waste produce is thrown into rivers or low tide waters.

34. See pp 58-59 of the Group ESG Policy (https://www.mediobanca.com/static/upload_new/pol/politica-esg_eng.pdf)

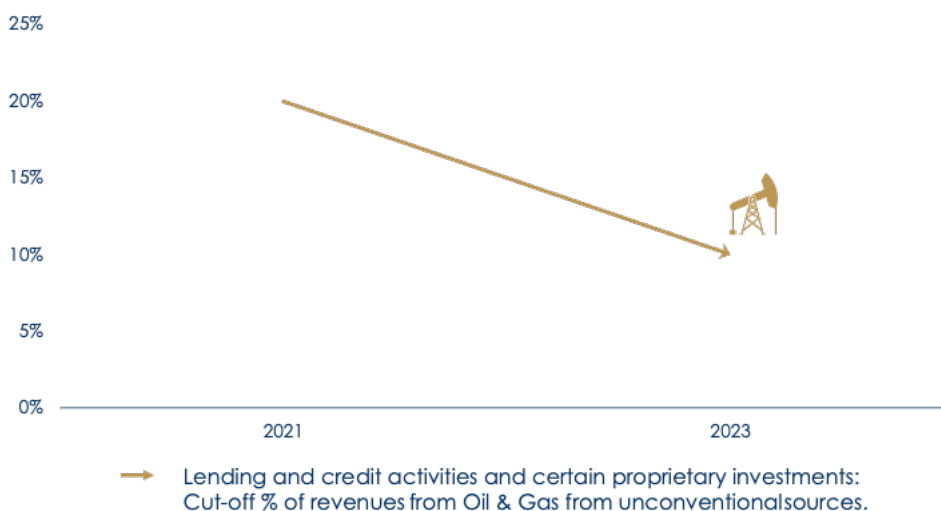
SECTOR	BOUNDARY: THE GROUP DOES NOT FINANCE/ INVEST IN	CRITERIA
Mining industry	Counterparties for which it has evidence of:	<ul style="list-style-type: none"> ◇ mine, process or sell of asbestos; ◇ production of coal mined from the Appalachian mountains using MTR techniques; ◇ derive more than 10% of their revenues from coal mining.
Production, sale and consumption of energy	Initiatives:	<ul style="list-style-type: none"> ◇ to implement coal-fired power stations; ◇ to implement or expand unconventional oil and gas related activities; ◇ that do not have a plan for developing long-term solutions for managing high and intermediate level nuclear waste and for decommissioning nuclear power plants; ◇ to implement or expand dams which do not comply with the World Bank's policies on dam safety.
	Counterparties for which it has evidence of:	<ul style="list-style-type: none"> ◇ do not adopt a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum; ◇ Whose revenues deriving from: <ul style="list-style-type: none"> ◇ activities related to coal, oil and gas from unconventional sources, or ◇ energy deriving from such sources, <p>represent, jointly or individually, more than 10% of the counterparties' turnover, unless such percentage is not above 15% and the clients concerned have formalized a diversification strategy to reduce the weight of these activities to below 10% by 2030, with clear identification of interim targets and a timescale for them. Exceptions to this are "green" loans and investments specifically aimed at "green" initiatives.</p>
Infrastructure and transport sectorst	Initiatives:	<ul style="list-style-type: none"> ◇ To implement or expand dams which do not comply with the World Bank's policies on dam safety.
	Counterparties for which it has evidence of:	<ul style="list-style-type: none"> ◇ not adopting a water management plan in order to reduce the use of water and monitor their impact on the availability of water for other users, in particular in areas subject to water scarcity, and measures to manage the waste produced by them in order to keep water pollution to a minimum; ◇ which, in desalinization plants, fail to adopt adequate measures to mitigate the removal of the brine and/or the extraction of the sea salt.

With specific regards to Coal and non-conventional Oil&Gas sectors it shall be noted that the Group has set reduction and exclusion policies that have become increasingly stringent over time, in order to align with Mediobanca's transition plan. Indeed, as displayed in the graphs below, it is possible to visualize the effects of the Group's ESG policies and the new Strategic Plan 2023-26, with regards to the exclusion of Coal Mining and Power production, and limitation of the unconventional Oil&Gas sector.

Cut-off % of revenues from thermal coal



Cut-off % of revenues from unconventional oil&gas



Wealth and Asset Management: the criteria laid down in the Group ESG Policy are complemented by those in the SFDR, which requires, among other things, clients to be properly informed about the methodologies by which sustainability risk is integrated into the provision of portfolio management or investment advisory services. The Group asset managers (Mediobanca SGR, Polus, CMG and RAM AI) have all adopted the Group ESG Policy articulating it into their own Policies on Sustainable Investing, through the adoption of positive and/or negative screenings. ESG Committees have been set up and guidelines have been established for incorporating environmental, social and governance factors into investment processes and strategies.

3.3.3 Client engagement

Mediobanca Group is committed to engage with and support clients and portfolio companies in their net-zero journey, enabling its own transition targets to be put into practice. Indeed, Mediobanca adopts measures to mitigate climate-related risks based on client-specific mitigation measures.

This process is integrated in the Group's ESG Policy and it includes the Group's approach to engage its clients, existing and potential borrowers, and the companies it has invested in (or intends to invest in) to mitigate C&E Risks, also through the adoption of an open dialogue on with them. Mediobanca Group is also committed to "active ownership" practices, insofar as these are applicable to the different types of Group's activities, taking an active part in the annual general meetings of Mediobanca's investee companies in accordance with their specific voting policies and directives.

With specific focus on the NZBA, greenhouse gas emissions reduction targets were formalized for counterparties operating in the sectors identified by the Alliance. To this end, among the measures to be taken, particular importance is placed on engagement activity with all active clients in high-impact sectors, in particular with counterparties that are "misaligned" to the sector net zero objectives.

As such, the Group is implementing an engagement framework to help the counterparties move towards a 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 of the framework, represented below, and it is currently working to evaluate the counterparts according to the developed assessment rating.



Indeed, the Group believes that it is necessary to support the transformation of high-impact sectors by continuing to finance them in the short term, to the extent to which the counterparties involved develop replacement technologies.

For while discontinuing financing an activity can provide an incentive for the sector's decarbonization, it can also, albeit unintentionally, prolong the life of high-impact assets or even worsen their greenhouse gas emissions profile, if the assets concerned are sold to parties with less sensitivity towards or ambitions in terms of addressing climate change.

This approach, which is known as a "managed phase-out", allows the credit system to play an active part in the process of reducing the real economy's carbon footprint, taking responsibility for it rather than delegating it to others. Furthermore, this approach also allows to mitigate the financial marginalization of such firms which laid down reliable decarbonization plans and those which operates in critical sectors supporting their transition, and lastly to involve a plurality of

stakeholders in the support of a “just transition” which also ensures continuity in the provision of key services.

Despite supporting the validity of a managed phase-out strategy, the Group is also convinced that the criteria based on which loans are granted to parties operating in such areas must be strict, to ensure that net zero objectives are pursued, and remove the risk of potential green washing. To this end, the Group ensures that its operations with parties operating in the most sensitive areas from a sustainability perspective are subject to stringent criteria.

According to the framework presented above, **Mediobanca and Mediobanca International** have committed specifically to assess the transition strategies of current and potential clients, and the results of this analysis are integrated into the decision-making process regarding whether or not to grant or renew the loan and are at the basis of an ongoing engagement activity to monitor the counterparties progress towards decarbonization.

Specific training sessions took place from March to July 2023 for employees involved in the analysis of clients’ transition plans. Participants belonged to units related to Lending, Risk Management units of these two LEs and to Group Sustainability. The course was divided into 4 modules, where the topics analyzed started at an introductory level, considering what is climate change, what are climate risks and scenarios and how to quantify corporate climate impacts, with the objective to help the employees gain a solid foundation upon which build their Climate related skills. The later modules have been structured to cover relevant climate related topics with an incremental level of details and depth to enable for a gradual learning curve. In particular, they covered “Climate Transition Plans” from an all-around perspective production of from what they are, how they are disclosed and, finally, how to evaluate counterparties. As such, the module was structured to provide an adequate training and skillset to the LEs employees to engage, evaluate and guide both the clients and the counterparties towards building and enacting effective transition plans in line with Mediobanca’s targets and policies actively and efficiently. The final sessions focused on understanding the sectors in which specific targets were set, from an environmental and normative perspective, and what will be the likely opportunities and challenges that the sectors will face.

Phases 2 to 5 of the framework are therefore currently being implemented by mainly these two LEs since they represent about almost 60% of the total credit exposure of Mediobanca Group as of the end of December 2022 (ex. SME and retail exposure). A similar approach will gradually be rolled out also to the other Group LEs according to appropriate relevance and proportionality criteria.

Furthermore, the **Group Asset Managers** carry out individual and collective engagement actions: Mediobanca SGR and RAM AI have both adhered to the Non-Disclosure Campaign promoted by the Carbon Disclosure Programme (CDP), which offers investors the opportunity to actively engage companies that have received the CDP disclosure request on behalf of investors but have not provided a response, hence driving further transparency around climate change. RAM AI is also part of The Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+. Polus is an active member of the PRI Securitized Products Advisory Committee and the Alternative Investment Management Association (AIMA) and SBAI ESG working groups. It is also an active participant in the activities of the European Leveraged Finance Association (ELFA) to promote engagement between investors and borrowers on ESG issues, and to standardize ESG reporting methods in the leveraged finance market.

3.3.4 Industry Associations Engagement

Mediobanca Group believes that engagement practices in constructive, continuous and transparent relationships with a number of public authorities, institutions, and industry associations are

necessary to improve from an ESG standpoint and to fight Climate Change.

Among other initiatives, since June 2021, Mediobanca SGR adheres to the Italian Stewardship Principles operated by Assogestioni, representing the majority of Italian and foreign asset management companies operating in the country, in addition to banks and insurance companies active in individual and collective asset management. With regards to climate topics, the Italian Stewardship Principle 3 states that IMCs should establish clear guidelines on when and how they will intervene with investee companies to protect and enhance value, including when they might have significant worries regarding the approach to environmental issues.

Furthermore, Mediobanca supports and is a member of the Italian Banking Association (ABI), that promotes an approach of social responsibility that integrates social and environmental aspects within its typical activity, to strengthen relations with stakeholders, and to promote dissemination initiatives. As a member of the association, Mediobanca shares ABI position and have supported its action by participating to initiatives, including ABI training programmes in which Mediobanca has presented its experience on sustainability topics to other banks interested in improving their ESG footprint.

3.3.5 Collaborations with Investors

Corroborating the importance of stakeholder relationship management for the Group, in June 2022 the Board of Directors adopted a specific **Policy for the Management of the Board of Directors' Dialogue with Investors and Proxy Advisors**³⁵, which defines, in compliance with legal regulations, the modalities of the dialogue between investors and the Board of Directors, identifying the stakeholders, the topics of discussion, and the process for addressing inquiries. The topics covered comprise policies on environmental, social and sustainability issues, including climate-related topics.

3.3.6 Climate risk in the Group's Risk Appetite Framework

As one of the qualifying elements underlying its Risk Appetite Framework, the Group has identified, among others, environmental-related factors to promote responsible business activities, maintaining a low profile in terms of exposure to climate risk. The objective is therefore not to eliminate risks but to identify and manage them in such a way as to guarantee the sustainability and profitability of the business over the long term as well as prudent asset valuation. In this respect, the Group embraces the challenges that climate change poses to society and financial institutions and the opportunities related to decarbonization, embedding these subjects into its strategy, financial planning and activities.

The level of desired risk profile is guaranteed by limiting risk-taking through the definition of thresholds representing the level of riskiness considered to be acceptable and consistent with the Group's profitability targets.

In particular, with regard to the transition to a more sustainable economy (e.g. low carbon economy), the risk is related to the impact on the creditworthiness of a counterparty in the short medium and/or long term. In this term, the 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. At this regard, with the aim of monitoring the achievement of the net-zero target, two specific indicators finalized at monitoring:

35. https://www.mediobanca.com/static/upload_new/sd-/sd-engagement-policy--dec-2022.pdf

- a) the exposure to environmental high-risk corporate counterparties in Wholesale Banking portfolio of Mediobanca and Mediobanca International (“WSB Portfolio”) and
- b) the financed emission intensity of such portfolio is included within the RAS.

As far as the physical risk, the Group is mainly exposed to the risk that a weather event (acute and/or chronic) or other environmental factors (e.g. water stress, pollution, etc) may impact the value of the collaterals in the short, medium and / or long term. Coherently with Climate Stress Tests promoted by SSM, the Group recognize floods, landslides and seismic can cause severe damage to buildings, reducing the value of properties used as collateral for loans.

Finally, due to the transition risks associated to the lesser efficient buildings used as collaterals, CheBanca! has introduced a specific metric to evaluate the mortgages’ energy efficiency.

See paragraph 4.4 for more details in relation to these RAF metrics and triggers.



Risk Management



MEDIOBANCA

4. Risk Management

4.1 Overview and Climate Risk Management Process

Aware of the challenges posed by Climate Change to the development of its business and its ability to generate value across all divisions, as outlined in chapter 3, Mediobanca has integrated Climate risks into risk management reporting and processes such as RAF, ICAAP and Stress testing.

This chapter outlines **Mediobanca's risk management indicators and process** and how they have been adapted to include Climate risks, as well as provides the preliminary results of the Climate risk assessment.

The improvements and activities implemented in the Risk Management Framework to strengthen and to support the Group management culture in the Climate change pathway, are below:

- ◆ **Risk Assessment** (par. 4.1), identifies the potential risks to whom the Bank could be exposed, through submission of a qualitative and quantitative template in which the relevant risks are detected;
- ◆ **Climate related and Environmental Risks Materiality assessment** (par. 4.2), gives an holistic view of the impact such risks could have on existing risk categories (i.e. credit, market, operational, and liquidity risk), as well as of the impact they could have on their business areas over different time-horizons;
- ◆ The **ESG Heatmap** (par. 4.3.1), computed on proprietary lending & investment portfolio of Mediobanca and Mediobanca International;
- ◆ The **volatility analysis on the investment portfolio** (par.4.3.2) performed by Market risk Management on both equity and credit spread market parameters for each Climate Policies Relevant Sector (CPRS), taking into account transition risk as for corporate exposures, and physical risk as for the sovereign exposures;
- ◆ **Physical risk indicators evaluated on lending corporate counterparties** (par. 4.3.3), with the aim to give an evaluation of the effects arising from chronic or acute phenomena, grounded on geographical-related variables and factors representative of the company own business and its value chain;
- ◆ **Physical risk indicators evaluated on CheBanca! collaterals** (par. 4.3.4), this assessment aims to show the number and the economic value of real estate collateral in the CheBanca! portfolio located in Italian municipalities potentially exposed to adverse climatic and environmental phenomena;
- ◆ **Energy efficiency indicators evaluated on CheBanca! collaterals** (par. 4.3.5), a new process has been put in place to obtain energy certificates when new contracts are opened and a new project has been launched to cover the entire loan book portfolio;

- ◆ **Non financial risks** (par. 4.3.6), Mediobanca has kicked off a dedicated project with the goal to consolidate a unique and holistic framework with specific processes, standardized reporting and dedicated Key Risk Indicators. Within the scope of potential reputational risk events, ESG aspects (e.g., profiling of parties, Adverse News Netech), will be explicitly included;
- ◆ **Climate risk assessment on Mediobanca's own assets and operations** (par. 4.6), an analysis of Group assets Climate risk is conducted consistently with Business continuity management model.

Furthermore, significant enhancements have been put in place on two of the main pillars of the risk management, which are **Risk Appetite Framework (RAF)** dealt with in paragraph 4, through the incorporation of climate key risk indicators (KRIs), and **Stress Test Framework** depth in the paragraph 4.5, by embedding in the assessment of Group capital adequacy also climate-related risks, such as transition risk and physical risk.

With reference to the **climate risk management process**, the identification of relevant risks for Mediobanca consists of 4 distinct phases, summarized and illustrated in the following scheme:



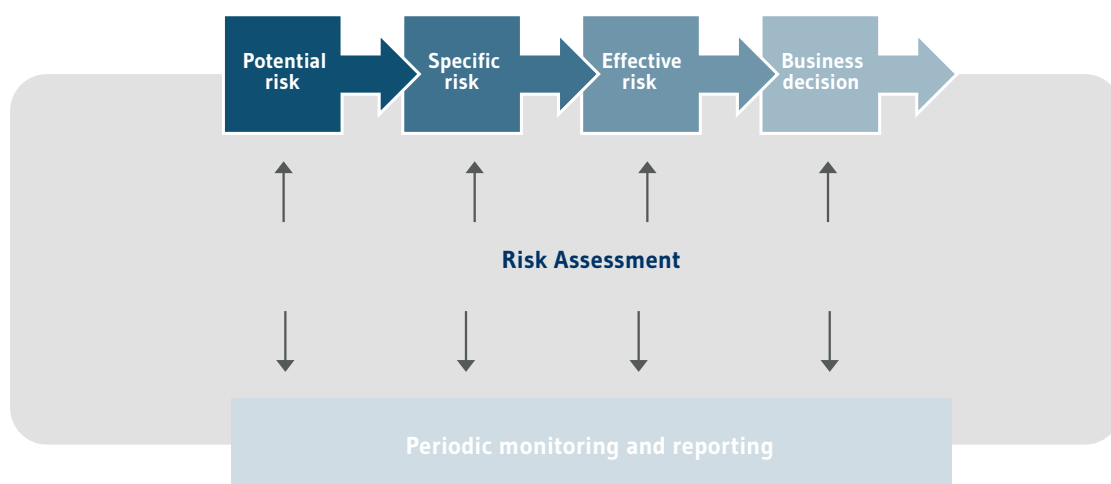
In particular, Mediobanca identifies the potential risks to whom it could be exposed starting from the analysis of the relevant regulations³⁶, intended as minimal base for its risk identification process, and periodically integrates the preliminary risks list taking into consideration its specific business and the analysis of the external context.

After the identification of Material legal entities on the basis of quali-quantitative criteria, Mediobanca asks them to fill-in a qualitative and quantitative template in which they identify the relevant risks.

Taking into account the results obtained in the previous phase, Mediobanca identifies its own risk map and defines criteria for the identification of relevant risks, based on both their historical evolution and incidence in terms of regulatory/economic capital or total assets.

To further improve the integration of sustainability aspects within the risk identification phase, new risks related with ESG have been included as sub-categories of the main risk categories (credit risk, market risk, operational risk, funding risk).

The assessment of ESG risk, in accordance with the Group's process of identification of relevant risks and with international standards and industry best practices, consists of the following steps:



36. Circ. n. 285/2013 Bank of Italy and "Supervisory expectations on ICAAP and ILAAP and harmonized information collection on ICAAP and ILAAP" and related annex "SSM Risk Map"

Below is a description of each of the steps carried out for the assessment of ESG risk:

- ◇ **Potential risk:** sector-specific ESG risk analysis through the assessment of risk factors at E,S,G pillar level according to market best practices and international standards. In this way, a sector-specific ESG risk heatmap is developed, associated to the exposures of Mediobanca's lending and investment portfolio. This analysis is carried out according to the following steps:
 - ◇ identification of ESG risk factors by sector from international standards;
 - ◇ development of the ESG heatmap which represents the potential risk by sector;
 - ◇ mapping of exposures in the Mediobanca portfolio by sector.
- ◇ **Specific risk:** analysis of ESG risk conducted at individual counterparty level through a qualitative questionnaire and/or information sourced from an external infoprovider. For counterparties in the lending portfolio, an ESG analysis is also conducted at transaction level.
- ◇ **Effective risk:** considering the ESG risk analyses at the individual counterparty level (specific risk) and at sector level (potential risk), the effective ESG risk is determined through the use of ESG ratings/scoring obtained in the previous phase.
- ◇ **Periodic monitoring and reporting:** ESG risk analysis and management activities are part of a process of periodic monitoring which consists in the definition of KPIs useful for monitoring ESG risks. **ESG risk analyses are updated quarterly and discussed in all relevant internal Committees.** The report provides an evaluation of Environmental, Social, Governance (ESG) risks to the lending and investments portfolio exposures, with a specific deep dive on high risk sectors from the environmental point of view.
- ◇ **Business decision:** definition of proper ESG-based limits in Risk Appetite Framework and integration of the results from the ESG Heatmap within the bank's credit/investment internal regulations and credit guidelines.

Moreover, the **Credit Risk Management** function prepares a memo ("**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 or the synthetic ESG Internal Score) and an assessment of the counterparty's ESG risks. While it is not always possible to obtain all information in advance for every counterparty, this memo is **part of the documents to be submitted to the approval committee**. Currently 95% of lending portfolio volume has been covered.

4.2 Climate related and Environmental Risks Materiality assessment

To integrate climate-related and environmental (C&E) risks in their broad risk management framework has become a priority for the world banking industry. In fact, the main European banking regulation regarding the C&E risks asks to institutions for a holistic view of the impact such risks could have on existing risk categories (i.e. credit, market, operational, and liquidity risk), as well as of the impact they could have on their business areas over different time-horizons.

To this extent, all the procedures going through the identification of C&E risk drivers, their transmission channels mapping (onto the traditional risk categories and products), as well as the selection of the proper methodologies to capture such C&E risks, fall under the name of "materiality assessment".

In the context of its multi-year ESG implementations plan, Mediobanca throughout 2023, defined a specific process to assess the materiality of C&E risks at a group level which is summarized by the following steps (and which will be carried out and progressively extended during the 2024):

1 C&E risks transmission channels mapping and description

Risks stemming from C&E events materialize in a variety of way depending on the institutions' business activities: this step is necessary to map how C&E risks transmit to traditional risk categories (i.e., credit, market, operational, and liquidity risk)

2 Assessment of the "potential materiality" of legal entities

Mediobanca Group encompasses a variety of legal entities which differ for size, business area, and the type of risks they face: this step is intended to put in place quantitative criteria to assess the "potential materiality" of legal entities, business lines and product categories

3 Definition of the approaches to capture C&E risks

Having clear which are the potentially material legal entities (from a traditional risk perspective) and how C&E risk could be trasmitted, the third step focuses on the right approaches to be selected in order to quantify the actual materiality level of C&E risks

4 Identification of the Key Risk Indicators (KRIs)

The approaches put in place could vary substantially depending on the product category specificity (e.g. different methodologies to evaluate C&E impacts on corporate lending and on factoring activities). To account for this, this forth step is aimed at defining the adequate KRI for every chosen methodology

5 Definition of the thresholds for the KRIs:

Finally, thresholds must be set to monitor and assess the actual materiality of C&E events impacts on the institution financial P&L

4.2.1.1 Short, medium & long term – Timeframes definitions

Climate-related time horizons have been defined through a strategy-driven joining of climate-related activities requirements, encompassing diverse streams, from risk management to portfolio alignment strategy.

	PERIOD [YEARS]	REASONS BEHIND THE DEFINITION
Short term (ST)	0-3	Short term horizons and targets are up to one year. The timeframe aligns with the strategic plan 2023-26.
Medium term (MT)	3-7	The medium term timeframe, from three to seven years, aligns with the 2030 portfolio decarbonisation targets.
Long term (LT)	7-30	Long-term horizons stem from the timeframes required in the context of scenario analysis, both from a stress testing and from a decarbonization perspective. In particular, the choice of 30 years follows the timeframe specified by the Net-Zero Banking Alliance for the long term decarbonisation targets: 2050.

4.2.1.2 C&E risks transmission channels mapping and description

The following tables detail the transmission description of the risks (for both physical and transitional point of views), the relevant time horizon, as defined above, they spread over, the channel through which they propagate, and lastly the legal entities that could be eventually affected.

CREDIT RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes): acute physical risk can cause damages in the form of lower values of households property resulting from damage caused by severe weather events;lower corporates profitability levels and increase in credit risk, restriction of governments' access to financial markets and general increase in the average cost of debt	Short-term	Mortgages, corporate lending, leasing, factoring, corporate bonds, equity and derivatives	Mediobanca, Mediobanca International, CheBanca!, Compass, CMB Monaco, MB Credit Solution/Revalea, Selmabipiemme, MB Fatta
	Chronic (biodiversity loss, land use change, water stress, sea level rise): chronic physical risk can cause damages in the form of decline in the value of households property resulting from damage caused by chronic weather events; effects on corporates income due to decrease in the financial health of borrowers, restriction of governments' access to financial markets and general increase in the average cost of debt	Medium/ Long-Term		
Transition Risk	Policy & Regulation: changes in regulations and standards could lead to the devaluation of the value of the assets used as collaterals which are characterized by a lower energy class than current policy standards. Such effect holds especially when dealing with retail counterparties	Medium/ Long-Term	Mortgages, corporate lending, leasing, factoring, corporate bonds, equity and derivatives	
	Technology: technological innovations are expected to facilitate the transition to lower-carbon economies. Corporates that rely on carbon-intensive technologies may become less competitive, and banks with exposures to those corporates may experience higher credit-related losses			
	Market Sentiment: transitioning to lower-carbon economies may trigger shifts of consumer and market sentiment. Banks' clients may manage their savings or investments towards projects with a positive environmental impact. Cost of capital and funding for some corporates may increase. Higher costs associated with climate regulation changes could dampen firms' profitability and eventually increase the bank credit risks			

MARKET RISK				
	Transmission Description	Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes): uncertainty about the timing, intensity and location of future severe weather events and other natural disasters may lead to higher volatility in financial markets, which is directly reflected into stocks, debt instruments, currencies or commodity prices held by the institution.	Short-term	Corporate bonds, equity, derivatives	Mediobanca
	Chronic (biodiversity loss, land use change, water stress, sea level rise): chronic weather events may lead to a variation into risk premia for debt instruments, and a variation into the long run assets valuation. Chronic risks may bring to new long run expectations for such instruments whose business is chronically affected. This is true also for sovereign entities which are located in some high risk areas	Medium/Long-Term		
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: transition-related changes in official sector policies could lead to variations in borrowing costs and an abrupt repricing of financial assets. E.g. investors could increase the risk premia they demand from carbon-intensive borrowers. In addition, inadequate economic and structural policies could exacerbate the negative relationship between environmental/climate shocks and the economy output level	Medium/Long-Term	Corporate bonds, equity, derivatives	

OPERATIONAL RISK				
Transmission Description		Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes)/ Chronic (biodiversity loss, land use change, water stress, sea level rise): as a result of extreme weather events, the bank operations and business continuity may be disrupted due to physical damage of its property, branches and data centres. Physical hazards can affect the bank directly through operational risks. For instance, if physical hazards disrupt telecommunications infrastructure, the bank operational ability may be reduced. From the bank's perspective it assumes considerable relevance the impact of above-mentioned extreme events on outsourcers from whom the bank receives services.	Short/ Medium/ Long-term	Damage to property, IT dysfunctions	Mediobanca, Mediobanca International, CheBancal, CMB Monaco, Compass MB Credit Solution/Revalea, Mediobanca SGR, Polus, RAM UK, Selmabipiemme, SPAFID, SPAFID SIM, MB Facta
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: Financing counterparties for projects that do not respect environmental sustainability requirements, together with the evolution of customer preferences, could cause damages to the bank reputation. Failure to comply with environmental sustainability standards results in penalties against the bank. Corporates may also be exposed to increasing legal and regulatory compliance risks as well as litigation and liability costs associated with climate-sensitive investments and businesses. Furthermore, climate-related lawsuits could target corporations for past environmental misconduct, consequently the bank would be impacted. In fact, there could be "green washing" episodes linked to unsustainable investment policies which could arise indirect reputational risk for the bank as well as an operational loss.	Short/ Medium/ Long-term	Green-washing episodes	

LIQUIDITY RISK				
	Transmission Description	Horizon	Channel	Legal Entities
Physical Risk	Acute (droughts, extreme heats, floods, storms, hurricanes)/ Chronic (biodiversity loss, land use change, water stress, sea level rise): The occurrence of extreme weather events generates an increase of cash outflows with an impact on the bank ability to meet its financial obligations. Moreover, post-disaster lending has a significant negative effect on liquidity buffers. If households and corporates affected by physical risks need liquidity, they may withdraw deposits or draw on credit lines: this may be reflected onto facing the natural disaster at its timing, and recovering from direct damages. These withdrawals could put the bank own liquidity under pressure. In addition, severe natural disasters can trigger a sharp increase in precautionary demand for liquidity by financial institutions, households and corporates, which can bring to the intervention of the central bank.	Short/ Medium/ Long-term	Current accounts, credit lines	Mediobanca, Mediobanca International, CheBancal, Compass, CMB Monaco, MB Facta
Transition Risk	Policy & Regulation/ Technology/ Market Sentiment: Liquidity buffers can vary according to the evolution of consumer preferences which can generate a negative impact on deposits determining higher cost of funding for the bank. Moreover, an abrupt repricing of securities, for instance due to asset stranding, may reduce the value of high quality liquid assets of the bank, thereby affecting liquidity buffers as well.	Short/ Medium/ Long-term	Current accounts, credit lines, cost of funding, securities (including own issuances) and other funding instruments	

4.2.2 Assessment of the "potential materiality" of legal entities

It is important to reckon that not all the legal entities are exposed to credit, market, operational, and liquidity risk. For instance, some legal entities ("LEs") might be exposed to only one risk category, whereas some others could be exposed to more than one risk. Furthermore, the intensity of such risk exposures could vary according to their core business (and products needed in order to run such a business).

The table that follows shows the intensity of the potential materiality exposure to climate-related and environmental factors for each legal entity considered. Potential materiality ranges are based on several quantitative criteria³⁷. Although the group legal entities potential materiality spreads all over the traditional risk categories, it can be noticed how Mediobanca and Mediobanca International are deemed to be highly relevant for all the risk categories.

37. Depending on the type of risk: Risk Weighted Assets (RWA), Assets-Under-Management (AUM), Assets-Under-Administration (AUA), or a combination of the above, and exposure to current accounts and committed credit lines.

LEGAL ENTITY	CREDIT RWA	MARKET RWA	OPERATIONAL RWA	AUM/AUA	LIQUIDITY C/A & CL*
CheBanca!	High	-	High	Very High	Low
CMB Monaco	Medium	-	Medium	High	High
Compass	Very High	-	Very High	-	High
MB Facta	High	-	Medium	-	Low
Mediobanca	Very High	Very High	Very High	Very High	Very High
Mediobanca International	High	-	Very High	Very High	Very High
Mediobanca SGR	-	-	-	Very High	-
Polus	-	-	Low	High	-
RAM AI	-	-	Low	Medium	-
MB Credit Solutions	-	-	Medium	-	-
SelmaBPM	Medium	-	-	-	-
Spafid/Spafid SIM	-	-	Low	High	-

*C/A: current accounts; CL: credit lines

4.2.3 Definition of the approaches to capture C&E risks, Identification of the Key Risk Indicators (KRIs), and Definition of the thresholds for the KRIs

Once the potentially material legal entities and their product offering have been identified, the appropriate methodology and the corresponding KRI could be chosen for each of them to quantify the impact of the C&E event on the panel's product categories. These final steps are necessary to assess whether the products selected are to be evaluated as actually material, according to the thresholds set.

The Methodologies selected for each product category are shown below. As not all defined methodologies are yet ready to use, the deployment of the methodologies will be carried out in two waves:

- ◆ **I wave** (ready to use methodologies): to be executed starting from July 2023 to October 2023 (during ICAAP execution)
- ◆ **II wave** (methodologies whose implementation is underway, or methodologies classified as "to be developed/to be defined"): to be executed starting from March 2024 to May 2024 (during risk mapping execution).

For the ESG Heatmap results, please refer to Section 4.3.1.2

RISK CATEGORY	PRODUCT CATEGORYT	APPROACH	LEGAL ENTITY	FORESEEN EXECUTION
Credit	Leasing	Assets evaluation model	SelmaBPM	2024 (II wave)
	Retail lending (mortgages)	Mortgages risk model	CheBanca!, CMB	2023 (I wave) / 2024 (II wave)*
	Retail lending (consumer finance)	ESG financing indicator	Compass	2024 (II wave)
	Factoring	Heatmap	MB Facta	2024 (II wave)
	Leasing		SelmaBPM	2024 (II wave)
	Corporate lending		Mediobanca, Mediobanca International	2023 (I wave)
	Investment portfolio			
	Investment portfolio	Stressed balance sheet	Mediobanca, Mediobanca International	2023 (I wave)
	Corporate lending			
	Leasing	Corporate physical risk model	SelmaBPM	2024 (II wave)
	Corporate lending		Mediobanca, Mediobanca International	2024 (II wave)
	Investment portfolio		MB Facta	2024 (II wave)
	Factoring		SelmaBPM	2024 (II wave)
	Leasing			
Market	Investment portfolio	Climate stress scenario	Mediobanca	2023 (I wave)
		Heatmap		2024 (II wave)
		Corporate physical risk model		
Operational	Real estate, data center, greenwashing	Climate stress scenario	Mediobanca, Mediobanca International, CheBanca!, Compass, CMB Monaco, Mediobanca SGR, MB Credit Solutions, MB Facta	2023 (I wave)
		External providers data against changes in the Group ownership and geographical structure		2024 (II wave)
		Operational losses recorded on a given C&E Event Type		2023 (I wave)
Liquidity	Current account, credit lines, cost of funding	Climate stress scenario	Mediobanca, Mediobanca International, Compass, CMB Monaco	2024 (II wave)
		Concentration analysis of physical individual exposures		
		Data provider Mediobanca's ESG rating		
		Heatmap		
		Corporate physical risk model		

4.3 Risk Assessment Results

4.3.1 Investment and loans portfolio: Heatmap

4.3.1.1 Heatmap definition

With the aim to identify and assess ESG risks that could affect proprietary lending and investment portfolio exposures (within the Corporate and Investment Banking Division), Mediobanca has developed a tool which take into account and quantify sectoral ESG risk by a means of a score: i.e., the ESG Heatmap.

As of 30 June 2023,

- ◆ the lending amount considered for the analyses, covers almost the whole Group's Corporate and FIG committed lending exposure.
- ◆ the investment portfolio analysed, (i.e., equity, bond, and derivatives exposures), accounts for the majority of the whole Group's proprietary investment exposure.

The ESG Heatmap was first calculated on the portfolio as of 31 December 2021 and then has been re-performed on a quarterly basis to inform Group Risks Management Committee and the Risk Committee on the impacts of climate and environmental risks onto the credit and the investment portfolios. These Committees have full authority to take policy decisions based on the results presented.

The ESG Heatmap takes into consideration ESG factors, including both climate transition risk and climate physical risk. Starting from the potential sectoral risk for all sectors identified through the international standards activities codes, Mediobanca has developed a framework to re-calibrate the riskiness level of a given sector according to the active exposures (counterparty's specific), by means of:

- ◆ a qualitative ESG questionnaire provided to the specific counterparty during the credit granting process to assess its riskiness level; and/or
- ◆ ESG information sourced from an external info-provider.

Information from the questionnaire and the info-provider are then converted into scores.

The application of this tool results in a methodology based on a sectoral mapping according to different levels of ESG riskiness. The base layer of information used to set up the tool has been retrieved by sourcing from external international standards: i.e., the United Nations Environment Programme Finance Initiative (UNEP FI); and the Principles for Sustainable Insurance (PSI).

- ◆ UNEP FI is a partnership between the United Nations and the global financial system in support of sustainable finance. The UNEP FI network helps financial institutions keep abreast of the tools, policies and practices used in the financial sector to address the challenges and opportunities for sustainable growth.
- ◆ PSIs are a voluntary, UN-backed initiative to address risks and opportunities related to environmental, social and governance (ESG) issues in the insurance sector. Launched in 2012, the PSIs are aligned with and complement the principles of the UN Global Compact.





According to the above-mentioned external sources, it has been possible to select ESG factors that impact on each economic sector concerned, and to gather information about the related level of impact. Specifically, it has been adopted the "Impact Map" reported into the "Portfolio Impact Analysis Tool" of UNEP FI which identifies how companies from different economic sectors impact, both positively and negatively, different ESG areas. To increase the robustness of the analyses, and of the Heatmap itself, the ESG factors identified by UNEP FI have been integrated with some of the themes proposed by PSI in the "Managing environmental, social and governance risks in non-life insurance business" document.

The process led to the outline of a set of ESG factors that impact on each economic sector. Such ESG factors are distinguished according to the three macro-pillars (Environmental, Social and Governance) and by reference source (UNEP FI, PSI).

Table 1 Transcoding of UNEPFI and PSI

PILLAR ESG	SOURCE: UNEPFI	SOURCE: PSI
Environmental	Quality - Water Air Soil Biodiversity & ecosystems Resources efficiency / security Climate Waste	Transition Risk Physical Risk Impacts on World Heritage Sites or other protected areas Impacts on species on IUCN Red List of Threatened Species Controversial living conditions or use of chemicals/ medicines (e.g. overuse of antibiotics)
Social	Availability - Water Food Housing Health & sanitation Education Employment Energy Mobility Information Culture & heritage Integrity & security of person Justice Strong institutions, peace & stability	Child labour Human trafficking Forced resettlement (including land/water rights for native people, land grabbing) Violation of worker rights (e.g. discrimination, collective bargaining) Controversial weapons exposure (e.g. UN conventions)
Governance & Economic	Inclusive, healthy economies Economic convergence	Illegal and unethical payments Anti-competitive practices, violations of antitrust laws, unethical conduct, unethical tax approach Unethical conduct or negative health impact on customers

Based on the resulting level of impact of the ESG factors, a riskiness scale was created according to 4 different levels identified by the colours red, yellow, green, and white (red being the riskiest and white being the least risky) for each macro/sub economic sector.

SCALE OF ESG RISKINESS	COLOUR ATTRIBUTED	DESCRIPTION
«High» impact	 Red	Impact of ESG factors within the analyzed sector at a significant level
«Medium» impact	 Yellow	Impact of ESG factors within the analyzed sector at a medium level
«Low» impact	 Green	Low impact of ESG factors within the analyzed sector
«Negligible» impact	 White	Negligible impact of ESG factors within the analyzed sector

From the assessment of the impact of the ESG factors, each sector has been assigned a risk level.

In addition, as second step, the Heatmap has been integrated with the characteristics of the individual counterparties composing the portfolio («single name analysis») to reflect its actual ESG risk level. Starting from the «potential» sectoral view, the methodology used to calculate the sectoral ESG score has been re-calibrated by the inclusion of the results from an individual assessment of the counterparties in portfolio which has been conducted by:

- ◆ Completion of Qualitative Questionnaires to collect information useful for the analysis of Group ESG policy requirements and define an internal ESG score specific for the single counterparty.

The Questionnaires are provided to individual counterparties. Questions vary, both in number and type, depending on the riskiness level of the sector of the analyzed counterparty.

A score is calculated for each section of the questionnaire relating to the counterparty risk level exposure. The scores from the different sections are then aggregated to define a synthetic counterparty ESG score (through a numeric methodology). The scores obtained are then translated into qualitative ESG ratings.

- ◆ Collection of specific information on the individual counterparty from an external info provider, if the questionnaire has not yet been submitted.

If no information is available from the previous two cases, the counterparties' evaluation is based on the sectoral results from the "potential" Heatmap.

ESG risk analysis and management activities are part of a periodic monitoring process. This latter consists in the definition of KRIs useful to monitor ESG risks.

ESG risk analyses and the results are discussed in the CGRG and the Board Risks Committee on a quarterly base. The analysis provides an evaluation of Environmental, Social, Governance (ESG) risks of the lending and the investments portfolio exposures, with a deep dive on high-risk sectors from the environmental point of view.

In addition to the ESG Heatmap results, business decisions are also based on appropriate ESG-based limits set out within the Risk Appetite Framework (RAF) which are quarterly monitored in correspondence of the Tableau de Bord with the aim to be presented to the Board Risks Committee and the Board of Directors.

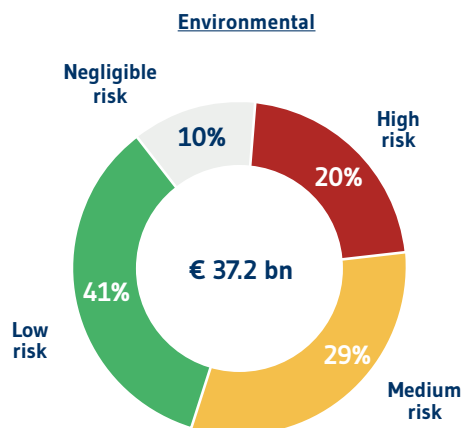
Moreover, the Credit Risk Management function creates an evaluation of the counterparty's ESG risks and a summary of the ESG assessments received during the origination process (such as the level of compliance with the Group ESG Policy or the synthetic ESG Internal Score). The analyses and the resulting ESG rating are updated every 12-18 months and are brought to the attention of the Lending and Underwriting Committee in the same way as for the annual credit risk rating reviews.

4.3.1.2 Heatmap results

The Figure 1 below shows the portfolio of Mediobanca S.p.A. and Mediobanca International (which is composed both from lending and investment exposures, with an overall amount of over €37.2 billion) breakdown, for the Environmental Pillar, in terms of the 4 riskiness levels assigned to each economic sub-sector.

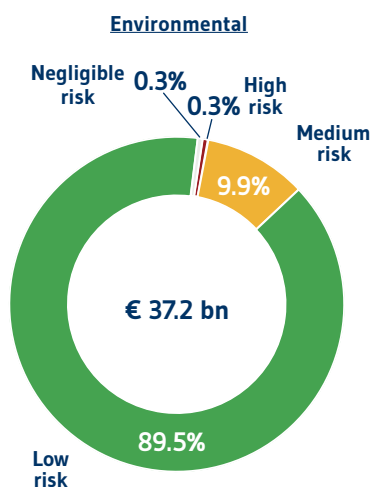
This breakdown shows that the portfolio is more exposed to low risks (41% of total exposure) in the Environmental dimension. As of June 2023, the exposure in high risk sectors for the pillar E amounted to 20%.

Figure 1: Investment and loans portfolio: Heatmap before re-calibration



The results provided by the ESG Heatmap has been re-calibrated by the integration of information from single counterparties assessment. Whether the information to conduct such an assessment was not available, the counterparties' evaluation has been based on the sectoral results of the "potential" Heatmap. As result of such recalibration process, the exposure in high risk counterparties for the pillar E amounted to less than 1%, as can be seen in the figure below. In general, Figure 2 shows the portfolio breakdown, for the Environmental Pillar, in the 4 riskiness levels after the re-calibration process. Mediobanca's counterparties therefore show, on average, a lower riskiness level than the mean level of the corresponding sectors.

Figure 2: Investment and loans portfolio: Heatmap after re-calibration



The following sections provide a more detailed overview of the ESG risk assessment results for the lending and investment portfolios.

4.3.1.3 Lending portfolio

This paragraph presents the results of the analysis on the lending portfolio of Mediobanca S.p.A. and Mediobanca International as of 30 June 2023 to provide an evaluation of Environmental, Social and Governance (ESG) risks of the lending portfolio exposures, performed by using the ESG Heatmap.

The scope of analysis includes exposures towards the following types of counterparties:

- ◊ Corporate counterparties (Large corporates, SMEs);

◇ Financial counterparties.

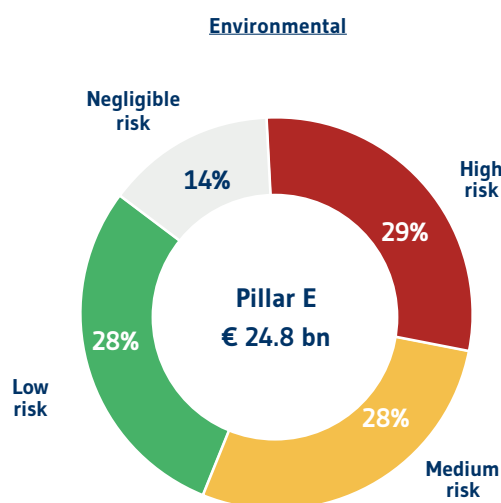
Moreover, all intra-group positions were excluded from the analysis.

The overall exposure amount of the lending counterparties being analysed extends beyond €24 billion.

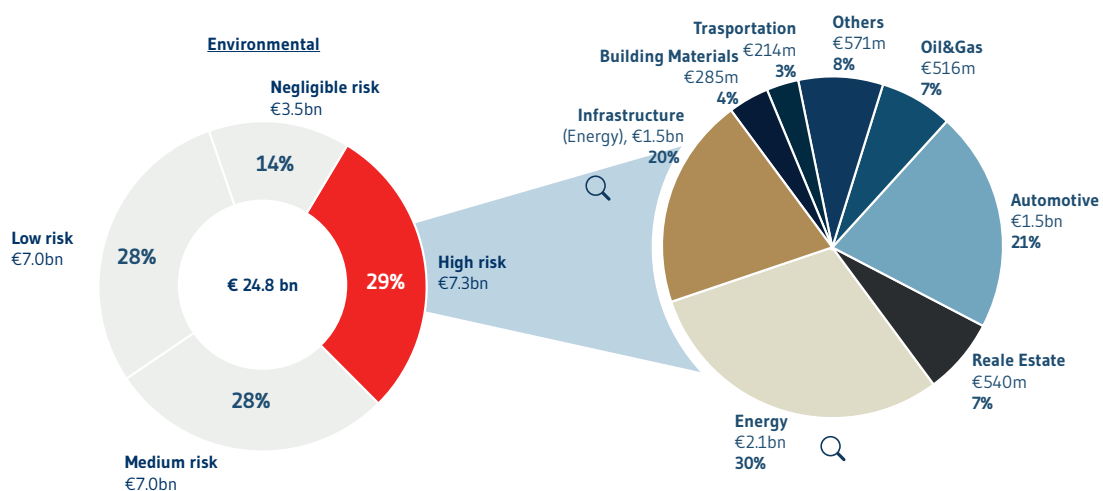
4.3.1.4 Sectoral risk level definition

As reported in the graph below, the breakdown by riskiness of the Environmental Pillar shows that the lending portfolio as of June 2023 is quite exposed to potential high risk sectors (29% of total exposure).

Figure 3: Loans portfolio: Heatmap before re-calibration



The following figure breaks down the potential high-risk sectors in the Environmental dimension with a higher level of detail.



*Note: «Others» segment includes part of Consumer Goods, Manufacturing, Metals, Paper, Services and Chemicals

As reported in the graph above, the high environmental risk portfolio is highly concentrated in Energy (30%), Infrastructure (Energy) (20%), and Automotive (21%), which jointly represent about the 71% of the total exposure.

The two tables below show, with a greater level of detail, the breakdown of volumes within these three sectoral categories.

Focus on Energy sector	Energy	Exposure € mln	Current % on Energy sector	Current % on total portfolio	N° of counterparties	Current % on Energy sector	Current % on total portfolio
	Midstream Energy	55	2.6%	0.2%	2	14.3%	0.6%
	Integrated Utilities	1,628	76.0%	6.6%	7	50.0%	2.0%
	Power Generation (Renewable)	333	15.5%	1.3%	2	14.3%	0.6%
	Power Generation (Conventional)	126	5.9%	0.5%	3	21.4%	0.9%
	Total Energy sector	2,142	100.0%	8.6%	14	100.0%	4.1%
	Total High Environmental Risk portfolio	7,270		29.3%	82		24.0%
	Total portfolio	24,778		100.0%	342		100.0%

Focus on Infrastructure (energy) sector	Infrastructure (Energy)	Exposure € mln	Current % on Energy sector	Current % on total portfolio	N° of counterparties	Current % on Energy sector	Current % on total portfolio
	Regulated Electric Networks	586	8.1%	2.4%	2	2.5%	0.6%
	Regulated Gas Networks	896	12.3%	3.6%	7	8.6%	2.0%
	Total Building Materials sector	1,482	100.0%	6.0%	9	100.0%	2.6%
	Total High Environmental Risk portfolio	7,270		29.3%	81		23.5%
	Total portfolio	24,778		100.0%	344		100.0%

Focus on Automotive sector	Automotive	Exposure € mln	Current % on Automotive sector	Current % on total portfolio	N° of counterparties	Current % on Automotive sector	Current % on total portfolio
	Automotive OEMs	1,290	84.9%	5.2%	9	64.3%	2.6%
	Automotive (Suppliers)	230	15.1%	0.9%	5	35.7%	1.5%
	Total Automotive sector	1,520	100.0%	6.1%	14	100.0%	4.1%
	Total High Environmental Risk portfolio	7,270		29.3%	82		24.0%
	Total portfolio	24,778		100.0%	342		100.0%

4.3.1.5 Single name re-calibration

The re-calibration process aims to take into account, where available, the peculiarities of the bank's portfolio and the characteristics of the individual counterparties composing it.

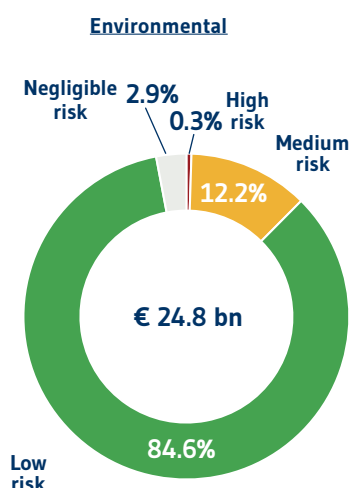
The starting point is the results of the "potential" ESG Heatmap (in terms of ESG riskiness level), which are then refined through the integration of "single name" information, where available.

So far, the re-calibration process has involved the “single name analysis” just for the Corporate counterparties.

Specifically, as of 30 June 2023, 95% of the total exposure is evaluated through the Qualitative Questionnaire, the counterparties’ Sustainability reports or the information from an external infoprovider, while the remaining is evaluated using the Heatmap average score of the sector of each counterparty.

As a result (as it can be seen in “Loans portfolio: Heatmap after re-calibration”), after the integration of “single name” analysis (ref. par. 4.3.1.1), the composition of the Environmental risks, to which Mediobanca is exposed in terms of lending portfolio, is modified showing a decrease of exposure in high risk sectors from 29% to 0.3%. The incidence of exposure in medium risk sectors, with reference to the Environmental pillar, has decreased to 12% of the total portfolio. The exposure towards low Environmental risk sectors has instead improved towards 85% of total portfolio.

Figure 4: Loans portfolio: Heatmap after re-calibration



Due to the integration of information resulting from the “single name” analysis (ref. par. 4.3.1.1), the riskiness for the Environmental Pillar of some macro-economic (ISIC) sectors has changed; following such the re-calibration process, the ISIC codes (2 digits) of the high-risk sectors on Pillar E are: Manufacture basic metals and Waste collection.

4.3.1.6 Investment portfolio results

This paragraph presents the results of the analysis on the investment portfolio of Mediobanca S.p.A. and Mediobanca International as of 30 June 2023 to provide an evaluation of Environmental, Social and Governance (ESG) risks of the investment portfolio exposures, performed by using the ESG Heatmap.

The analysis includes the following positions (both in Trading and Banking Book):

- ◊ Equities (excluding funds and ETF)
- ◊ Bonds (excluding structured securities, e.g., ABS, securitizations, etc.)
- ◊ Derivatives (excluding positions with underlying related to indices, rates, currencies, basket).

Moreover, all intra-group positions were excluded from the analysis.

Regarding the derivatives portfolio, two different views have been adopted for the determination

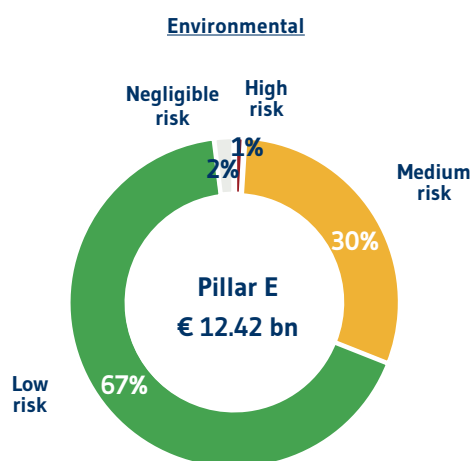
of the exposures: the first related to the counterparty, the second on underlying issuers.

The following paragraphs illustrate the results of the analysis by reporting the exposures associated with the economic sectors identified through the NACE/ISIC code with the associated degree of risk at single ESG pillar level.

4.3.1.7 Sectoral risk level definition

As reported below, the breakdown by riskiness of the Environmental Pillar shows that the investment portfolio as of June 2023 has a low concentration of exposure in sectors identified as high risk around 1% in the red category and the majority of portfolio is concentrated in sectors with medium and low risk (yellow and green category). On this regard, it's worth mentioning that 45% and 52% of the investment portfolio is represented by counterparties belonging respectively to the K (financial sector) and O (public administration) ISIC Codes.

Figure 5: Investment portfolio: Heatmap before re-calibration



The c. €90 mil high environmental risk portfolio is mostly concentrated in Automotive (mainly OEMs), Air Transportation and Power.

4.3.1.8 Single name calibration

After the integration of “single name” analysis (ref. par. 4.2.1.1), the composition of the Environmental risks, which Mediobanca is exposed to in terms of investment portfolio, is modified showing a decrease of exposure in **high-risk sectors from 1% to 0,09%**, whereas exposures towards low-risk sectors increases to c. 100%. Also in this case the integration of information resulting from the “single name” analysis (ref. par. 4.2.1.1), the riskiness for the Environmental Pillar of some macro-economic (ISIC) sectors has changed.

4.3.2 Volatility Analysis

Besides to the ESG Heatmap, the Market Risk Management assesses ESG risks of its investment portfolio by running on a quarterly basis a monitoring of the volatility of both equity and credit spread market parameters for each Climate Policies Relevant Sector (CPRS). The assessment takes into account transition risk as for corporate exposures, and physical risk as for the sovereign exposures.

Consistently with EBA classification methodology³⁸ deployed in assessing transition risk in the banking industry, CPRS are those sectors which have been deemed to be most sensitive to the introduction of new restrictive environmental policies.

The Table here below shows the CPRS and their corresponding NACE³⁹:

Table 2 CPRS sectors and their associated Macro-NACE

CPRS	NACE Letter
Oil&Gas	B – Mining and quarrying C – Manufacturing, D – Electricity, gas supply G – Wholesale and retail trade H – Transportation and storage
Utilities	D – Electricity, gas supply E – Water supply; sewerage, waste management
Energy – Intensive	B – Mining and quarrying C – Manufacturing
Housing	C – Manufacturing F – Construction I – Accommodation and food service activities L – Real estate activities M – Professional, scientific, and technical activities
Transport	C – Manufacturing F – Construction G – Wholesale and retail trade H – Transportation and storage N – Administrative and support service activities
Agriculture	A – Agriculture, forestry, and fishing

As defined by the relevant European (and international) standards, transition risk refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon (and more environmentally sustainable) economy. Hence, it can be inferred that not all the industries face transition risk at the same intensity.

While transition risk depends entirely – and it varies – from sector to sector, physical risk focuses on geography, therefore, it is of crucial importance to reckon which countries could be deemed as more exposed to physical risk. To account for this, Mediobanca compares the yield to maturity for a panel of countries in which a physical event (such as floods, massive heatwaves, etc.⁴⁰) has occurred, with the one of the benchmark country (the most stable one for the relevant geographic area). The results do not show a clear evidence of a direct impact between the movements in the sovereign credit spreads and the physical events occurred.

As for transition risk, the assessment is performed by evaluating variations in terms of equity and credit spread volatility within a span, around a given point in time in which a specific event has

38. "Mapping climate risk: Main findings from the EU-wide pilot exercise" – EBA, May 2021

39. It is worth specifying that the CPRS classification focuses only on the most impacted sub-industries of the NACE letters showed.

40. Physical events considered in the analysis are the followings: Greece wildfires (21/08/2021); highest ever recorded temperature in Florida, Sicily (11/08/2021); heatwave through Greece, Turkey, and Italy (27/07/2021); Greece flood (12/01/2021); Bay Area fire, California (18/08/2020); storm Dennis, UK (17/02/2020); EU heatwave, France, Germany, and UK (25/06/2019); EU floods, Spain, France, and Italy (04/10/2018); UK and Ireland heatwave (18/04/2018); hurricane Harvey tore through Houston, Texas (28/08/2017); west attica floods, Greece (15/11/2017); Greece heatwave (29/06/2017); EU floods in Austria, Belgium, France, Germany, Moldova, Romania (03/06/2016).

been recorded⁴¹. The table below shows the events considered for the aim of the transition risk analysis.

Table 3 Transition risk events

Date	Event (Transition Risk)
29/07/2021	EU Climate law goes into effect
11/12/2019	Green Deal
04/11/2016	Paris agreement goes into effect

As stated above, the volatility assessment takes place on a double level:

- ◆ at a sector level, against the market benchmark, e.g., by evaluating how the oil & gas industry behaves compared to the whole market when a given transition event occurs
- ◆ at a single name level, against the relevant industry and the corresponding market benchmark, e.g., by evaluating how the “issuer 1”, belonging to the oil & gas industry reacts compared to the sectorial index and to the market benchmark.

In other words, the analysis is intended to assess how a specific sector (sensitive to transition risk) behaves with respect to the market as a whole and how a single issuer behaves with respect to both the relevant sector and the market.

A well know statistic measure to capture the volatility of a security is the so-called market “beta”⁴².

Beta is calculated for each sector index against the market benchmark and for every single name in scope for the analysis against both the relevant sector index and the market benchmark as well. This last part is necessary to assess the volatility of actual Mediobanca’s portfolio exposures belonging to those sectors facing high transition risks.

In the following tables results of the volatility analysis as of 30 June 2022 are presented. According to betas, a volatility score is assigned:

- ◆ for betas $\leq 0,7$, meaning “low volatility”, green colour is assigned
- ◆ for betas $0,7 < \text{beta} \leq 1$, meaning “medium volatility” yellow score is assigned
- ◆ for betas > 1 , meaning “high volatility” red alert is assigned.

41. For the aim of the analysis, such events could be selected upon to the Market Risk Management judgement by retrieving them from a variety of sources: e.g., main European regulation approvals (ECB, EBA, by focusing on the relevant ESG documents and provisions); article publications by national and inter-national newspapers, information from the data providers used by the Bank, etc.

42. Beta compares the security’s returns against the returns of the market as a whole; a beta greater than 1 means that the security volatility is higher than the market. On the other hand, if the beta is less than 1, the financial instrument is considered less volatile than the market. Finally, a negative beta indicates a negative correlation with the market (i.e. security returns and market return are negatively correlated, hence they move in opposite directions).

Table 4 Summary of the equity volatility analysis.

Industry Beta			Market Beta	Event Impact			
Sector CPRS	Equity Issuer	Beta 1W	Beta 1W	Paris Agreement	Green Deal	EU Climate Law	Volatility segment
Oil & Gas	Issuer 1	0.54	1.08	Medium	Low	Medium	
	Issuer 2	1.03	1.06	Medium	Medium	Medium	
	Issuer 3	0.98	1.24	Medium	Low	Medium	
Utilities	Issuer 4	0.46	0.58	N/A	Medium	Low	
	Issuer 5	1.15	1.02	Low	Medium	High	
	Issuer 6	0.64	0.82	Low	High	Low	
Energy Intensive	Issuer 7	0.53	0.80	Medium	Medium	Medium	
	Issuer 8	0.83	1.16	Low	Low	Low	
	Issuer 9	0.77	1.27	Medium	Low	Low	
Housing	Issuer 10	0.98	1.30	Medium	Medium	Medium	
	Issuer 11	0.63	0.80	Medium	Low	Low	
	Issuer 12	0.93	1.14	Medium	Medium	High	
Transport	Issuer 13	0.80	1.07	High	High	Medium	
	Issuer 14	1.10	1.33	High	Low	Low	
	Issuer 15	0.73	1.28	N/A	N/A	N/A	

Table 5 Summary of the credit spread volatility analysis.

		Industry Beta	Market Beta	Event Impact		
Sector CPRS	Bond Issuer	Beta 1W	Beta 1W	Green deal	EU climate law	Volatility segment
Oil & Gas	Issuer 1	0.58	0.76	N/A	Low	
	Issuer 2	0.42	1.56	Medium	Low	
	Issuer 3	0.14	0.57	Low	Low	
Utilities	Issuer 4	1.84	1.17	Medium	Medium	
	Issuer 5	0.91	0.58	Low	Low	
Energy Intensive	Issuer 6	0.93	1.36	Medium	High	
	Issuer 7	0.37	0.56	Low	Low	
	Issuer 8	0.36	0.54	Low	Medium	

The “Event impact” columns show the level of the impact of the selected transition events on the single names in scope. These impacts are assigned by considering the changes in the rolling standard deviation around the date of occurrence of the event⁴³.

Regarding results for equities, as can be seen from the table, in terms of volatility alert there are only 3 issuers which have a “red flag” meaning that the volatility observed is higher compared to the sector Index benchmark. Most of the other issuers are in the yellow segment meaning a high correlation with their benchmarks. Concerning the impact of the three events included, the results show that a correlation between the event and the returns of the equity prices can be found in all CPRS sectors.

The analysis of Credit Spread volatility shows medium/high volatility in the Utilities sector while

43. As for credit spread, time series have a depth of 5 years which is not feasible to assess the impact of the Paris Agreement on the corresponding issuer/sector/market.

the others show low degree of correlation. The analysis of Event Impact highlights a quite low correlation between the returns of the Credit Index and the spread movements of the single issuers.

4.3.3 Physical risk exposure on lending corporate counterparties

Mediobanca has developed a proper methodology to evaluate Physical Risk exposure of both Mediobanca and Mediobanca International lending counterparties.

Such methodology allows to obtain a distinct evaluation of the effects arising from chronic or acute phenomena. The logics behind the methodology take into account geographical-related variables and factors representative of the company's own business and value chain. This approach has been defined from a methodological point of view, specific data regarding the counterparties have been collected from the infoprovder.

The counterparties in scope are evaluated by estimating the ratio between the expected loss (due to physical risk hazards) over 2022-50 timespan and the company's Total Equity.

The impact on these companies is also assessed through a second dimension (directly derived from the first one described above). Such dimension is a qualitative score calculated on a scale from 1 to 5, representative of the degree to which the company itself is exposed to physical risk phenomena.

The methodological solution described above is not currently deployed; for this reason, a detailed action plan is currently being developed (in terms of elapsed time span) that will enable the effective deployment of the model and the automatic integration of the feeding data within the Bank's systems.

The framework is fed through data flows coming from an external provider specialized in the topic and in line with the needs and specificities of Mediobanca.

4.3.4 Real Estate, Physical risk

4.3.4.1 Context: objectives, rationale and data source

The importance of **physical risk** has been carefully analyzed by **CheBanca!**, especially as **Italy** is considered to be one of the **European countries** most exposed to the effects of **climate change** and **environmental degradation**.

Therefore, in order to quantify its **exposure** to **physical climate** and **environmental risk**, CheBanca! conducted an **assessment** on its **collateral portfolio**. This assessment aimed to show the **number** and the **economic value** of **real estate collateral** in the **CheBanca! portfolio** located in **Italian municipalities** potentially exposed to **adverse climatic** and **environmental phenomena**.

CheBanca! internally developed a **methodology** for the definition of **risk maps** aimed at classifying Italian municipalities by **risk level**. Given the morphological configuration of the Italian territory, **three adverse climatic** and **environmental phenomena** were taken into account for the assessment: **landslides**, **floods** and **earthquakes**. More specifically, CheBanca! conducted assessments on **hydrogeological hazard** (landslide hazard and flood hazard), defined as **climate physical risk**, and **seismic hazard**, defined as **environmental physical risk**. Within this TCFD report only landslide hazard and flood hazard will be taken into consideration as seismic hazard is not deemed climate-related, even though it is internally analyzed with the same granularity.

The methodology is based on publicly available data and research papers provided by the **Italian Institute for Environmental Protection and Research (ISPRA)** and **“Protezione Civile Italiana”**

Landslide Hazard



According to ISPRA, the total landslide hazard area in Italy is 60.481 km² (**20%** of the national territory)

Flood Hazard



Regarding floods hazard, according to ISPRA **5,4%** of the national territory falls in high hazard areas, making up a potentially floodable area of 16.224 km²

4.3.4.2 Methodologies: landslide, flood, and seismic hazard

Landslide hazard

In order to define the landslide risk level at municipal level, the data provided by ISPRA on such hazard in Italy were used.

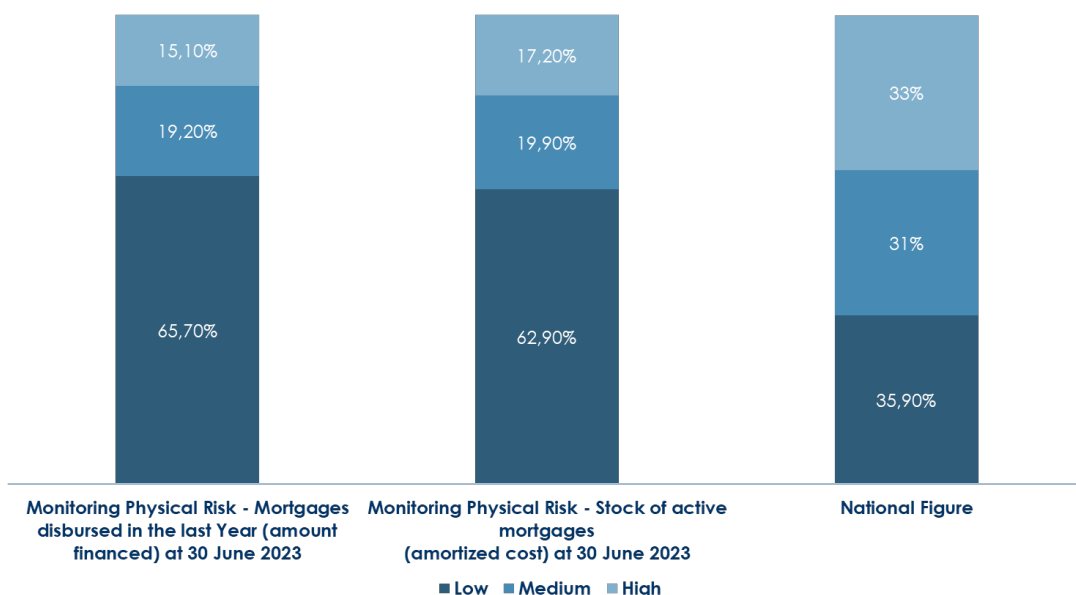
ISPRA defines hazard areas AA, P1, P2, P3, P4, taking into consideration the frequency of occurrence of the phenomenon – starting from historical data – and the relevance of the event in terms of impact.

Hazard related to the magnitude of landslide phenomena		Probable frequency			
		High	Medium	Low	Ancient landslides
Magnitude classes	6 - 9	P4	P4	P3	P1
	3 - 4	P4	P4	P3	
	1 - 2	P2	P1	P1	

According to ISPRA classification, six landslide risk classes were identified:

High risk, Medium high risk, Medium risk, Medium low risk, Low risk and No risk.

Landslide risk



The graphs above show the results of the analysis conducted on CheBanca!'s mortgages disbursed during FY 2022-23 and it should be noted that it is characterized by significantly lower exposure than the national figure on landslide risks.

The national figure presented is calculated as the average of the number of Italian municipalities ranked as having a very high and high landslide hazard, in the last four quarters, with respect to the total number of Italian municipalities. The graph shown above therefore compares the distribution of GCAs of the exposures against the distribution of the number of municipalities.

LANDSLIDE HAZARD



The map illustrates the regional distribution of the mortgage stock classified in the high and very high risk bands regarding landslide hazard out of 30th of June 2023 CheBanca! portfolio, showing the highest concentrations in Campania (28,09%), Tuscany (28,26%), Sicily (8,9%) and Emilia Romagna (6,48%), where 71,73% of the risk under observation is concentrated.

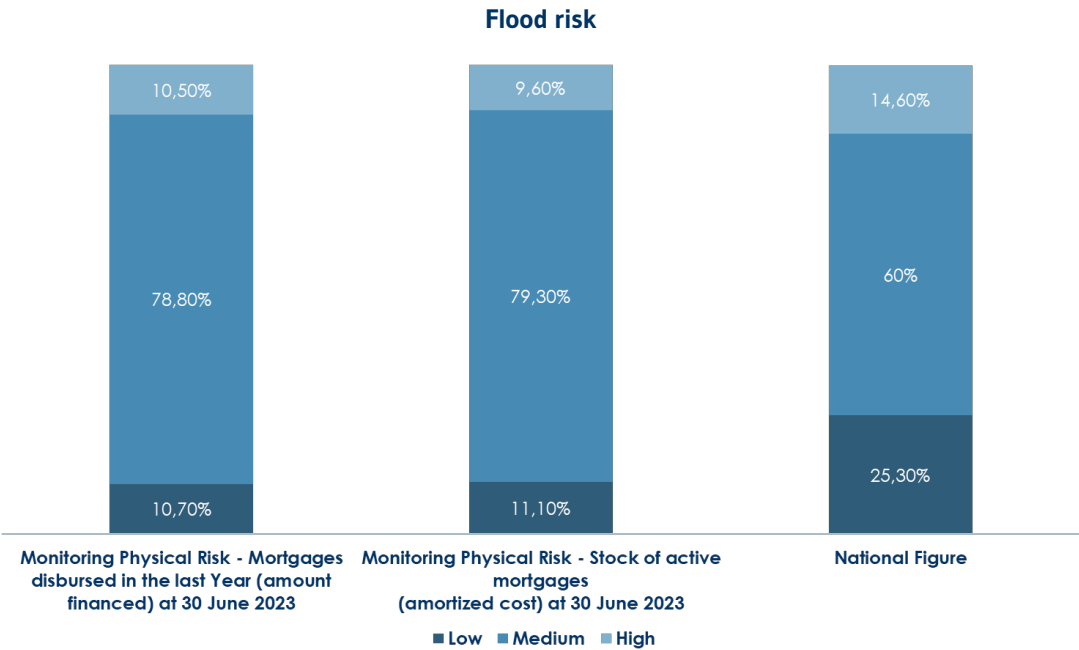
Flood hazard

In order to define the flood risk level at municipal level, the data provided by ISPRA on such hazard in Italy were used.

The flood hazard mosaic provided by ISPRA was carried out according to the three scenarios: high probability with return time between 20 and 50 years, medium probability with return time between 100 and 200 years and low probability.

Probable frequency		
High (20 - 50 years)	Medium (100-200)	Low
P3	P2	P1

Through the definition of a quantitative model, three flood risk classes were identified:
High risk, Medium high risk, Low risk.



The graphs above show the results of the analysis conducted on CheBanca!’s mortgages disbursed during FY 2022-23 and it should be noted that it is characterized by significantly lower exposure than the national figure on flood risks. The national figure presented is calculated as the average of the number of Italian municipalities ranked as having a very high and high flood hazard, in the last four quarters, with respect to the total number of Italian municipalities. The graph shown above therefore compares the distribution of GCAs of the exposures against the distribution of the number of municipalities. Furthermore, it shall be noted that the high concentration of average flood risk is due to the weight of disbursements in major cities, particularly Rome and Milan, which have medium flood risk.

flood hazard



The map illustrates the regional distribution of the mortgage stock classified in the high and very high risk bands regarding “Flood Hazard” out of 30th of June 2023 CheBanca! portfolio, showing the highest concentrations in: Tuscany (15,77%), Lombardy (14,72%), Emilia Romagna (12,69%), Veneto (11,01%) and Calabria (10,01%), where 64,2% of the risk under observation is concentrated.

Starting from risk indicators related to landslide hazard, flood hazard and seismic hazard, a synthetic physical risk metric was defined. This metric represents an indicator integrated into the Group’s Risk Appetite Framework, as detailed in section 4.4.2.

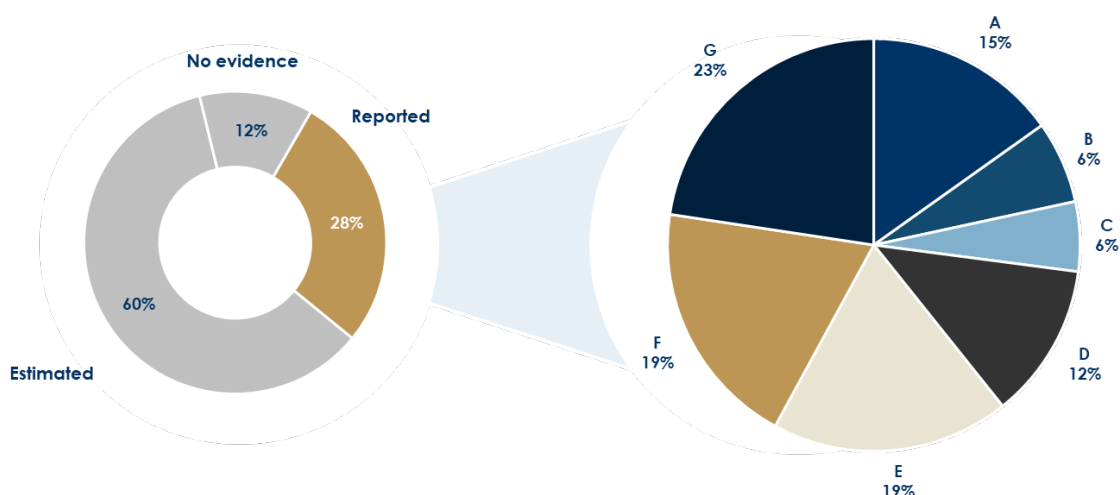
4.3.5 Real Estate, transition risk

Information on the transition risk of loans collateralized by immovable properties is reported in the Pillar 3 ESG disclosure. Specifically, Template 2 of the pillar shows all exposures in loans secured by real estate classified by energy class and energy performance score. Therefore, the Group has established processes to gather this information.

CheBanca!, whose scope represent ca 91% of the Group’s loans collateralized by immovable properties (as of 30 June 2022 being approx. €12,3 billion over €13,6 billion in total), has developed processes for obtaining energy certificates when new contracts are opened. It has also launched activities to obtain the energy certificates for buildings or properties securing loans already outstanding and included in the loan book, with the support of the info-provider Cerved. In this way it has been possible to obtain EPC labels for properties used as collateral representing around 29% of the portfolio. For the remaining properties, for which it has not been possible to obtain EPC labels, the estimated energy efficiency values have been obtained again via Cerved, for properties used as collateral representing around 62% of the loan book.

For the real estate portfolio of the other LEs of the Group’s, EPC certificates were recovered for the repossessed collateral. In addition, for a portion of collaterals, energy efficiency values were estimated using the internal methodologies developed for the climate stress test. Furthermore, activities were undertaken to recover energy certificates, both for new and existing contracts (including the Monaco property portfolio).

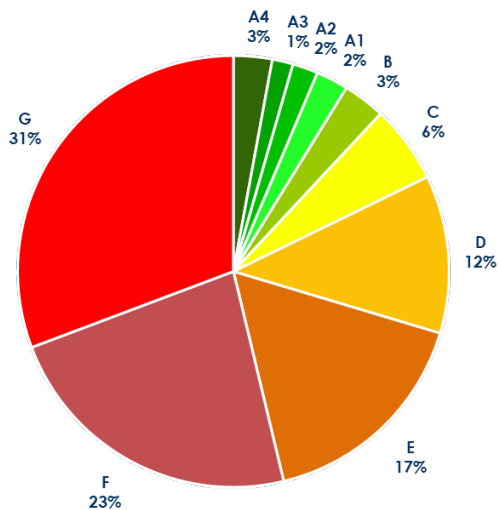
Once collected, the Group has analysed the collateral value distribution by EPC label and EP score. The results for the Group are shown below:



Of the approximately 3 billion loans for which the energy certificate is available, 39% are collateralized by a real estate with EPC label A to D, half of which are in the first two energy classes.

The results presented show that the Group's exposure is more concentrated in high-efficient buildings than the national distribution of energy certificates.⁴⁴ Indeed, an analysis published by SIAPE (Sistema Informativo sugli Attestati di Prestazione Energetica - Information system on energy performance certificates) shows that 29,6% out of 4.6 million of APE certificates collected have an EPC label A to D, of which around 40% are in the first two energy classes:

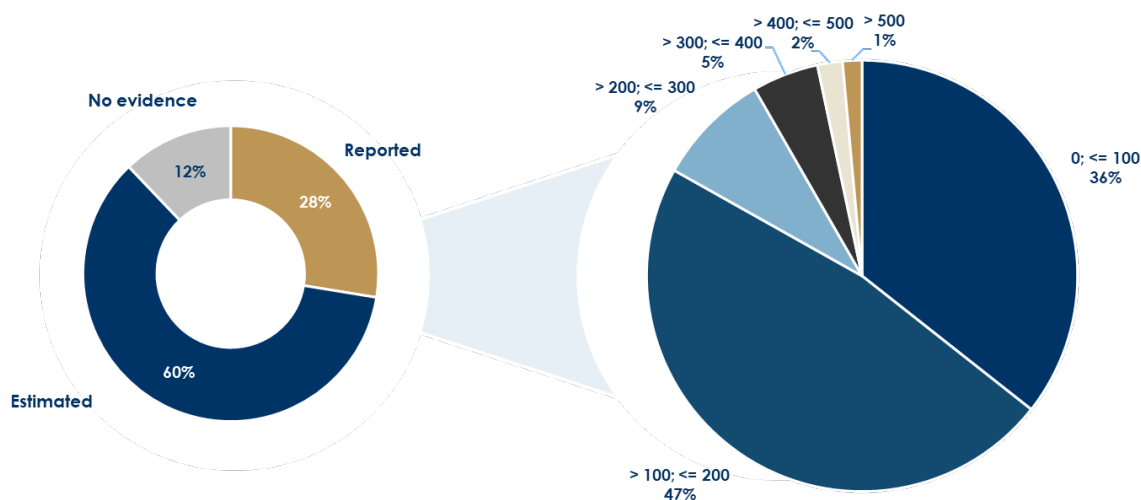
Figure 6: National EPC label distribution as of 22/05/2023 (source: Information system on energy performance certificates – SIAPE)



Considering both estimated and reported data, 83% of loans is collateralized by a real estate with EP score⁴⁵ below 200, of which 36% are in the range [0-100].

⁴⁴. To be noted that this comparison confronts an abundance of energy certificates figure with an exposure figure.

⁴⁵. The lower the score is, the more efficient the EP is.



The EPC label represents a monitoring indicator integrated into the CheBanca!'s Risk Appetite Framework, as seen in the paragraph 4.4.2.

4.3.6 Non-Financial Risk

In the path of constant attention towards the control and mitigation of all risks impacting the Group, Mediobanca kicked off in October'22 a project dedicated to enhance the Non-Financial Risk Management Framework. The aim of the project is to consolidate a unique and holistic framework with specific processes, standardized reporting and dedicated KRI. In particular, regarding the area of reputational risk, after a first completed phase of Gap Analysis, new framework will be developed including: asset/stakeholder identification, definition of a reputational risk appetite framework, risk events mapping, periodical materiality assessment, escalation/mitigation process and reporting. Within the scope of potential reputational risk events, ESG aspects (e.g., profiling of parties, Adverse News Netech), will be explicitly included.

4.4 Climate risk in the Group's Risk Appetite Framework

Here it is presented a detailed description of the climate risk metrics and triggers that have been inserted in the Group's RAF.

4.4.1 Credit Risk

◆ Environmental high-risk exposure (lending portfolio)

The indicator is based on the internal risk assessment made in the context of the ESG Heatmap (see paragraph 4.3.1) developed at sectoral level to identify the potential risk to the ESG factors of WSB Portfolio and recalibrated incorporating the peculiarities of the bank's portfolio and the characteristics of the individual counterparties composing it⁴⁶, **the metric focused on the corporate loan exposure to high risk sectors related to Environmental pillar.**

$$\text{Environmental high – risk exposure (\%)} = \frac{\text{Environmental high – risk exposure}}{\text{Total corporate loan exposure}}$$

46. The recalibration process is based on the output of qualitative questionnaires for the counterparties analysed or on the information collected by the infoproducer (IP) Morningstar-Sustainalytics and, whenever available, latest Sustainability Report issued by the company. In case none of the former is available, the counterparties' evaluation is based on the sectoral average data of the Heatmap.

The indicator leads to business choices in line with the risk appetite and the commitment that the Group has taken on supporting the green transition. In this regard, the Group identified a maximum acceptable level of environmental high-risk exposure which constitutes the Risk Appetite trigger.

◆ **Financed carbon-intensive activities**

The NZBA requires its signatories to measure and monitor over time financed emissions, defined as per the Scope 3 category of the GHG Protocol⁴⁷ (details in paragraph 5.2). With the aim of monitoring the banks' exposure to non-financial counterparties (NFC) with a high dependence on carbon emission, Mediobanca has defined a portfolio emission intensity metric based on Scope 1, Scope 2 and Scope 3 of counterparties' GHG emissions of the WSB Portfolio.

As suggested by the TCFD Recommendations and as indicated by the ECB⁴⁸ the calculation has been made based on the Global GHG Accounting and Reporting Standard for the Financial Industry (December 2022) compiled by the PCAF. The calculation approach is aligned with the quantitative information the Group provides in and Pillar 3 disclosure.

The portfolio emissions intensity metric is defined as the sum of Scope 1-2-3 financed emissions (tCO_{2e}.) divided by the sum of the Gross Carrying Amount of the NFC's lending exposure, as follow:

$$\text{Financed emissions intensity} = \frac{\sum_c \text{Scope 1 – 2 – 3 WSB CTP's financed emissions (tCO}_2\text{e)}}{\sum_c \text{Gross Carrying Amount}}$$

4.4.2 Mortgages secured by real estate

In the context of credit risk, physical risk is defined as the risk that a weather event and other environmental factors may affect a counterparty's creditworthiness or collateral value in the short, medium and/or long term. The Bank identifies landslides, floods and earthquakes as weather and environmental risks that can cause severe damage to buildings and reduce the value of real estate used as collateral for loans.

With the aim of monitoring this risk, as the main transmission channel works through changes in the value of the underlying collateral, the RAS metric focuses on CheBanca! mortgages exposures secured by real estate. In this context CheBanca!, considering the collateral location, developed a methodology in order to assign to its mortgages portfolio exposures a synthetic physical risk score which considers the probability of occurrence of the three extreme events. In particular, based on data from Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) for flood and landslide risks and Istituto Nazionale di Geofisica e Vulcanologia (INGV) for seismic risk, CheBanca! classifies its exposures into low risk, medium risk, high-risk and extremely high-risk with the aim of monitoring and limiting lending in high-risk areas (for more details see paragraph 4.3.4).

In detail, the indicator aims firstly to monitor, through the synthetic physical risk indicator, the percentage of high and extremely high risk granted loans in the quarter:

Mortgages secured by RE in high and extremely high – risk areas (%)

=

$$\frac{\text{Mortgages secured by RE in high and extremely risk areas granted in the quarter}}{\text{Total mortgages secured by RE granted in the quarter}}$$

47. Guidelines for Climate Target Setting for Banks, UNEP Finance Initiative, April 2021

48. "Guide on climate-related and environmental risks Supervisory expectations relating to risk management and disclosure", ECB, November 2020

A similar analysis has been conducted on transition risk for CheBanca! exposures secured by real estate.

In the context of credit risk, transition risk is defined as the risk that the process of transition to a low-carbon economy, stimulated by the adoption at EU and national level of specific regulations, may affect the creditworthiness of a counterparty or the value of the collateral in the short, medium and/or long term.

In order to monitor this risk, CheBanca! identifies the energy class level as the element capable of affecting the value of real estate pledged as collateral for loans in the short, medium and/or long term.

The Bank's objective is to monitor, through a Transition Risk Indicator, the level of mortgages disbursed during the quarter guaranteed by energy class A or B properties (for more details see paragraph 4.3.5), as these energy classes express a high degree of efficiency and, consequently, a low level of consumption of the property:

$$\text{Mortgages disbursed secured by energy class A or B properties (\%)} = \frac{\text{Mortgages disbursed during the quarter secured by energy class A or B properties}}{\text{Total mortgages disbursed during the quarter}}$$

4.4.3 Conduct and compliance risk: Client's portfolio exposure to SFDR products (% of AuM/ AuA with low sustainability rating to issuer with violation of UNGC/OECD principles)

With aim of promoting responsible business activities based on ESG criteria, the Group monitors the evolution of the AUM and AUA that are invested in OICR and ETF labelled Art. 8 and Art. 9 as defined in the Sustainable Finance Disclosure Regulation ("SFDR"):

- ◆ An Article 8 product under SFDR is defined as "a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practice";
- ◆ An Article 9 product under SFDR is defined as "a financial product which has sustainable investment as its objective and an index has been designated as a reference benchmark".

One of the main risks that can arise from the marketing of SFDR products is the failure to achieve the ESG characteristics expected by the clients due to an incorrect classification or mismanagement of the funds. This can result in claims by customers interested in environmentally friendly products or products that can have a greater positive environmental impact. In order to assess and evaluate this type of risk the Group considers and monitors AUM and AUA from Mediobanca Private Banking and CheBanca! that are invested in OICR and ETF labelled Art. 8 and Art. 9 with:

- ◆ a Sustainability Rating equal to "Low", "Below Average" or that are not rated;
- ◆ a percentage of violation of UNGC Principles/OECD Guidelines above 5% of the total assets.

A wider diffusion of these kind of products placed to clients means a higher risk of failure in the selection / management process.

$$\frac{\text{AuM AuA invested in OICR ETF Art. 8 and 9 with low rating to issuer with violation of UNGC/OECD principles}}{\text{AuM AuA invested in OICR ETF Art. 8 and 9}}$$

4.5 Scenario analysis for Climate Stress Testing

In order to incorporate climate risks and opportunities outlined above into the Group's strategic positioning and to delineate the bank approach to the decarbonization paradigm, scenario analysis exercises have been and are ongoing. Since scenarios describe plausible future projections under different assumptions, they allow to analyse bank's approach with a forward-looking perspective.

As per the TCFD Guidance, "scenario analysis helps in making strategic and risk management decisions under complex and uncertain future conditions such as climate change".

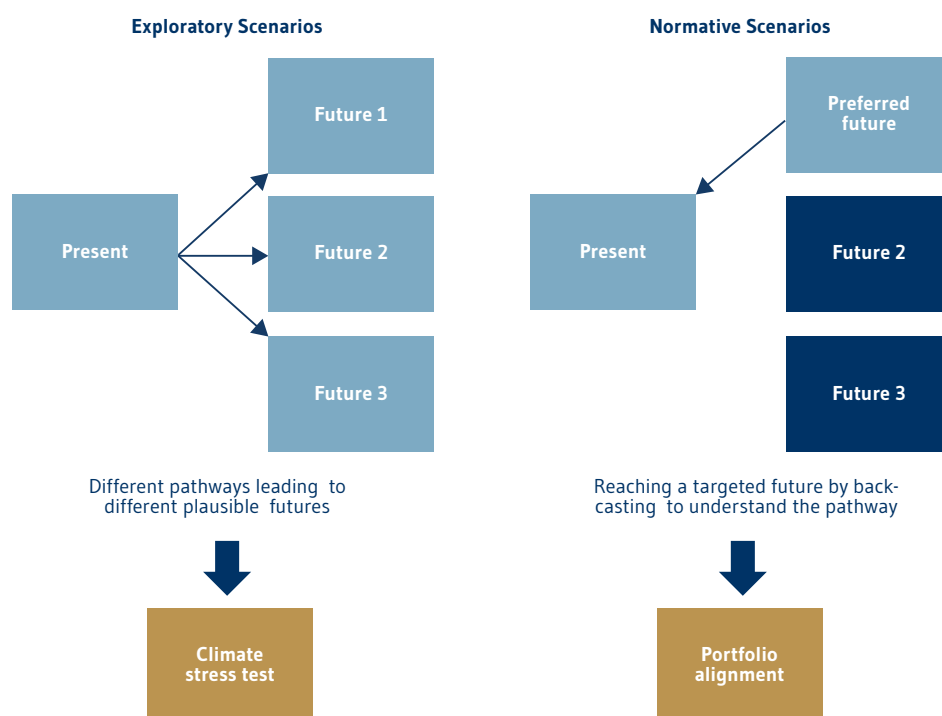
It "contributes to greater strategy resilience and flexibility by:

- ◇ testing a strategy and strategy options against a set of scenarios;
- ◇ identifying possible future threats or opportunities;
- ◇ identifying trigger points to set contingency plans in motion; and
- ◇ serving as a basis for continuous monitoring and strategy adjustment."⁴⁹

Climate scenarios can be classified into exploratory and normative pathways:

- ◇ exploratory scenarios allow to perform a what-if risk analysis: they outline possible future developments, given a series of assumptions come true. They answer to questions as: "what could happen if the required mitigation actions are not implemented?" This is the scenario analysis approach undertaken in the managerial climate stress testing exercise described below.
- ◇ normative scenarios, instead, specify the necessary sectorial pathways to reach a certain goal. For instance, they answer to the question: "what actions should be undertaken over time, in order to reach Net Zero CO₂ emissions by 2050?" These scenarios are used as a basis for the bank's portfolio alignment and portfolio target setting exercise, as presented in section 5.1.1.

Adapted from "Task Force on Climate-related Financial Disclosures, Guidance on Scenario Analysis for Non-Financial Companies", October 2020



49. "Task Force on Climate-related Financial Disclosures, Guidance on Scenario Analysis for Non-Financial Companies", October 2020.

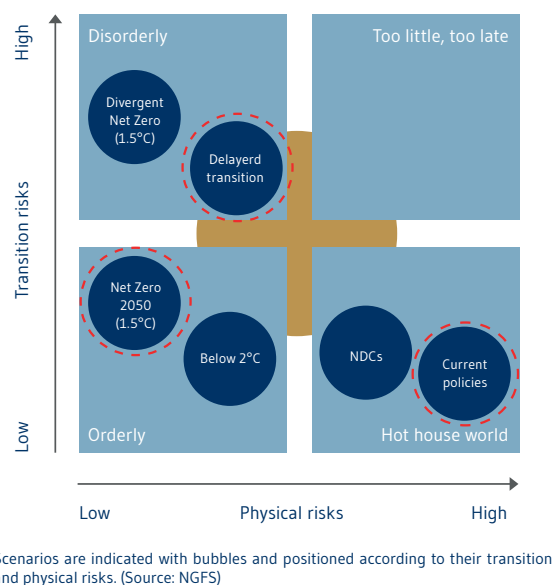
The first step of the stress test methodology is **Climate scenarios selection**.

The Transition Risk scenarios will take as a reference the ECB Macro-financial scenarios, developed for the 2022 SSM Climate Risk Stress Test, and the NGFS (Network for Greening the Financial System) Phase II scenarios, summarised in the figure on the right.

The Group is evaluating whether to internally produce rather to outsource ad-hoc scenarios.

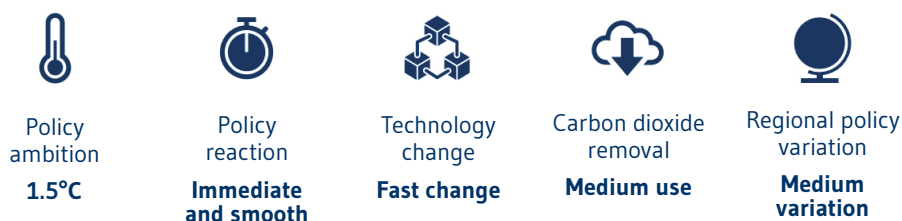
The ECB scenarios themselves are based on three out of the six NGFS scenarios displayed in the Figure 7 (i.e. the dotted scenarios). Here, for simplicity, is provided an overview of the three ECB scenarios

Figure 7 Overview of the NGFS scenarios.



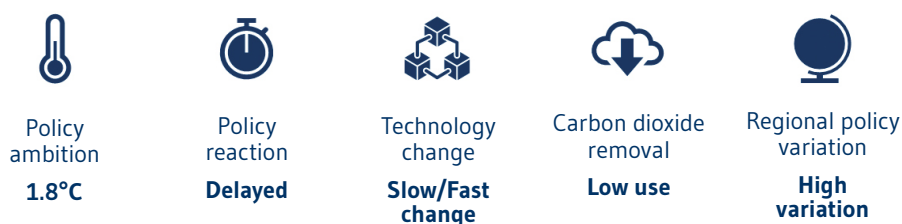
- ◆ The **orderly scenario** is based on the NGFS Net Zero 2050 scenario. This scenario assumes that climate policies are introduced early and become gradually more stringent. Net CO₂ emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1,5 °C by the end of the century, with no or low overshoot.

In this scenario, both physical and transition risks are the lowest in the ECB scenarios set: the smoothness of the energy transition reduces its cost; the limitation of global warming to 1,5°C mitigates physical risk.⁵⁰



- ◆ The **disorderly scenario** is based on the NGFS' Delayed Transition scenario. It assumes that new climate policies are not introduced until 2030. Therefore, global annual emissions exceed the carbon budget temporarily, declining more rapidly after 2030 to ensure a 67% chance of limiting global warming to below 2 °C. After 2030, strong policies are needed to limit warming to below 2 °C and, in order to compensate for the lost time, carbon prices must be set typically higher to achieve a Paris-aligned outcome. The availability of carbon removal technologies (CDR) is assumed to be low, pushing carbon prices even higher.

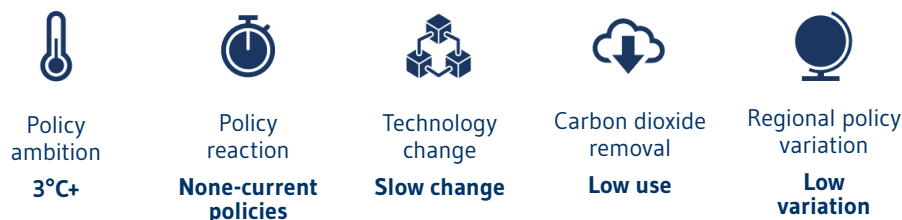
As a consequence of delayed policy implementation, the scenario explores higher transition risk compared to the orderly transition one. The same holds for physical risks because of the resulting higher global average temperature increase.



50. NGFS

- ◆ The **hot house** world scenario is based on the NGFS' Current Policies scenario. It assumes that no new climate policies are implemented: European emissions gradually decline, but global emissions grow until 2080 leading to about 3 °C of warming.

The untapped global warming leads to severe physical risks and consequent extreme costs. In the hot house world scenario, transition risks are negligible since the green transition is assumed to never take place. However, the absence of transition costs is more than offset by the adverse economic impact of extreme physical risk.⁵¹



4.5.1 Climate Risk Stress Test framework

The Group includes climate and environmental aspects on all the main risk dimensions over short, medium- and long-term timeframes in the context of ICAAP's stress test assessment. The aims of the analysis are the ones indicated by the European Central Bank⁵²: i.e. understand

- ◆ *"how the institution might be affected by physical risk and transition risk;*
- ◆ *how climate-related and environmental risks might evolve under various scenarios, taking into account that these risks may not be fully reflected in historical data;*
- ◆ *how climate-related and environmental risks might materialise in the short, medium and long term depending on the scenarios considered."*

In order to assess the Group capital adequacy also considering climate-related risks, Mediobanca has decided to integrate the ICAAP bottom-up stress test performed at the Group level with a climate-related scenario analysis.

Because the scenarios describe plausible future projections under different assumptions, they allow to analyse Mediobanca's approach with a forward-looking perspective, considering transition risk and physical risk separately. The scenario analysis is presented to executive management and the Board of Directors in the context of the ICAAP's report approval.

In particular, the inclusion of a climate-environmental scenario allows the Group to assess the impact generated through the relevant transmission channels (i.e., credit risk, market risk, operational risk) of climate transition and physical (acute and chronic) risks on the Group's capital indicators.

The climate-related severe but plausible adverse scenario⁵³ considers potential vulnerabilities related to extreme weather events (physical risk) and other sources of "disorderly" transition risk (e.g., particularly severe climate regulatory enactments, technological innovation, market volatility) that could materialize over the forecast time horizon.

The exercise is designed to include both transition and physical risks into the following transmission channels: credit & counterparty risks (focused on corporate and retail household), operational and

⁵¹ NGFS, ECB

⁵² "ECB Guide on climate-related and environmental risks", 2020.

⁵³ Set of macroeconomic and market risk factors that are influenced by various exogenous events including regulatory changes in specific areas and/or adverse climate events and new investor/consumer preferences toward specific markets/sectors less exposed to climate-environmental risk factors, respectively.

conduct risks and market risk (focused on corporate bonds and equity).

In order to conduct the stress test exercises, the Group identifies the risks subject to analysis based on the risk map and the relevant risks identified in it.

These risk categories identify the risk factors to be stressed, broken down into the following categories:

- ◈ external macroeconomic factors, linked to the evolution of the main macroeconomic variables and interest rate curves influenced by different exogenous events including regulatory changes in specific areas and/or adverse climatic events.
- ◈ external market factors, related to the evolution of asset prices and financial instruments also influenced by new preferences of investors/ consumers towards specific markets/ sectors less exposed to climate-environmental risk factors.

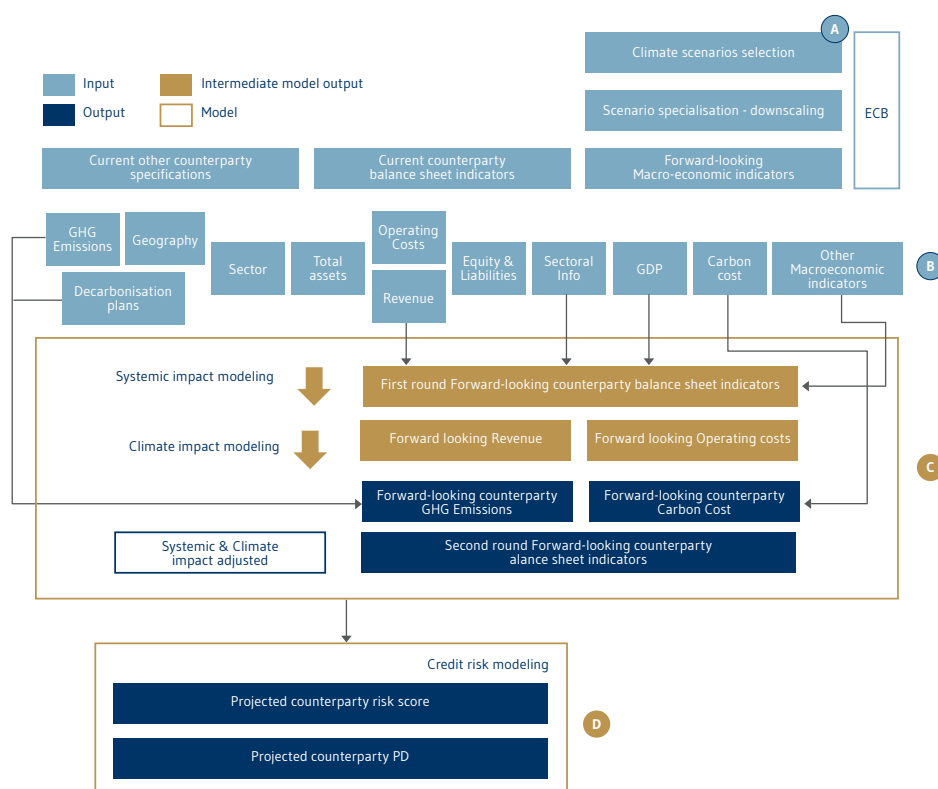
The details of the methodologies expected for each transmission channel are represented in the following paragraphs.

4.5.2 Credit Risk

4.5.2.1 Transition Risk

Applying the chosen scenario, Mediobanca calculates prospective company financial statements and a prospective new score and rating class, obtained by leveraging the internal rating model used for AIRB purposes. The new score and rating class consider both the macro-economic shocks and the carbon cost component, according to the chosen scenario. Counterparties' GHG emissions projections are obtained considering both ECB predictions and the company's current emissions and plans to reduce them (i.e., net zero targets). Each counterparty's carbon cost is factored into projected counterparty's balance sheet indicators.

The following figure summarizes the methodology used for **Climate Transition Credit risk**:



4.5.2.2 Physical Risk

Regarding the **physical risk**, the methodology is differentiated for real estate or corporate counterparties:

- ◇ regarding real estate, commercial and residential real estate price shocks are assessed for the Group portfolio in a severe flood scenario. The assessment is based on assets location and location-based flood risk maps derived from ECB or governmental agencies analyses (e.g. ISPRA for Italy). The impact evaluation procedure considers EPC, modulating the assets vulnerability according to this parameter. Real estate price shocks impact on “Loss Given Default” evaluation of secured positions.
- ◇ regarding corporate counterparties, in the following years the Group will conduct a physical risk forward-looking assessment that takes-off from the ECB analyses of labour productivity shocks and consequent GDP shocks in a severe heatwave and drought scenario. Labour productivity impacts are connected to counterparties’ balance sheet indicators, then to “Probability of Default” evaluation, as displayed also in the above transition risk section.

4.5.3 Market Risk

Market risk modelling starts from similar inputs compared to Credit risk modelling; however, it is based on a narrower set of factors. It comprises only short-term transition risk and it also only includes the assumption of a static balance sheet as to avoid portfolio-rebalancing towards activities less impacted by climate risk.

Currently, Mediobanca includes in the analysis all equity and bond instruments, accounted for at Fair Value Through Profit and Loss, Held for Trading and derivatives positions on these instruments, provided the instruments are directly held in the bank’s portfolio. Some exceptions might apply in line with regulatory exemptions and/or the bank’s own requirements.

Market Risk climate stress testing leverages on the disorderly scenario to shock positions subject to market risk climate stress. The scenario plays out in a relatively limited timeframe, equal to one year, and requires the front-loading of all the shocks.

The Fair Value is then fully revaluated in order to measure the impact of the climate stressed scenario as usually done for non-climate stress testing exercises.

4.5.4 Operational Risk

In order to capture the climate-related operational risk exposure, Mediobanca leverages on the current risk analysis and assessment approaches provided by the overall operational risk management framework (scenario analysis) for identifying and quantifying physical and transition risks considered as applicable at Group level, according to a managerial perspective. More specifically, the abovementioned approach consists of an “expert opinion” modelling framework for the analysis of emerging risks where future losses could strongly deviate from historical evidence.

The perimeter of risks to analyze should cover both physical and transition risks.

Analysis of physical risks (acute): losses due to extreme weather events (es. flood, landslide, wildfire, storms, heatwaves) that might:

- ◇ damage physical assets owned by the Bank leading to losses related, among the others, to restoration costs and disputes promoted by customers for business interruptions;

- ◆ damage crucial IT infrastructure or systems owned by the Bank or its third parties leading to losses for the impossibility to provide services to customers.

Analysis of transition risks (conduct): liability claims, or fines imposed by the competent Authorities for “greenwashing” events, such as the non-compliance with sustainability standards resulting, for example, from the selling / managing of financial products to customers.

4.6 Climate risks in Mediobanca assets

The analysis of Group assets climate risk is conducted consistently with Business continuity management model, with a yearly minimum frequency.

4.6.1.1 Methodology

Business continuity risk is the risk of experiencing an interruption in business operations due to events that may impact the critical assets supporting critical business processes.

The Business continuity Framework implemented in Mediobanca Group, and in particular, the Risk Analysis process included in it, considers, among others, the effects of the physical risk (and, in particular, of the acute events) on those critical assets.

The analysis takes into consideration the probability and impacts of specific threats on three critical types of assets:

- ◆ human resources,
- ◆ the locations in which the critical Group processes take place,
- ◆ the ICT components, essential to maintain data and services supporting critical processes.

Many dimensions are evaluated, comprising, between others, the geographical concentration profiles and the constraints deriving from interdependencies, including between and with suppliers, customers and other operators.

The Risk Analysis maps and evaluates hazards according to different scenarios. In the table below, Climate-related hazards and corresponding scenarios comprised in the model:

SCENARIO	HAZARD
Destruction or inaccessibility of facilities in which business units or critical equipment are housed	Flood Mediterranean Tropical-Like Cyclone Landslide Hailstorm Wildfire Environmental hazard following an adverse meteorological event Snowstorms/heavy frost Strong wind/tornado/cyclone
Unavailability of personnel essential to the operation of business processes	Drought Heatwaves

The resulting risk evaluation stems from an analysis of both direct and indirect impacts, as, for example, the costs of recovery or the reputational damage generated by the adverse event.

Regarding instead the adverse event probability, it is estimated starting from highly specialized external institutions datasets, among others, the Regional Agencies for Environmental Protection.

Risk is therefore evaluated according to impact, probability and mitigation measures in place, in the final form of a residual risk.

Following the Risk Analysis phase, mitigation measures are implemented so as to reduce the risk level below the acceptability threshold.

4.6.1.2 Results

The abovementioned methodology was **applied to the Group structures**. All the locations, where the Group critical processes are executed, show **a low or even negligible risk** level with reference to the scenarios and hazards outlined in the table above. This is due to the relatively safe geographical location of the buildings and to the effective mitigation measures in place.

4.7 Business continuity Governance

Mediobanca Group has appointed a specialized Crises Management Committee and a Crises Office, that manage emergency situations, included adverse meteo-climatic events, coordinating the action of the involved structures.

The Business Continuity Management Office oversees the Operational Continuity within the Group Entities, operationally managing the abovementioned emergency situations, monitoring the risk levels and the adequacy of Business Continuity Management plans.



Metrics and Targets



MEDIOBANCA

5. Metrics and Targets

5.1. Portfolio Target

5.1.1 Sectoral portfolio alignment and targets

In line with this commitment, the bank is actively measuring, disclosing, and monitoring its financed emissions. Indeed, the Group is developing a comprehensive plan for transitioning towards a low-carbon economy and it is expanding its efforts to reduce emissions across various sectors in which it operates. This includes establishing sector-specific targets for key industries such as automotive, power, cement and aviation. These sectors have been identified as priorities area due to the volume of the exposition in the financial portfolio and data availability. In line with the NZBA's objectives, the bank recognizes the importance of defining targets also for sectors that are currently not covered, such as Oil & Gas and Shipping. Therefore, in the next steps of the decarbonization transition plan, the bank will publish additional sector-specific objectives for these areas, ensuring a holistic approach to emissions reduction.

In defining and implementing a targeted portfolio alignment solution, **the Group is setting goals and methodologies in line with the requirement of the EBA Pillar III disclosure framework.**

Therefore, the automotive and power targets that were published in the 2021-2022 TCFD Report have been restated and calculated using the GCA, as of 30 June 2023, to be **aligned with EBA Pillar III disclosure requirements** and to **publish consistent targets** among the Group's disclosures. In detail, this is due to the following improvements:

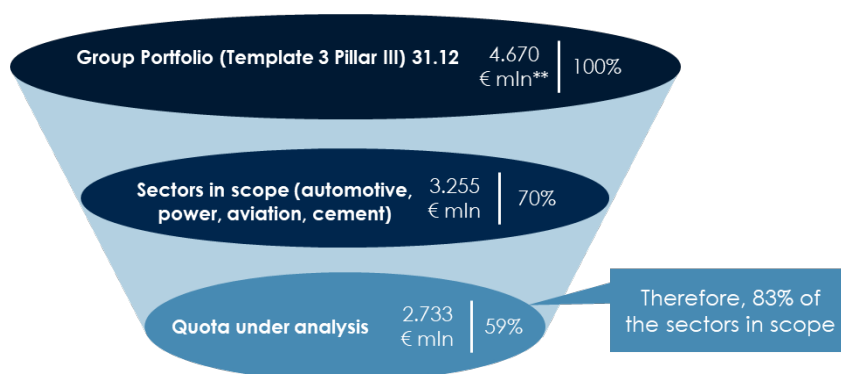
- ◇ expansion of the exercise scope **to the whole Group (see following paragraph) and to the lending and investment portfolio**, considering enlarging the perimeter vis-à-vis the first pilot performed (which covered only Mediobanca S.p.A and Mediobanca International lending portfolio);
- ◇ **evolution of target setting method** to align with the sectoral definitions (in terms of NACE codes) provided in EBA Pillar III Template 3 and to expand the coverage of the targets. This include the introduction, along with physical-intensity targets, also of economic-intensity targets.

5.1.2 Product and sectoral scope

The analysis was carried out on the Group's lending and investment portfolio as of 31 December 2022 of the following legal entities, which account for substantially all the Group's credit and investment exposures: CMB Monaco, CheBanca! S.p.A, Compass Banca S.p.A (Compass), Mbfacta

The Group's investment and lending counterparties belonging to the sectors aligned to the in EBA Pillar 3 Template 3 represent an exposure of approximately 4.67 € billion, of which the automotive sector accounts for the largest portion (35% of the total portfolio volume), followed by the power sector (24% of the total portfolio volume). Aviation and cement sectors respectively represent 8% and 3% of the total abovementioned portfolio. These four sectors together represent 70% (3.26 € billion) of the Template 3 exposure representation.

According to the info-provider Standard and Poor (S&P) Global and integrating with the emission data disclosed or communicated to the Group by some counterparties not covered by S&P, data are available for 83% of the automotive, power, cement and aviation total exposure, thus allowing a coverage of 59% of the whole investment and lending portfolio belonging to the sectors granularly defined in EBA Pillar 3 Template 3.



The analysis was performed on this covered exposure so as to have better control on the evolution of the data in time, avoiding the introduction of further approximations. Nonetheless, the approach is supported by the high percentage of coverage achieved (83% over the sectors under analysis).

In order to enhance comparability with the calculation of portfolio financed emissions (see section 5.2), for which the PCAF standard requires the use of drawn lending exposure instead of committed exposure, the portfolio alignment target setting activities have been carried out taking into account the former.

5.1.2.1 Overview of methodology and targets

Mediobanca, as a first step of its decarbonization transition plan, classified the counterparties through a managerial NACE code (Nomenclature of Economic Activities), as aligned as possible to the actual counterparty main activity. This part was essential in order to focus on counterparties belonging to sector codes that fall under Pillar III Template 3 reporting and NZBA requirements. This selective approach allowed for targeted analysis and action on specific sectors.

Having determined the counterparties to be included in the analysis, in addition to the retrieval of data from the direct engagement with the most relevant counterparties, Mediobanca evaluated the availability and suitability of metrics publicly disclosed by such counterparties to the market, as gathered and elaborated by Standard and Poor (S&P) Global.

The counterparties belonging to the NACE codes required by Pillar III were analyzed according to the Sectoral Decarbonization Approach (SDA) methodology where the appropriate physical intensity metric was available for them, and to an economic-intensity based methodology (tCO₂eq/revenue) where the counterparty or sub-sector was not covered by the SDA or an associated physical

intensity counterparty data was not available⁵⁴. By using these two methodologies, Mediobanca is extending the boundaries of the targets to match as much as possible the sub-sectoral coverage required by Pillar 3.

Sectoral Decarbonization Approach

The Sectoral Decarbonization Approach (SDA) is a Science Based Targets (SBTi) methodology, that offers a science-based approach to measuring and setting carbon-intensity targets based on global efforts to reduce emissions. By using specific metrics tailored to each sector, the SDA captures the varying rates at which different sectors and economic activities transition towards decarbonization in alignment with the Paris Agreement. Regarding the sectors covered in this analysis, the SDA physical intensity metrics chosen were:

AUTOMOTIVE	POWER	AVIATION	CEMENT
$\frac{gCO_{2eq}}{vkm}$	$\frac{tCO_{2eq}}{MWh}$	$\frac{tCO_{2eq}}{pkm}$	$\frac{tCO_{2eq}}{ton\ cement}$
DESCRIPTION			
Average grams of CO ₂ equivalent per kilometer traveled by the produced vehicle	Tons of CO ₂ equivalent per 1 MWh produced by the counterparty	Tons of CO ₂ equivalent per passenger transported per kilometer	Tons of CO ₂ equivalent per ton of cement produced

Some sectors, such as power generation, should decarbonize at a faster rate than the global average, while others, such as aviation and cement production, may decarbonize at a slower rate.

The current iteration of the SBTi SDA addresses 1.5°C targets only for some of the abovementioned sectors. Therefore, lacking a specific 1.5°C SBTi methodology with reference to the automotive and aviation sectors, SBTi power and cement methodology was replicated to the other sectors and generally extended to use as a benchmark the IEA NZE 2050 scenario, as required by EBA Pillar III Template 3 regulation. The percentage reductions required by 2025 and by 2030 depend on the sector, the chosen scenario benchmark and the time period considered (between baseline and target year).

As far as emission scopes are concerned, this methodology only considers the most relevant portion of emissions generated by the counterparty depending on the sector to which it belongs, i.e.:

- ◇ Power Generation and Aviation: Scope 1;
- ◇ Automotive: Scope 3 Category 11, Use of Sold Products;
- ◇ Cement: Scope 1 and Scope 2.

Economic-intensity based method

The method was developed based on available standards and benchmarks for setting economic intensity targets starting from recognized scenario benchmarks. In particular, when calculating the economic intensity of emissions, the available standards and regulations require the EVIC or Revenues of counterparties to be used as the denominator.

$$\frac{tCO_{2eq}}{revenue} \text{ o } \frac{tCO_{2eq}}{EVIC}$$

54. In the SDA methodology, the intensity target is defined by the reduction of emissions with respect to a specific sectoral physical metric, such as the company's production (e.g., one tonne of CO₂e per tonne of product produced), while in the economic intensity methodology the target is set through a constant economic intensity reduction rate.

Mediobanca opted for the use of revenues since, in accordance with the TEG, if compared to EVIC, this allows for a more direct comparison, within the sector, of the ability of different companies to decarbonize their activities. Furthermore, the use of this denominator is required by SBTi, which prefers the use of revenue as it is more consistent with the definition of GDP (used in the scenario benchmark). The output of applying this methodology is therefore a reduction in emissions relative to the company's financial performance (e.g., one ton of CO₂e per unit of revenue).

Regarding emission scopes, the Group chose to include the Scope 1 and 2 emissions for this methodology.

Scenario selection

Both the methodologies refer to the International Energy Agency's (IEA) 2022 Net Zero by 2050 scenario. This scenario is in line with the NZBA criteria, it is required by the EBA Pillar III and it is supported by an increasing number of countries and companies committed to achieving net zero emissions by 2050. Its goal is to limit the global temperature increase to 1,5°C by the end of the century, with a 50% probability. Moreover, this scenario is widely used in the banking sector, ensuring comparability of targets and disclosures.

Currently, only a global pathway is available in the Net Zero scenario, which is why the scenario benchmark represented is based on a global scope.

Using the International Energy Agency's sectoral scenarios, it is possible to estimate the carbon intensity compatible with a 1.5°C temperature rise for different economic sectors. This estimate is based on the total direct emissions of the sector in a given year and the total productive activity of the sector in the same year, resulting in a sectoral intensity trajectory.

In the SDA, companies set their emission reduction targets by considering their contribution to the total productive activity of the sector and their carbon intensity relative to the carbon intensity of the sector in the reference year. In this way, the company's carbon intensity trajectory is estimated based on the sector-specific intensity trajectory. The represented scenario data in the graphs below are derived through a linear interpolation in time of the data points provided by the IEA.

In the economic-intensity based method, it should be noted that the estimated annual reduction rate of 5.3%, is based on the following figure from the IEA NZE 2050 scenario: an overall reduction in emissions (gross of CDR contribution) over GDP of around 47.7% by 2030 compared with 2021 levels, which gives a 5.3% annual reduction (47.7% divided by the number of years from 2021 to 2030).

DATA QUALITY AND METODOLOGY

S&P Global derives company emissions, revenue and production metrics, when possible, from direct disclosures by the counterparties. In this way, it allows to track counterparties' performance over time and to directly engage with them to promptly update the data in time, when decarbonization actions take place.

The Group recognizes that baseline and targets may vary in time as a consequence of Pillar III or NZBA requirements updates, scenario updates, widening of the scope of analysis or other drivers. Any of these happening, will be given disclosure of such changes and of the reasons behind, triggering, if needed, a baseline or target recalculation.

Target overview

Mediobanca is committed to reducing its current level of emissions by setting targets for 31st December 2025, as required by the Pillar III Template 3 (three-year period starting from 31st December 2022 baseline and available data), targets for 31st December 2030 have also been set.

The table below shows the reduction targets broken down by sector, from 2022 to 2025 and from 2022 to 2030 for the two different methodologies considered, please note that in case the economic intensity methodology, a constant annual reduction of 5.3% was applied to the Mediobanca portfolio counterparties.

TARGET	AUTOMOTIVE	POWER	AVIATION	CEMENT
SDA metric	gCO_{2e} / vkm	tCO_{2e} / MWh	tCO_{2e} / pkm	tCO_{2e} / ton
Baseline 2022	139.23	0.34	93.8	0.66
Target 2025	117.39 -16%	0.26 -22%	90.5 -4%	0.59 -10%
Target 2030	85.44 -39%	0.16 -53%	83.97 -10%	0.5 -25%
Economic intensity metric	tCO_{2e} Emission (Scope 1 + Scope 2) / \$ (revenue)⁵⁵			
Baseline 2022	48.36	607.39	69.69	213.62
Target 2025	40.67 -15.9%	510.81 -15.9%	58.61 -15.9%	179.65 -15.9%
Target 2030	27.86 -42.4%	349.86 -42.4%	40.14 -42.4%	123.05 -42.4%

5.1.3 Automotive sector

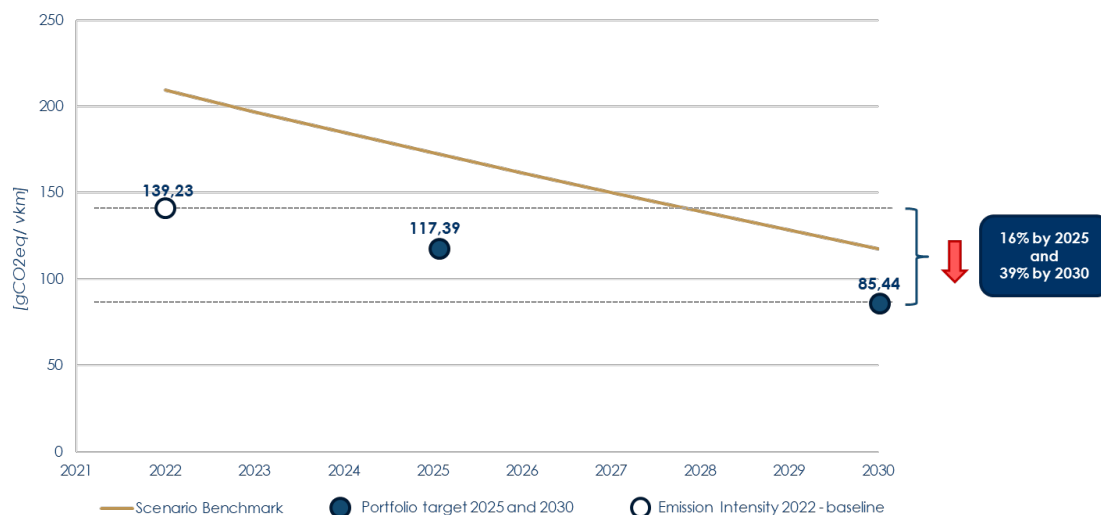
The portion of the automotive sector, corresponding to 35% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar 3 Template 3, amounts to 1.62 € billion in terms of GCA.

The analysis covered a total volume equivalent to 79.5% of the automotive portfolio, with 37.4% examined using the SDA methodology and 42.1% assessed through the economic intensity methodology. It is worth to note that a consistent part of the considered counterparties belongs to sub-sectors not covered by the SDA methodology (e.g. vehicle components manufacturers).

The graph below depicts the IEA NZE 2050 scenario, SDA portfolio baseline and **SDA portfolio targets** for 2025 and 2030 that imply respectively a 16% and 39% reduction in emission intensity with respect to the 2022 baseline.

Worth to be noted, the Group's baseline emission intensity is better than the IEA global baseline data and the defined target prescribes a greater ambition in terms of target value with respect to both 2025 and 2030 scenario values.

55. Considering that the infoprovder reports revenue data in Dollars, it was decided to maintain this currency to reduce potential discrepancies.



The **economic intensity target** requires a 5.3% annual reduction, translating into a 16% c. and 42% c. reduction by 2025 and 2030 with respect to 2022 baseline. Therefore, counterparties tCO₂eq emission (Scope 1 + Scope 2)/\$ (revenue) should decrease from the 48.4 baseline to c. 40.7 and 27.9 respectively in 2025 and 2030.

To achieve the bank's objective of making its financing for the automotive sector net zero by 2050 as part of the decarbonization plan, the Group should continue to implement various strategies such as: incentivize low-carbon technologies, promote the use of renewable energy source within the automotive production, promote the investment in and adoption of environmentally friendly solution like electric vehicles (EVs) and fuel-efficient technology. Mediobanca is willing to work with automotive counterparties in order to significantly reducing their carbon footprint and aligning with Net Zero 2050 Scenario.

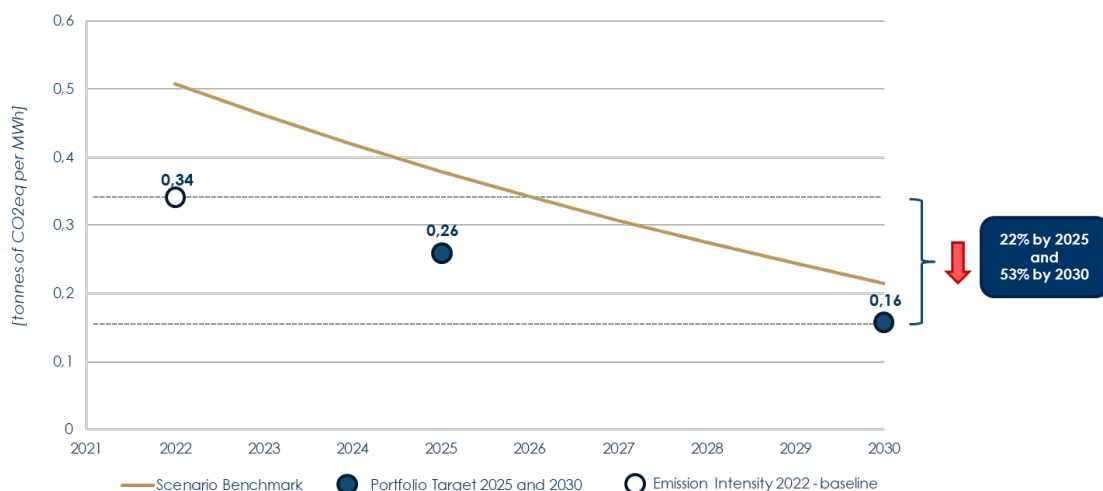
5.1.4 Power sector

The power sector corresponds to the 24% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar 3 Template 3. This percentage, in terms of Gross Carrying Amount, is equal to 1.14 € billion. The total volume covered and analyzed with the two methodologies mentioned above is equal to 92.2% of these 1.14 € billion, split in 28.5% analyzed with SDA and 63.7% under economic intensity methodology. It is worth to note that the majority of the considered counterparties belong to sub-sectors not covered by the SDA methodology (e.g. companies operating not in generation but in distribution/transmission network infrastructures).

The graph depicts the IEA NZE 2050 scenario, SDA portfolio baseline and **SDA portfolio targets** for 2025 and 2030 that implies respectively a 22% and a 53% reduction in emission intensity vis-à-vis compared to 2022 reference scenario.

As for the automotive sector, the Group's baseline power emission intensity is better than the IEA global baseline data and the defined target prescribes a greater ambition in terms of target value with respect to the 2025 and 2030 scenario values.

SDA METHOD – EMISSION TARGET FOR 2025 and 2030



The **economic intensity** targeted reduction of 16% c. and 42% c. respectively by 2025 and 2030 with respect to 2022 baseline, would translate into the counterparties tCO₂eq emission (Scope 1 + Scope 2)/\$ (revenue) decrease from the c. 607.4 baseline to c. 510.8 and 349.9 respectively in 2025 and 2030.

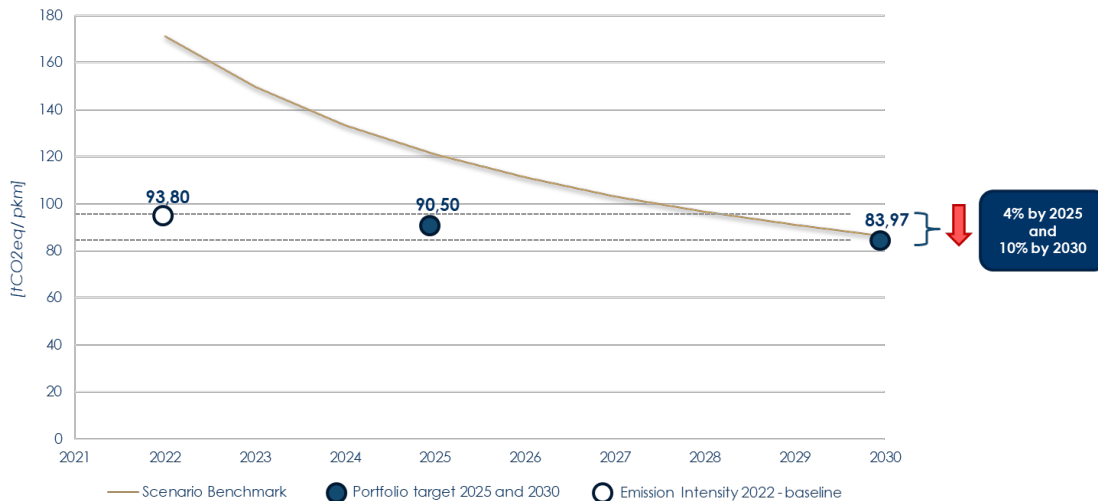
To achieve net-zero emissions for the power sector by 2050, Mediobanca will continue to support counterparties which plan to increase their renewable energy share and to deploy energy efficiency initiatives, together with the increase in green financial products. In presence of a credible decarbonization plan, the Group backs the transition of impactful sectors by temporarily financing them, so as to avoid abrupt cessation that might extend harmful asset life. This approach, called “managed phase out”, enables the credit system to actively reduce the carbon footprint in the real economy, assuming responsibility rather than transferring it. This strategy aims to combat climate change and align with the financial institution’s net zero goals for 2050.

5.1.5 Aviation sector

The portion of the aviation sector, corresponding to 8% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar 3 Template 3, amounts to 358 € million in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 72.5% of the aviation portfolio, with 10.2% examined using the SDA methodology and 62.3% assessed through the economic intensity methodology. To be noted that the majority of the Group’s portfolio is active in the airport sector, for which the SDA methodology is not available.

The graph below depicts the IEA NZE 2050 scenario, SDA portfolio baseline and **SDA portfolio targets** for 2025 that implies a 4% reduction in emission intensity with respect to the 2022 baseline and a 10% reduction by 2030. As for the automotive and power sectors, the Group’s baseline emission intensity is better than the IEA global baseline data and the defined target prescribes a greater ambition in terms of target value with respect to the 2025 scenario value.



The **economic intensity** targeted reduction of 16% c. and 42% c. by 2025/2030, would translate into aviation counterparties tCO₂eq emission (Scope 1 + Scope 2)/\$ (revenue) decrease from the c. 69.7 baseline to c. 58.6 and 40.1 respectively in 2025 and 2030.

To achieve the bank's goal of making its financing for the aviation sector net zero by 2050, a comprehensive decarbonization strategy will be implemented. This includes promoting and incentivizing the adoption of sustainable aviation technologies, such as biofuels and electric aircraft, to reduce emissions. The Group will encourage the transition to renewable energy sources for airport operations and ground activities.

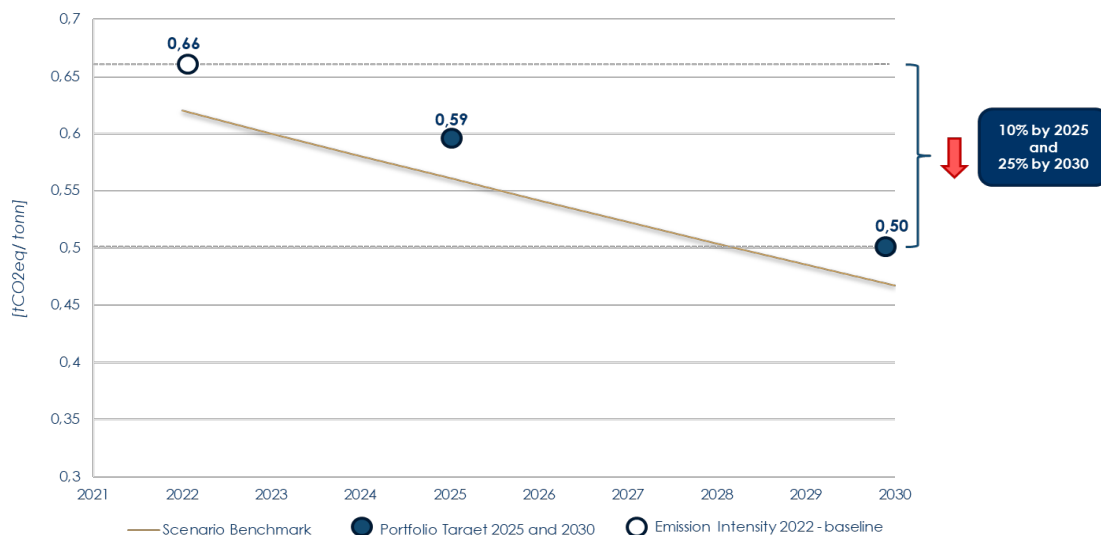
5.1.6 Cement sector

The portion of the cement sector, corresponding to 3% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar 3 Template 3, amounts to 141 € million in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 97.6% of the cement portfolio, with 48.5% examined using the SDA methodology and 49.2% assessed through the economic intensity methodology.

The graph below depicts the IEA NZE 2050 scenario, SDA portfolio baseline and **SDA portfolio targets** for 2025 and 2030 that implies respectively a 10% and a 25% reduction in emission intensity with respect to the 2022 baseline.

SDA METHOD – EMISSION TARGET FOR 2025 and 2030



The **economic intensity** targeted reduction of 16% c. and 42% c. by 2025/2030, would translate into cement counterparties tCO₂eq emission (Scope 1 + Scope 2)/\$ (revenue) decrease from the c. 214 baseline to c. 180 and c. 123 respectively in 2025 and 2030.

To fulfill the bank's vision of attaining net zero financing for the cement sector by 2050 as part of the decarbonization plan, a range of strategic measures will be strengthened such as encouraging the adoption of low-carbon technologies that include investments and adoption in carbon capture and storage (CCS) technologies or more energy-efficient manufacturing processes.

Cement companies will be encouraged to transition to sustainable energy sources for their operations and production processes, leading to a significant reduction in its environmental impacts.

5.1.7 Portfolio-wide targets

With reference to Mediobanca's proprietary book, the Group calculated emissions based on portfolio data as of 31st December 2022 (for details see section 5.2) and set a sub-portfolio emission reduction target which considers the GHG emissions of **Mediobanca and Mediobanca International's** Corporate counterparties in Scopes 1, 2, and 3.

The total GHG emissions (tCO₂eq) considered in the target are the approximately 7 MtCO₂eq emissions related to a portfolio Gross Carrying Amount as of 31 December 2022 of 14,609 € million.

By dividing the considered GHG emissions by the corresponding Mediobanca's exposure, it is possible to calculate the portfolio's emission intensity, which is equal to 482 tCO₂eq/€ million.

$$\text{Financed emissions intensity} = \frac{\sum \text{Scope 1 - 2 - 3 emissions (tCO}_2\text{e)}}{\sum \text{Gross Carrying Amount}}$$

Portfolio Emission Intensity is therefore defined as:

Starting with this emission intensity baseline value, the strategic decarbonization plan aims to

reduce emissions intensity by 18% by 2026 and 35% by 2030, when Mediobanca also plans to completely eliminate its involvement in the coal industry (for details see section 3.3.2).⁵⁶

5.1.8 Asset management targets

As far as Group Asset Managers are concerned, RAM AI joined the Net Zero Asset Managers Initiative (NZAM) in 2021 and committed to achieving Net Zero emissions by 2050.

RAM AI published its first interim goals in 2022: reducing the carbon emission intensity by 33% as of 2025 and by 50% as of 2030. 68% of RAM AI's AUM would be managed under this commitment.

To meet these targets, RAM AI will apply three approaches: allocation, engagement and exclusions.

- ◇ allocation: RAM AI is relentlessly working on developing innovative solutions and integrating them into its investment processes. RAM AI favors companies that have good environmental, social and governance practices.
- ◇ engagement: RAM AI believes that engagement is an important and effective way of nudging companies into the Net Zero direction. RAM AI participates in collective engagements such as the CDP non-disclosure and SBTi campaign. RAM AI is also part of Climate Action 100+ and Global Investors' statement to the Governments, among other initiatives.
- ◇ exclusions: Exclusions are an important step in a comprehensive sustainable investment process, safeguarding investment portfolios from business activities that are deemed unethical, irresponsible or unsustainable.

5.2 Financed emissions

The Net Zero Banking Alliance requires its signatories to measure and monitor over time the financed emissions, as defined under Category 15 of Scope 3 of the GHG Protocol.

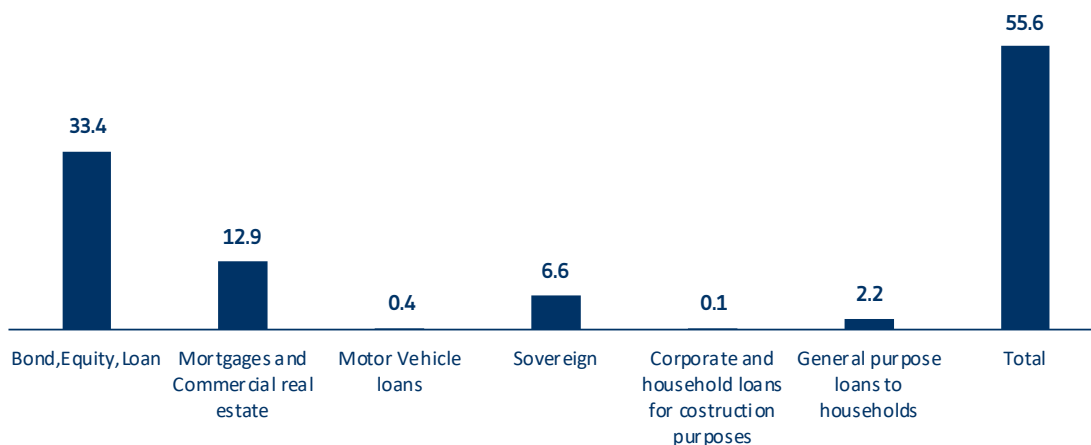
In line with the effort to integrate climate-related issues into their operations, Mediobanca and Mediobanca International conducted a pilot exercise in **2022** to quantify the emissions of their portfolio of financial and non-financial loans and investments as of 31 December 2021, using the methodology developed by the Partnership for Carbon Accounting Financial (PCAF).

The PCAF is a global partnership of financial institutions that seeks to promote and develop methodologies to measure and disclose the greenhouse gas emissions of investments and lending portfolios. The partnership aims to provide a standardized approach that enables financial institutions to better understand the greenhouse gas emissions associated with their portfolio. By doing so, it is possible to identify the most relevant emissions and support their reduction and the transition to a low-carbon economy.

In **2023**, another exercise was conducted to calculate the financed emissions, extending the reporting boundary to more legal entities, i.e. **covering almost the whole Group on-balance banking book exposure**.

In addition to Mediobanca S.p.A and Mediobanca International, the exposure of CMB Monaco, CheBanca! S.p.A, Compass Banca S.p.A, Mbfacta S.p.A, SelmaBipiemme Leasing S.p.A. and Revalea S.p.A. as of

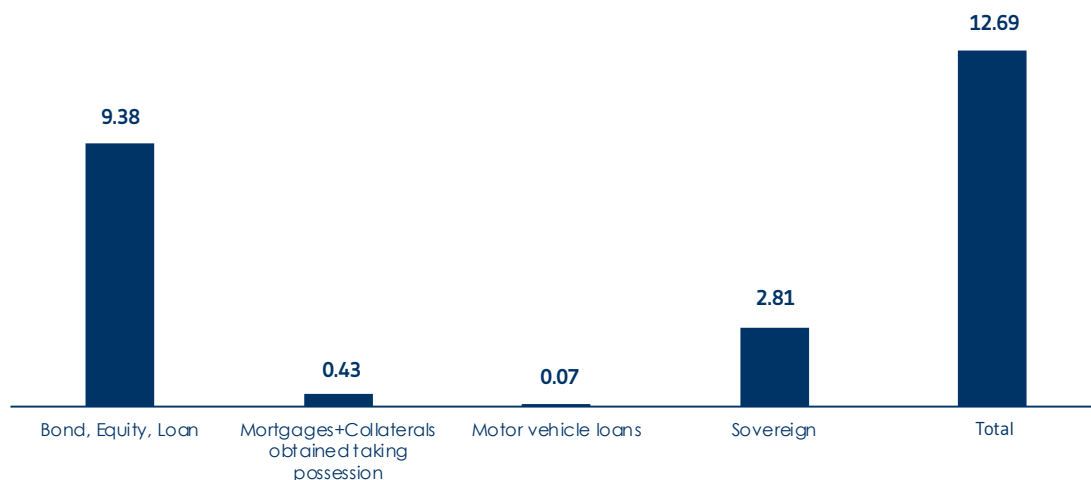
GCA (€ bn) - 31 December 2022



December 31, 2022, in the following assets classes was analyzed, for a total outstanding amount of **55.6 € billion**, such amount includes exposures to **Corporates, Households and Sovereign**, split as follows.

For greenhouse gas accounting, the PCAF methodology is used, as suggested by the ECB and TCFD, and Mediobanca for the first time presents in its TCFD report the emissions calculations using the PCAF methodology for all the applicable PCAF categories. Indeed, the scope of the analysis was enlarged from last year's PCAF categories "Listed equity and corporate bonds" and "Business loans and unlisted equity", to also comprehend "Commercial real estate", "Mortgages", "Motor vehicle loans" and "Sovereign Debt", for which PCAF methodology was only published in December 2022.

Following the guidelines and scope of the current PCAF standard (December 2022), general purpose loans to households, loans granted for building construction purposes and loans to local authorities were

Financed emissions (MtCO₂eq) - 31 December 2022

excluded from the calculation.

This graph below shows the GHG financed emissions portfolio split at the same date:

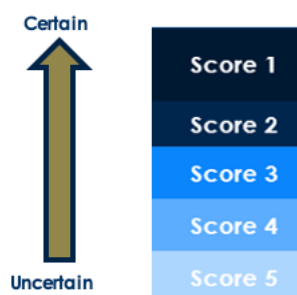
Mediobanca also quantified the emissions related to the group corporate (bond, equity and loan) portfolio as of 30 June 2023: while the GCA slightly increased versus 31 December 2022 exposure (from 33.44 € billion to 33.54 € billion, the total absolute emissions declined from 9.4 to 8.4 MtCO₂eq. For additional detail and sector split please refer to Paragraph 5.2.2.

Furthermore, it shall be noted that, with regards to Sovereign, Mortgages, and Motor vehicle a data refresh at 30 June 2023 has not been carried out, since these asset classes are being tracked for the first time. Nevertheless, Mediobanca is evaluating the frequency of updating these data in the coming years while prioritizing them by their relevance in the Group's portfolio. The pilot exercise shows that Mortgages and Motor Vehicle emissions together make up the 3.9% of the total portfolio financed emissions, as of 31 December 2022. Therefore, these two categories have a low relevance in the Group financed carbon footprint.

5.2.1 PCAF Standard

PCAF provides detailed methodological guidance to measure and disclose GHG emissions associated with seven asset classes: "Listed equity and corporate bonds", "Business loans and unlisted equity", "Commercial real estate", "Mortgages", "Motor vehicle loans", "Sovereign Debt", "Project Finance"; the latter category is not applicable given the absence of such exposure in Mediobanca Group's portfolio.

The PCAF provides guidelines to ensure that institution's financial emissions are accurately tracked and reported. These guidelines emphasize the importance of data accuracy, completeness, consistency, and transparency. The data quality within the PCAF framework is influenced by multiple factors, including the availability of robust measurement methodologies, the reliability of emission data sources and the degree of data verification. The data quality is assessed on a scale from 1 to 5, where 1 represents emissions calculated by counterparties and verified by a third part,



DATA QUALITY

To ensure optimal results, PCAF advises financial institutions to use the highest quality data available for each asset class for calculations and, where relevant, improve the quality of the data over time. PCAF recognizes that high-quality data can be difficult to come by when calculating financed emissions, particularly for certain asset classes, and mortgages. However, even estimated or proxy data can help financial institutions to identify emission-intensive hotspots in their portfolios. In this context, Mediobanca aims to continually enhance the quality of data over time.

Moreover, the Group recognises the progressive nature of the emissions data and methods, which may be subject to further refinement as a consequence of Standard updates, data quality improvements, perimeter change, or other factors.

followed by the unverified but declared emissions valued as 2, estimated emissions from physical activity data (e.g., MWh consumed, or tons of steel produced) are ranked as 3, estimated emissions on economic data (e.g., revenues) at 4 and emissions based on proxy data at 5.

5.2.2 Equity, Bond, Loans

The computation was carried out on both 31 December 2022 and 30 June 2023 portfolios, so as to better monitor emission evolution over time.

The computation comprises Scope 1 and 2 emissions of financial counterparties, Scope 1, 2 and 3 of industrial counterparties. As of today, the financial sector is not mature in computing financed Scope 3 emissions, even though they represent the substantial majority of the sector emissions: disclosed figures, when present, often represent only limited parts of portfolios.

Since the sector constitutes a non-negligible part of the analysed Mediobanca's portfolio, in order not to provide a partial and highly subject to change figure, financial sector was excluded from counterparty Scope 3 computation. Specifically, in line with PCAF Standard, which does not currently require to disclose counterparty Scope 3 emissions for all counterparty sectors, the industries excluded from Scope 3 analysis are the ones comprised in NACE Rev. 2 two-digits codes 64 and 65.

Results

The Gross Carrying Amount for the categories “**Listed equity and corporate bonds**” and “**Business loans and unlisted equity**” amounts to **€33.4 billion** at **31 December 2022**, **about 60% of the total Group's on-balance banking book financial portfolio exposure** that is equal to 55.6 € billion and it includes the exposure of the following legal entities: Mediobanca S.p.A and Mediobanca International, CMB Monaco, CheBanca! S.p.A, Compass Banca S.p.A, Mbfacta S.p.A, SelmaBipiemme Leasing S.p.A. and Revalea S.p.A.

On **30 June 2023** the book - comprising the same legal entities and scope – amounts to **€33.5 billion**.

The table below represents:

	TOTAL EMISSIONS [MtCO ₂ eq]	SCOPE 1	SCOPE 2	SCOPE 3
31 December 2022	9.4	1.9	0.4	7.1
30 June 2023	8.4	2.0	0.4	6.1
	EMISSION INTENSITY [tCO ₂ eq/€ mln invested/borrowed] ⁵⁷	SCOPE 1	SCOPE 2	SCOPE 3
31 December 2022		57.3	13.2	355.7
30 June 2023		62.1	12.9	335.7

57. An emission intensity relative to Scope 1, 2 and 3 emissions together cannot be computed due to the different perimeter of calculation between the former two scopes and the latter. Indeed, computing the quotient of total Scope 1, 2 and 3 emissions over the total GCA relative to Scope 1 and 2, or the same but over Scope 3 GCA would lead to misleading results.

- ◇ the total absolute emissions separated according to counterparty scope of emission and

	TOTAL SCOPE 1 AND 2 EMISSIONS [M tCO ₂ eq]	EQUITY	BOND	LOANS
31 December 2022	2.29	0.04	0.04	2.21
30 June 2023	2.42	0.04	0.14	2.24

- ◇ the economic emission intensity, given by the ratio between total absolute emissions and total exposure subject of emission computation.

	AVERAGE DATA QUALITY		
	SCOPE 1	SCOPE 2	SCOPE 3
31 December 2022	3.57	3.57	4.06
30 June 2023	3.59	3.59	4.20

Here the emissions divided per asset class are represented:

The abovementioned data quality categorization results in the following overall data quality, computed as a weighted average over the single counterparty exposure, as prescribed by the Standard:

The minor worsening in terms of data quality is due to the fact that both Scope 1 and 2, quality 2 data were available for approximately 40% of the exposure as of 30 June 2023 subject of computation (vs. 43% as of 31 December 2022 portfolio); regarding instead Scope 3, they were retrieved for 20% (ex 26%) of the exposure subject of computation.

With the objective of a continuous improvement, the Group will continue to monitor data quality.

Finally, the table below represents the Group's exposure and Scope 1, 2 and 3 emissions breakdown

58. The NACE Rev. 2 classification presented in this paragraph refers to a managerial internal classification. Indeed, the Group has adopted an internal classification aligned with the one used for managerial purposes, in order to better represent the economic activity carried out by each counterparty.

		31 December 2022				30 June 2023			
Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]	Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]
1	Crop and animal production, hunting and related service activities	0.01	6.6	0.3	3.0	0.02	7.8	0.4	3.3
2	Forestry and logging	0.00	0.8	0.0	0.3	0.00	0.9	0.0	0.4
3	Fishing and aquaculture	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0
6	Extraction of crude petroleum and natural gas	0.28	190.5	4.7	992.7	0.28	195.7	4.5	984.5
8	Other mining and quarrying	0.01	1.2	0.0	0.7	0.01	1.1	0.0	0.6
9	Mining support service activities	0.00	1.4	0.0	0.3	0.00	2.4	0.0	0.6
10	Manufacture of food products	0.87	147.6	118.4	722.7	1.21	184.7	149.9	922.8
11	Manufacture of beverages	0.38	15.3	2.7	73.9	0.41	14.6	2.4	70.7
13	Manufacture of textiles	0.01	0.3	0.3	3.4	0.01	0.3	0.4	3.6
14	Manufacture of wearing apparel	0.17	3.5	2.1	32.3	0.10	2.1	0.5	15.4
15	Manufacture of leather and related products	0.03	1.4	0.4	9.1	0.03	1.4	0.4	8.9
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0.01	0.4	0.1	2.6	0.01	0.4	0.1	2.4
17	Manufacture of paper and paper products	0.22	17.3	6.8	43.7	0.19	15.1	5.9	37.8
18	Printing and reproduction of recorded media	0.01	0.2	0.1	1.0	0.01	0.2	0.0	0.8
19	Manufacture of coke and refined petroleum products	0.13	14.7	1.7	375.6	0.05	8.9	1.3	126.1
20	Manufacture of chemicals and chemical products	0.41	69.8	24.8	217.6	0.29	45.3	19.4	160.1
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.89	18.5	10.8	256.4	0.84	16.9	9.9	251.5
22	Manufacture of rubber and plastic products	0.22	3.5	9.4	40.3	0.10	1.5	3.6	25.8
23	Manufacture of other non-metallic mineral products	0.22	358.3	25.6	123.1	0.18	332.8	25.9	111.7
24	Manufacture of basic metals	0.06	19.0	2.4	36.9	0.05	10.6	1.9	31.9
25	Manufacture of fabricated metal products, except machinery and equipment	0.23	3.8	1.6	73.4	0.23	4.0	3.5	88.3
26	Manufacture of computer, electronic and optical products	0.12	3.8	1.8	24.7	0.14	3.2	1.8	21.1

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	31 December 2022				30 June 2023			
		Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]	Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]
27	Manufacture of electrical equipment	0.43	8.8	11.2	105.3	0.40	8.4	11.2	94.9
28	Manufacture of machinery and equipment n.e.c.	0.88	10.1	12.1	622.2	0.71	9.0	10.9	326.2
29	Manufacture of motor vehicles, trailers and semi-trailers	1.58	41.6	43.3	909.7	1.76	47.6	44.1	984.6
30	Manufacture of other transport equipment	0.07	1.8	1.6	13.9	0.01	0.6	0.4	2.0
31	Manufacture of furniture	0.01	0.2	0.1	1.3	0.00	0.2	0.1	1.1
32	Other manufacturing	0.23	8.0	3.1	45.3	0.19	7.2	2.4	34.5
33	Repair and installation of machinery and equipment	0.01	0.2	0.1	2.5	0.01	0.2	0.1	2.2
35	Electricity, gas, steam and air conditioning supply	1.86	507.3	24.6	774.8	1.91	616.0	23.1	801.1
36	Water collection, treatment and supply	0.37	25.3	5.4	262.6	0.23	3.7	1.7	20.5
37	Sewerage	0.00	0.3	0.0	0.1	0.00	0.2	0.0	0.1
38	Waste collection, treatment and disposal activities; materials recovery	0.04	11.3	0.4	12.3	0.04	11.7	0.5	13.2
39	Remediation activities and other waste management services	0.00	0.1	0.0	0.1	0.00	0.3	0.0	0.1
41	Construction of buildings	0.08	4.2	0.3	19.3	0.04	2.0	0.1	8.6
42	Civil engineering	0.13	6.4	1.0	55.5	0.12	6.2	1.0	54.7
43	Specialised construction activities	0.03	4.0	0.2	15.8	0.03	4.4	0.2	16.6
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	0.04	2.9	0.2	15.0	0.12	9.2	0.2	13.7
46	Wholesale trade, except of motor vehicles and motorcycles	0.22	8.1	0.1	97.6	0.21	107.0	3.2	65.4
47	Retail trade, except of motor vehicles and motorcycles	0.77	18.0	1.4	13.2	0.73	16.8	1.2	11.4
49	Land transport and transport via pipelines	0.18	38.8	2.0	131.2	0.17	32.5	1.6	100.7
50	Water transport	0.07	76.9	0.1	16.5	0.06	77.3	0.1	16.4
51	Air transport	0.04	18.2	0.1	5.9	0.04	18.8	0.1	6.1
52	Warehousing and support activities for transportation	1.49	14.6	4.0	109.6	1.25	18.1	4.1	121.2
53	Postal and courier activities	0.06	0.1	0.1	0.2	0.07	0.1	0.1	0.2
55	Accommodation	0.08	1.6	1.3	11.6	0.08	1.6	1.3	11.5
56	Food and beverage service activities	0.36	4.5	3.3	147.8	0.25	3.5	2.6	63.5
58	Publishing activities	0.13	4.0	0.6	12.6	0.12	3.8	0.6	11.9
59	Motion picture, video and television programs production, sound recording and music publishing activities	0.16	2.7	2.5	18.7	0.10	1.6	1.6	14.9

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	31 December 2022				30 June 2023			
		Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]	Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]
60	Programming and broadcasting activities	0.08	0.1	0.7	0.7	0.00	0.0	0.0	0.0
61	Telecommunications	1.64	8.2	10.2	99.9	1.49	8.0	8.6	79.6
62	Computer programming, consultancy and related activities	0.11	5.6	0.5	11.7	0.15	7.7	0.6	16.9
63	Information service activities	0.09	1.0	0.2	3.0	0.08	0.9	0.2	3.1
64	Financial service activities, except insurance and pension funding	12.67	65.2	19.1		14.42	55.31	38.78	
65	Insurance, reinsurance and pension funding, except compulsory social security	0.82	0.5	1.3		0.84	0.5	1.3	
66	Activities auxiliary to financial services and insurance activities	1.28	2.2	0.1	20.9	1.08	1.7	0.1	16.3
68	Real estate activities	1.31	6.2	0.9	17.4	0.60	2.8	0.4	6.1
69	Legal and accounting activities	0.00	0.2	0.0	0.4	0.04	0.5	0.4	2.8
70	Activities of head offices; management consultancy activities	0.49	20.3	3.3	115.2	0.48	18.4	3.1	110.4
71	Architectural and engineering activities; technical testing and analysis	0.00	0.2	0.0	0.4	0.00	0.2	0.0	0.5
72	Scientific research and development	0.01	0.5	0.1	1.3	0.02	0.7	0.3	2.4
73	Advertising and market research	0.02	0.3	0.0	0.7	0.02	0.3	0.0	0.6
74	Other professional, scientific and technical activities	0.01	1.4	0.3	1.0	0.06	8.4	1.7	7.1
75	Veterinary activities	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0
77	Rental and leasing activities	0.04	1.4	0.3	6.2	0.07	2.3	0.3	10.2
78	Employment activities	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0
79	Travel agency, tour operator and other reservation service and related activities	0.00	0.1	0.0	0.3	0.00	0.0	0.0	0.1
80	Security and investigation activities	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0
81	Services to buildings and landscape activities	0.04	2.5	0.4	3.6	0.03	2.3	0.3	3.4
82	Office administrative, office support and other business support activities	0.28	15.2	44.6	219.4	0.26	10.8	1.6	29.2
85	Education	0.01	0.0	0.1	0.2	0.01	0.0	0.1	0.2
86	Human health activities	0.11	1.0	1.3	19.8	0.11	1.0	1.3	20.3
87	Residential care activities	0.08	0.4	0.3	1.2	0.08	0.4	0.5	1.2
88	Social work activities without accommodation	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	31 December 2022				30 June 2023			
		Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]	Volume [€ bn]	Scope 1 [ktCO ₂ e]	Scope 2 [ktCO ₂ e]	Scope 3 [ktCO ₂ e]
90	Creative, arts and entertainment activities	0.00	0.0	0.0	0.1	0.00	0.0	0.0	0.1
91	Libraries, archives, museums and other cultural activities	0.00	0.0	0.0	0.0	0.00	0.0	0.0	0.0
92	Gambling and betting activities	0.67	21.1	7.9	106.0	0.75	22.4	8.6	108.4
93	Sports activities and amusement and recreation activities	0.04	0.5	0.7	4.2	0.03	0.4	0.5	2.9
94	Activities of membership organisations	0.01	0.2	0.8	4.1	0.02	0.3	1.1	5.9
95	Repair of computers and personal and household goods	0.00	0.0	0.0	0.1	0.00	0.0	0.0	0.0
96	Other personal service activities	0.03	0.4	1.3	5.7	0.02	0.3	0.8	3.4
99	Extra-territorial organizations and bodies	0.00	0.0	0.0	0.0	0.13	0.0	0.0	0.0
Total		33.44	1,851.9	427.7	7,097.9	33.54	2,003.24	414.82	6,097.17

per managerial¹⁵⁸ NACE Rev. 2 section, as per financed emission calculation boundary, that is on-balance Banking Book lending & investment portfolio, expressed in GCA. In the table, sections defined as “Carbon-related” according to TCFD “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” (October 2021) are highlighted in bold. Missing NACE sectors refer to zero exposure.

For further details concerning the methodology and data quality used for calculating emissions refer to Appendix 6.2.

5.2.3 Sovereign Debt

The pilot computation was carried out on 31 December 2022 portfolio.

Sovereign debt is typically issued by the central government or Treasury. Financial Institutions should report emissions of sovereign borrowers that cover Scope 1, 2 and 3. According to PCAF Standard:

- ◇ **Scope 1** referred to domestic GHG emissions from sources within the country’s territory including emissions from land-use, land-use change, and forestry. Countries treat LULUCF emissions differently in their mitigation targets and investors may have different views on the role of land-use and forestry emissions for offsetting purposes. This is aligned with the UNFCCC definition of domestic territorial emissions, which includes emissions from exported goods and services.
- ◇ **Scope 2** refers to GHG emissions resulting from the domestic use of grid-supplied electricity, heat, steam and/or cooling imported from another territory.
- ◇ **Scope 3** refers to emissions attributable to non-energy imports resulting from activities within the country’s territory.

Results

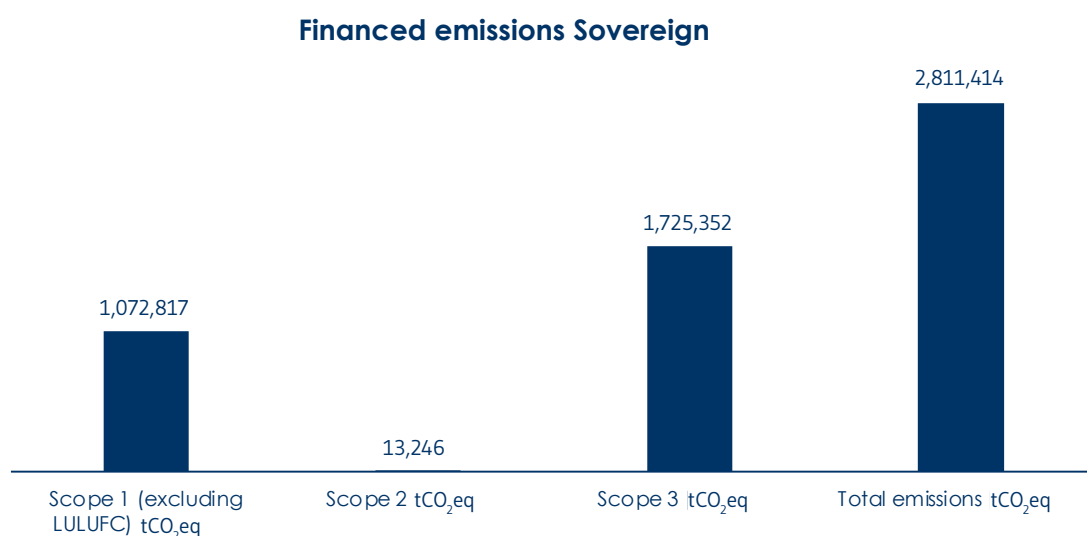
The GCA for the Sovereign Debt category **amounts to €6.6 billion, about 12% of the total Group's on-balance banking book financial portfolio** exposure that is equal to € 55.6 billion and it includes the exposure of the following legal entities: Mediobanca S.p.A and Mediobanca International, CMB Monaco, CheBanca! S.p.A, Compass Banca S.p.A and SelmaBipiemme Leasing S.p.A.

The computation coverage of counterparties within the Sovereign category resulted to be 100%, (exposures to local institutions are excluded). For the calculation in Scopes 1, 2 and 3 the Sovereign emissions and PPP-adjusted GDPs were provided by the PCAF itself, which sources data from a comprehensive and up-to-date list of public databases:

- ◇ regarding Scope 1, the UNFCCC database was primarily used for most countries, with and without emissions from land-use (LULUCF), along with Climate Watch source for some countries;
- ◇ with respect to the Scopes 2 and 3, the OECD database was used.

Data quality for this asset class, in line with PCAF guidelines, was rated as 1 for Scope 1 (including and excluding LULUCF), as all Scope 1 emissions were sourced from UNFCCC database, and 4 for Scope 2 and 3. The ranking in this case depended on the availability of the most up-to-date data.

Therefore, financed sovereign emissions were calculated, excluding those related to local authorities, **totaling 2,811,414 tCO₂eq** (sum of scopes 1, 2 and 3, excluding LULUCF), corresponding to 22% of the 31 December 2022 portfolio emissions.



Specifically, Scope 1 including LULUCF amount to 990,531 tCO₂eq, Scope 1 excluding LULUCF is 1,072,817 tCO₂eq, Scope 2 is 13,246 tCO₂eq and Scope 3 is 1,725,352 tCO₂eq.

The chart below shows the absolute emissions of the Group's financial portfolio for the Sovereign category:

The total emission intensity amounts to 413 (tCO₂eq/€ mln).

For further details concerning the methodology and data quality used for calculating emissions refer to Appendix 6.2.

5.2.4 Mortgages and Commercial Real Estate

The pilot computation was carried out on 31 December 2022 portfolio.

Mortgages and Commercial Real Estate (CRE) categories fall under the assets class of PCAF that comprises on-balance sheet loans provided for specific building purposes. Mortgages are primarily used for the purchase and refinance of Residential Properties (including individual homes and small multifamily housing units). Commercial Real Estate loans are granted to corporate and are collateralized by properties used for income-generating activities such as retail, hotels, office space, industrial, or large multifamily rentals.

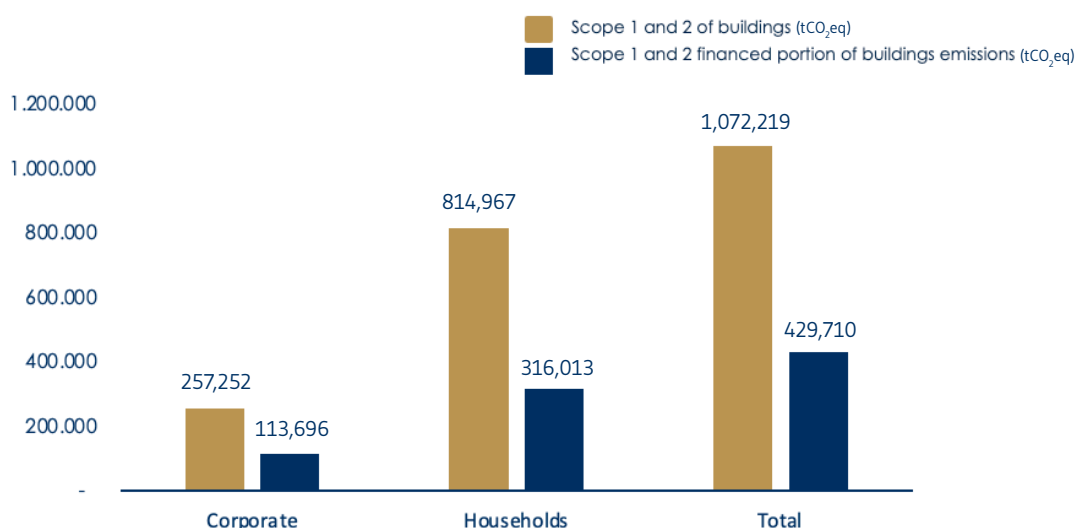
PCAF requires financial institutions to account for the absolute emissions (Scope 1 e 2) associated with the energy use of the mortgaged properties, such as the energy consumed by the building occupants. According to the PCAF, however, although recognizing the significance of construction emissions, particularly the embodied greenhouse gas emissions in buildings, there is no requirement to account for Scope 3 emissions, as the house is often built or renovated by an external contractor hired by the owner.

Results

For the assessment of emissions within this category, Mediobanca has collected data from relevant legal entities, for a coverage of the “mortgages” and “commercial real estate” financial portfolio equal to 100%. The legal entities involved in these financed emissions are CheBanca! S.p.A, SelmaBipiemme Leasing S.p.A. (Selma), CMB Monaco (CMB) and Mediobanca S.p.A (MB) with CheBanca! and (to a lesser extent Selma) being the main contributors both in terms of volumes and emissions.

In total, the volume of the legal entities included in the grants of these two categories, considering loans to corporate, households and collaterals obtained taking possession, is equal to **12.9 € billion (about 23% of the total exposure of 55.6 € billion)**.

Financed Emissions – Scope 1 & 2 Mortgages and Commercial Real Estate



The Scope 1 and 2 **financed emissions amount to 429,710 tCO₂eq, or 3% of the 31 December 2022 portfolio emissions.**

The graph below shows the financed and total buildings emissions for corporate and household clients in terms of scope 1 plus scope 2.

The PCAF data quality – weighted average on outstanding amount – is 3.5, in line with the PCAF standard’s prediction of the difficulty of obtaining the most accurate data.

For further details concerning the methodology and data quality used for calculating emissions refer to Appendix 6.2.

5.2.5 Motor Vehicle

The pilot computation was carried out on 31 December 2022 portfolio.

The following section outlines the methodology employed by the Group and the results regarding motor vehicle emissions in accordance with the Partnership for Carbon Accounting Financials (PCAF) guidelines.

This asset class pertains to loans and credit lines provided to businesses and consumers for the specific purpose of purchasing motor vehicle as passenger cars, motorcycles, trucks, and buses. Financial institutions typically offer vehicles loans through two modes: consumer credit for individual purchases or corporate credit for fleet purchases. To address environmental concerns, financial institutions must compute and report annual emissions associated with motor vehicles financed under Scope 1 and Scope 2, where:

- ◇ **Scope 1** refer to direct emissions resulting from fuel combustion in vehicles;
- ◇ **Scope 2** encompass indirect emissions generated from the electricity consumed by electric vehicles (hybrid or full electric).

In accordance with PCAF standard, Scope 3 emissions, which involve vehicle production, delivery to buyers, or subsequent disposal, are not considered within GHG accounting by financial institution due to their marginality and difficulty in obtaining accurate data.

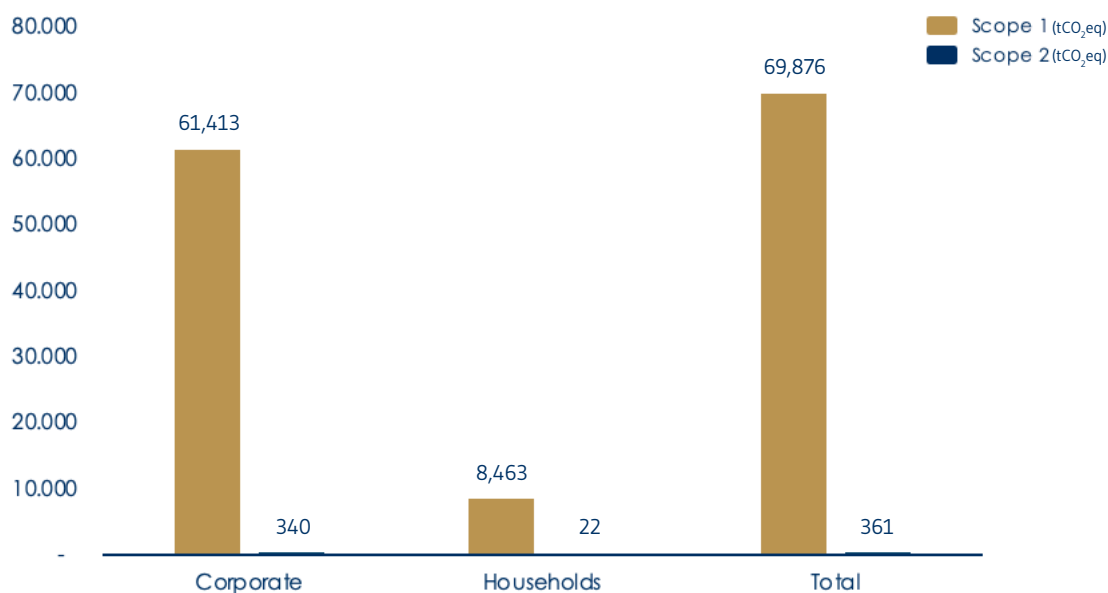
Results

Mediobanca evaluated the emissions in the motor vehicle’s asset class in line with PCAF guidelines. The emission calculation process for the motor vehicle category began by collecting all data from legal entities and their counterparties, resulting in a coverage level of almost 100% of the Mediobanca Group’s financial portfolio. The legal entities involved in evaluating the emissions from financed motor vehicles, according to their portfolio composition, are Compass Banca S.p.A and SelmaBipiemme Leasing S.p.A.

Most of the loans required was for the purchase of corporate fleets, with a smaller portion for household vehicles. In total, the volume of the two legal entities amounted to **377 € million (about 0.7% of the total exposure of 55.6 € billion)**.

These loans primarily included passenger cars, followed by motorcycles and light trucks. Most vehicles purchased are still combustion vehicles, making Scope 1 emissions significantly higher than Scope 2 emissions. In total, the Scope 1 financed emissions amount to 69.876 tCO₂eq, while

Financed Emissions - Motor Vehicles Scope 1, Scope 2



Scope 2 financed emissions amount to 361 tCO₂eq, totaling **70,237 tCO₂eq or 0.5% of the total exposure**.

The following graph summarizes the financed emissions Scope 1 and Scope 2 of the two LEs, split by household or corporate use.

The PCAF data quality – weighted average on outstanding amount – results to be 3.4. It is worth noting that in many cases the Mediobanca Group was able to obtain primary data on emissions per kilometers travelled by vehicles, data to which the PCAF assigns a score of 2 and which it considers challenging to report.

For further details concerning the methodology and data quality used for calculating emissions refer to Appendix 6.2.

5.3 Targets & Metrics relative to direct impacts (own operations)

5.3.1 Energy consumption and CO₂ emissions

The Group's energy consumption is linked primarily to its use of heating and air-conditioning systems, the functioning of its data centre and server rooms, to office lighting systems, and to charging electric vehicles included in the Group's fleet of company cars for work-related travel by staff.

Currently the whole Mediobanca Group uses energy deriving from renewable sources⁵⁹ for its own named utilities, and for the data centre.

A feasibility analysis is also underway for Mediobanca Innovation Services to implement a Power Purchase Agreement (PPA), which is expected to be launched early in 2024. This project, which would mitigate the volatility of the costs of acquiring electricity, is intended to contribute to the country's energy transition by entering into a long-term contract to acquire energy from newly-implemented solar power stations.

⁵⁹ In Italy a framework agreement is in place, under the terms of which renewable energy is acquired from CVA Energie, the energy used is from 100% renewable sources certified by a "Guarantee of Origin".

Various initiatives to reduce consumption levels have been implemented in FY 2022-23:

- ◇ work on the heating and air-conditioning systems at Mediobanca Rome and Milan (Via Filodrammatici) has continued, and is expected to generate a 10 ton reduction in CO₂ emissions by 2024;
- ◇ work on heating systems using VRV technology using on the first and second floors of the offices in Via Filodrammatici 3 has been completed;⁶⁰
- ◇ replacement of light fittings with LED lightbulbs in various Compass branches and the CheBanca! headquarters, which has generated a reduction of 68 MWh in electricity;

Energy consumption ^{61 62}				
	UNIT	2022-2023	2021-2022	2020-2021
From heating/electricity generators		2,219.73	29,415.95	26,606.01
From company cars⁶⁴		25,852.88	22,863.93	23,136.22
Electricity		84,014.55	86,436.12	85,325.40
From non-renewable sources	GJ ⁶³	495.34	662.65	757.02
From renewable sources		83,519.21	85,773.47	84,568.38
Heating		731.94	1,615.65	983.76
From non-renewable sources		731.94	399.92	250.02
From renewable sources		0	1,215.73	733.74

- ◇ launch of mandatory energy diagnosis as required by Italian Legislative Decree 102/14.

The various initiatives implemented to improve the efficiency of the data centres and optimize cooling include cold aisle containment.

Energy consumption levels are shown in the table below.

The consumption of gas from named users reduced during the twelve months, largely because of the milder winter, leading to the heating being turned on later and off earlier than as stipulated in the Italian national regulations.

With reference to the fleet of company cars, there was an increase in the consumption of petrol, due to the increase in the number of petrol hybrid vehicles.

Meanwhile, a reduction was reported in indirect energy consumption for FY 2022-23, alongside an increase in the use of energy from renewable sources. This trend demonstrates the effectiveness of the energy efficiency initiatives and focus on climate change.

The Group monitors its own GHG emissions, both:

60. Variant Refrigerant Volume is a system which allows for varying degrees of cooling in more specific areas.

61. For direct energy consumption, where figures are not available estimates have been used: for natural gas in cases involving shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building actually occupied, or thousandths of the property owned. For bills still to be received, consumption has been estimated based on the previous year's figures. Data on fuel consumption by company cars which is not available has also been estimated using a similar method.

62. Where indirect energy consumption figures are not available estimates have been used: for shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building occupied. For bills still to be received, consumption has been estimated based on the previous year's figures.

63. Gigajoule.

64. Data on fuel consumption for CMB is unavailable as fuel consumption is paid directly by the employees with no refund.

- ◇ **Direct:** deriving from energy consumption, i.e. of natural gas and diesel for heating, fuel for the company's fleet of vehicles, and this year for the first time, emissions deriving from fluorinated refrigerant gases (Scope 1);
- ◇ **Indirect:** referring to the consumption of electricity acquired from third parties (Scope 2 market-based and location-based), to work-related travel by own staff by train or by air, to consumption of materials and energy from unnamed accounts in leased properties⁶⁵ (Scope 3). Although these are calculated on a voluntary basis for the ESG Pillar III disclosure and in compliance with TCFD Framework, financed emissions will be included in this Consolidated Non-Financial Statement starting from the next financial year.

The Group has promoted the following initiatives to reduce its CO₂ emissions:

- ◇ use of video-conferencing facilities to reduce travel by staff;
- ◇ training courses that can be accessed by using e-learning facilities;
- ◇ reduction in the use of individual private transport through the company shuttle service provided for Compass headquarters in Milan (between the Lotto metropolitan underground station and the head office located Via Caldera), the special arrangement with ATM for cheaper season tickets for CheBanca! staff members, and the shuttle service operated by MIS by reservation (Mediobanca MISposto);
- ◇ management of the company car fleet based on criteria which promote respect for the environment. The Group's car fleet consists of vehicles with limited CO₂ emissions, electric and plug-in hybrid vehicles;
- ◇ institution of a Corporate Mobility Manager,⁶⁶ and definition of a *Home-Work Commute Plan (HWCP)* to reduce the use of private vehicles by staff and support initiatives to optimize working hours, offering the best alternative and low environmental impact solutions.
- ◇ to support electric mobility, 10 new charging stations have been installed at the Compass headquarters in Via Caldera for electric and hybrid plug-in vehicles, 23 at the offices of MIS, and 30 at the head office of CheBanca!, in addition to those already available within the Group (five at Mediobanca headquarters and four at MIS)⁶⁷.

65. With the separation between named and unnamed accounts, as from FY 2022-23 it has been possible to improve the reporting, by moving the data on energy consumption from unnamed accounts to category 3 of the Scope 1 emissions. For this type of contract (e.g. energy consumption in office blocks owned by third parties in which the Group leases a branch office) Mediobanca has no leverage or decision-making capacity.

66. Article 229 of Italian Decree law No. 34 of 19 May 2020, as converted into Italian Law No. 77/2020, the institution of a Corporate Mobility Manager has become obligatory for all companies with more than 100 staff located in the capital city of a region, a metropolitan city or town with a population of more than 50,000 inhabitants.

67. For direct emissions (Scope 1), indirect emissions (Scope 2) and company cars (Scope 3), Mediobanca has used the emission factors recommended in the "Guidelines on application of GRI (Global Reporting Initiative) environmental indicators in banks" released by the Italian banking association (ABI) and compiled in the Italian Greenhouse Gas Inventory 1990-2019 – National Inventory Report 2021 – by ISPRA (Istituto Superiore per la Protezione e la Ricerca Ambientale). For direct emissions deriving from air and train travel, the Group has used the emissions for each individual route published by the travel agencies. Where these are unavailable, Mediobanca has used the emissions factors recommended in the ABI guidelines compiled respectively by the ICAO (International Civil Aviation Organization) and the UIC (Union Internationale des Chemins de Fer) via Ecopassenger.

	UNIT	2022-2023	2021-2022	2020-2021
From heating/electricity generators (natural gas, diesel)	tCO ₂ eq	465.48	1,706.12	1,539.07
From company cars (petrol and diesel) ⁶⁸		1,911.40	1,697.06	1,719.31
From losses of gas coolant ⁶⁹		507.86	nd	nd
Direct emissions (Scope 1)		2,884.73	3,403.18	3,258.38
From electricity		0	39.21	50.56
From heating		42.89	23.53	14.50
Indirect emissions (Scope 2) – market-based		42.89	62.74	65.06
From electricity		5,491.26	6,479.65	50.56
From heating		42.89	23.53	14.50
Indirect emissions (Scope 2) – location based		5,534.15	6,503.18	6,503.18
Indirect emissions deriving from acquisition of goods and services (Category 1)		362.46	nd	nd
From paper		362.46	-	-
<i>Not recycled</i>		20.57	-	-
<i>Recycled</i>		341.89	-	-
Indirect emissions deriving from company mobility (Category 6)⁷⁰		1,578.35	774.59	112.82
Air travel		1,475.11	703.94	83.24
<i>National flights</i>		305.14	154.94	40.22
<i>International flights</i>		1,169.97	549	43.02
Train travel		89.62	63.03	27.24
<i>High speed</i>		78.44	55.88	25.26
<i>Other types</i>		11.19	7.15	1.98
Third-party car services		13.62	7.63	2.34
Indirect emissions related to consumption of fuel and energy (category 13)		1,509.91	nd	nd
From electricity (unnamed accounts) ⁷¹		504.19	-	-
From methane gas (unnamed accounts)		1,005.72	-	-
Other indirect emissions (Scope 3)		3,450.72	774.59	112.82

The increase in Scope 1 emissions is attributable to the fact that as from this year refrigerant gases have also been included, net of which the trend would have been more or less flat.

Conversely, the increased use of energy from renewable sources has generated a benefit in terms

68. From FY 2020-21, a change to the methodology used to calculate the company car fleet's emissions was introduced. The new "manufacturers methodology", which has replaced the ABI methodology previously used, enables the increasing efficiency of the car fleet's emissions to be monitored more accurately.

69. The following types of gas are included: R-410 ; R-407C; R-32 and R-134.

70. For indirect emissions (Scope 3), estimates have been used in cases where no data was available for recent months, based on the consumption figures recorded in the months prior to that, or using the consumption figures for the same period in the previous year.

71. Calculated using the same conversion factors used in the Location-based methodology for Scope 2.

of Scope 2 market-based emissions which have decreased. It should also be noted that the target for the Group to acquire 100% of its energy from renewable sources (for user accounts named in the Group) included in the 2019-23 Strategic Plan has been reached.

The increase in Scope 3 emissions is due to full resumption of business-related travel following the pandemic; to the consumption of fuel and energy from unnamed accounts being reclassified correctly (as category 13); and to the new calculation of emissions deriving from the acquisition of goods and services for the first time in FY 2022-23 (category 1).

The Group has recorded the following emission levels: 732.35 Kg of NO_x and 15.89 Kg of SO₂.⁷² Both pollutants reflect lower levels than last year.

72. NO_x and SO_x emissions are calculated based on the consumption of gas, diesel, LPG and electricity from non-renewable sources according to the formulae provided by the Italian Banking Association ABI Guidelines. Given the type of business performed by Mediobanca, pollutants deriving from the vehicle fleet are not included in the calculation.



Appendix



MEDIOBANCA

6. Appendix

6.1 Climate data Availability and Quality

Climate data availability and quality is an inherent constraint in understanding climate-related risks and their impact on the global economy. While progress has been made in modeling and analyzing these interconnections, the financial sector still grapples with data limitations.

That restraint is further enhanced when accounting for voluntary and mandatory climate frameworks that have varying data quality requirements and different clients' data collection and disclosure practices which diverge widely across sectors and countries. Regulatory authorities are incentivizing more consistent climate-related data disclosures, but the gap between optimal and available data for reliable risk analysis is expected to persist, making it necessary to rely on estimates and assumptions.

The importance of emission disclosure becomes material in the process of client engagement. Indeed, ESG data are crucial for understanding and managing climate and environmental risks and detailed data from the counterparties, including information on assets, regions, vulnerability, and risk mitigation measures, is necessary to upgrade the current assessment methods for the quantification of climate and environmental risks. The aim is to enhance both the visibility and compliance with upcoming disclosure requirements, such as the European Banking Authority's Pillar 3 disclosure and the CSRD.

To mitigate these risks, Mediobanca's efforts focus on increasing client involvement to obtain more accurate climate data, on exploring available datasets and tools to model the emissions and conduct scenario analysis, and lastly to provide training to the employees to enable them to critically evaluate the findings.

6.2 Portfolio emissions: methodology and data quality definition

6.2.1 Equity, Bond, Loans

Counterparties emission data were provided by Sustainalytics⁷³: they are publicly reported by counterparties themselves or computed by Sustainalytics with proprietary methodology. In some cases, emission data were directly sourced from public reports of counterparties.

For those counterparties that do not disclose emission and whose emissions were not supplied by Sustainalytics⁷⁴, emissions were computed according to the estimation methodology suggested by PCAF Standard. In particular, emission factors per unit of revenue or of asset were provided by


⁷³. Morningstar Sustainalytics is the primary info-provider Mediobanca relied on.

⁷⁴. Or for which some necessary financial data were not available.

the Partnership for Carbon Accounting Financials itself (PCAF Emission Factor Database), which Mediobanca S.p.A. has joined in February 2022.

PCAF Standard defines a data quality score which classifies emission data according to a 1 to 5 scale, with **1 representing the maximum data quality** (verified emissions disclosed by the company are available) and **5 the minimum**.

In the analysis, data provided by Sustainalytics as reported by company or data derived directly from public reports belong to category 2. Counterparty emissions computed using PCAF Emission Factors per unit of revenue to category 4, using PCAF Emission Factors per unit of asset to category 5. Counterparty emissions estimated by Sustainalytics were conservatively assigned to category 4.

	Score 1	Emissions disclosed by company, verified
	Score 2	Disclosed by company
	Score 3	Computed from primary physical activity data of company production
	Score 4	Estimated with an emission factor per unit of revenue
	Score 5	Estimated with an emission factor per unit of asset

Mediobanca approach to emission calculation is aligned with PCAF methods for “Listed equity and corporate bonds” and “Business loans and unlisted equity” asset classes.

Depending on data availability, the computation has followed three main different approaches. These three were applied for all counterparty emissions Scopes.

- Reported company emissions data or estimation by Sustainalytics is available, as well as the Enterprise Value Including Cash (EVIC, for listed companies) and the Gross Carrying Amount of financing/investment:

$$\text{Financed emissions} = \sum_c \frac{\text{Outstanding amount}_c}{\text{EVIC}_c} \times \text{Reported or estimated company emissions}_c$$

where c indicates each borrower or investee company.

- Counterparty emissions are not available, but EVIC and counterparty revenue are:

$$\text{Financed emissions} = \sum_c \frac{\text{Outstanding amount}_c}{\text{EVIC}_c} \times \text{PCAF factor per unit of revenue}_{\text{sector, country}}$$

where sector and country refer to the sector and country to which the considered counterparty belongs to.

- EVIC is not available or counterparty emissions are not and revenue is not:

$$\text{Financed emissions} = \sum_c \text{Outstanding amount}_c \times \text{PCAF factor per unit of asset}_{\text{sector, country}}$$

EVIC was sourced from Sustainalytics, company revenue partly from Sustainalytics and partly from other databases/providers.

6.2.2 Sovereign Debt

In evaluating financed emissions, PCAF requires that a financial institution’s share of emissions should be proportional to the size of its exposure to the borrower’s total value. For listed company, this total value is measured by the Enterprise Value Including Cash (EVIC). However, it is challenging to apply the same logic to countries as there is no appropriate measurement of a sovereign’s equity. PCAF approach therefore suggests taking Purchase Power Parity (PPP)-adjusted Gross Domestic Product (GDP), which represents the value of a country’s output, as a proxy for the value of the country. The PPP factor is used to improve the comparison between the actual economy sizes of different countries.

Financed issues of sovereign debt are thus calculated by multiplying the outstanding amount by the emissions of the respective sovereign borrower, divided by the PPP-adjusted GDP. The equation for the calculation is as follows:

$$Financed\ emissions = \sum_v \frac{Outstanding\ amount_s}{PPP - adjusted\ GDP_s} \times Sovereign\ Emissions_s$$

(With s = sovereign borrower)

For the estimation of financed ‘sovereign debt’ emissions by Mediobanca the Gross Carrying Amount (GCA) was considered.

The specific scoring methodology for sovereign debt data quality is described in the table below:

<div>Certain</div> <div>↑</div> <div>Uncertain</div>	Score 1	Verified GHG emissions of the country are available. These GHG emissions are reported by the country itself and can be extracted from dataset of recognised bodies (verified emissions)
	Score 2	Disclosed by the country (unverified emissions)
	Score 3	Computed from primary physical activity of the country's energy consumption
	Score 4	Estimated using sectoral revenue data of the country's production and emission factors specific to that revenue data
	Score 5	Estimated by taking a proxy (GHG emissions from similar climate zones, wealth, GDP)

6.2.3 Mortgages and Commercial Real Estate

To evaluate the emissions associated with financed mortgages and CRE, PCAF requires to calculate the attribution factor, that is determined by the ratio between the outstanding amount of the loan and the property value at the time of loan origination. Therefore, the financed emissions resulting from both Mortgages and Commercial Real Estate are calculated by multiplying the attribution factor by the emissions of the building, as described in the equation below:


$$Financed\ emissions = \sum_v \frac{Outstanding\ amount_b}{Property\ value\ at\ origination_b} \times Building\ Emissions_b$$

(With b = building)

The financed emissions from both mortgages and commercial real estate are calculated based on energy consumption of buildings and specific emission factors for each energy source utilized. If this information is not available, PCAF recommends using average emission factors as alternatives. To estimate emissions starting from average emission factors, crucial information includes the actual energy consumption of the buildings, energy labels, and property size.

PCAF's emission factor database offers a comprehensive set of emission factors based on building type, floor area and number of buildings across various geographies. It is worth noting that the easily accessible data for residential buildings, also according to PCAF, typically falls between scores 4 and 5 on the data quality score provided by PCAF for many countries.

Based on the available data, the following data-quality hierarchy is proposed by the PCAF:

	Certain	Score 1	Primary data on actual building energy consumption is available. Emissions are calculated using actual building energy consumption and supplier-specific emission factors.
		Score 2	Primary data on actual building energy consumption is available. Emissions are calculated using actual building energy consumption and average emission factors.
		Score 3	Estimated building energy consumption per floor area based on official building energy labels AND the floor area are available. Emissions are calculated using estimated building energy consumption and average emission factors.
		Score 4	Estimated building energy consumption per floor area based on building type and location-specific statistical data AND the floor area are available. Emissions are calculated using estimated building energy consumption and average emission factors.
	Uncertain	Score 5	Estimated building energy consumption per building based on building type and location specific statistical data AND the number of buildings <u>are</u> available. Emissions are calculated using estimated building energy consumption and average emission factors.

6.2.4 Motor Vehicles


In the emissions allocation process, financial institutions consider a portion of the annual emissions of the motor vehicle owned by the loan recipient. This portion is determined by the ratio between the outstanding debt amount, which is adjusted annually to reflect the correct exposure and decreases to zero upon full repayment, and the value of the motor vehicle that formed the basis for the financing. This ratio, known as the attribution factor, allows for the calculation of emissions from the financing of loans for the purchase of a motor vehicle by multiplying it by the vehicle emissions:

$$\text{Financed emissions} = \sum_v \frac{\text{Outstanding amount}_v}{\text{Total value at origination}_v} \times \text{Vehicle emissions}_v$$

(With v = vehicle or vehicle fleet)

The calculation of emissions financed regarding motor vehicle loans can be performed in various ways, depending on the availability of data regarding the emissions of the financed vehicle. The vehicle emissions can be estimated, in principle, by multiplying the data on distance traveled by the vehicle (e.g., km) by the data on fuel efficiency of the vehicle (e.g., l diesel/km, kWh electricity/km) and an emission factor specific to the fuel type of the vehicle (e.g., kg CO₂eq/l diesel, kg CO₂eq/kWh CO₂ electricity). PCAF's database provides emission factors, for example, by vehicle type (e.g., passenger car) and model (e.g., VW Polo) for a large set of geographic areas.

The Standard expects that the financed emissions for motor vehicle loans can be derived through either actual vehicle-specific emission, estimated vehicle-specific emissions, or estimated vehicle-unspecific emissions. The type of data used will result in a different data quality evaluation which, as mentioned above, that varies from 1 to 5 (refer to the table below for the methodology).

	Score 1	Outstanding amount and total value at origination of vehicle or vehicle fleet are known. Primary data on actual vehicle fuel consumption is available. Emissions are calculated using actual fuel consumption and fuel type specific emission factors. OR Vehicle efficiency and fuel type are available from known vehicle make and model. Primary data on actual vehicle distance traveled is available. Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors.
	Score 2	Outstanding amount and total value at origination of vehicle or vehicle fleet are known. Vehicle efficiency and fuel type are available from known vehicle make and model. Distance traveled is estimated based on local statistical data. Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors.
	Score 3	Outstanding amount and total value at origination of vehicle or vehicle fleet are known. Vehicle efficiency and fuel type are available from known vehicle make and model. Distance traveled is estimated based on regional statistical data. Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors.
	Score 4	Outstanding amount and total value at origination of vehicle or vehicle fleet are known. Vehicle efficiency and fuel type are estimated from known vehicle type (vehicle make and model are unknown). Distance traveled is estimated based on local or regional statistical data. Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors.
	Score 5	Outstanding amount and total value at origination of vehicle or vehicle fleet are known. Vehicle efficiency and fuel type are estimated for an average vehicle (vehicle make and model and vehicle type are unknown). Distance traveled is estimated based on local or regional statistical data. Emissions are calculated using estimated fuel consumption and fuel type-specific emission factors.

6.3 Glossary

ACRONYM	DESCRIPTION
AIRB	Advanced Internal Rating-Based
AML	Anti-Money Laundering
C&E	Climate and Environment
CDP	Carbon Disclosure Project
CDR	Carbon Dioxide Removals
CIB	Corporate Investment Banking
CPRS	Climate Policies Relevant Sector
CRE	Commercial Real Estate
CRM	Credit Risk Management
CSR	Corporate Social Responsibility
CSRD	Corporate Social Reporting Directive
EBA	European Banking Authority
ECB	European Central Bank
ESG	Environment Social and Governance
FINREP	Financial Reporting
FSC	Forestry Stewardship Council Certification
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Green House Gases

ACRONYM	DESCRIPTION														
ICAAP	Internal Capital Adequacy Assessment Process														
ICMA	International Capital Market Association														
IEA	International Energy Agency														
ILAAP	Internal Liquidity Adequacy Assessment Process														
IPCC	Intergovernmental Panel on Climate Change														
KRI	Key Risk Indicator														
LUC	Lending and Underwriting Committee														
LULUCF	Land Use, Land Use Change and Forestry														
MRM	Market Risk Management														
NACE	<p>Nomenclature of Economic Activities</p> <table> <tr> <th>CPRS</th><th>NACE LETTER</th></tr> <tr> <td>Oil&Gas</td><td> B - Mining and quarrying C - Manufacturing, D - Electricity, gas supply G - Wholesale and retail trade H - Transportation and storage </td></tr> <tr> <td>Utilities</td><td> D - Electricity, gas supply E - Water supply; sewerage, waste management </td></tr> <tr> <td>Energy - Intensive</td><td> B - Mining and quarrying C - Manufacturing </td></tr> <tr> <td>Housing</td><td> C - Manufacturing F - Construction I - Accommodation and food service activities L - Real estate activities M - Professional, scientific and technical activities </td></tr> <tr> <td>Transport</td><td> C - Manufacturing F - Construction G - Wholesale and retail trade H - Transportation and storage N - Administrative and support service activities </td></tr> <tr> <td>Agriculture</td><td>A - Agriculture, forestry and fishing</td></tr> </table>	CPRS	NACE LETTER	Oil&Gas	B - Mining and quarrying C - Manufacturing, D - Electricity, gas supply G - Wholesale and retail trade H - Transportation and storage	Utilities	D - Electricity, gas supply E - Water supply; sewerage, waste management	Energy - Intensive	B - Mining and quarrying C - Manufacturing	Housing	C - Manufacturing F - Construction I - Accommodation and food service activities L - Real estate activities M - Professional, scientific and technical activities	Transport	C - Manufacturing F - Construction G - Wholesale and retail trade H - Transportation and storage N - Administrative and support service activities	Agriculture	A - Agriculture, forestry and fishing
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Transport	C - Manufacturing F - Construction G - Wholesale and retail trade H - Transportation and storage N - Administrative and support service activities														
Agriculture	A - Agriculture, forestry and fishing														
NFRD	Non Financial Reporting Directive														
NZAMI	Net Zero Asset Managers Initiative														

ACRONYM	DESCRIPTION
NZBA	Net Zero Banking Alliance
OECD	Organisation for Economic Co-operation and Development
ORM FUNCTION	Operational Risk Management Function
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PEFC	Programme for the Endorsement of Forest Certification
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment
QRM	Quantitative Risk Management
SBTI	Science Based Target initiative
SDGS	Sustainable Development Goals
SMEs	Small and medium-sized enterprises
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force on Climate-Related Financial Disclosures
UNEP-FI	UN Environment Programme Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change

6.4 Legend

	DESCRIPTION
BEV (BATTERY ELECTRIC VEHICLE)	An automobile or other vehicle having an electric motor that is fully powered by batteries.
CARBON NEUTRALITY	Carbon Neutrality is a short-term statement: it indicates that the company buys carbon credits or invests in CDR, offsetting an amount of emissions equal to the emissions generated during the calendar year.
EMISSION COMPENSATION	Actions that companies take to help society avoid or reduce emissions outside of their value chain.
EMISSION NEUTRALISATION	Measures that companies take to remove carbon from the atmosphere and permanently store it.
EUROPEAN GREEN DEAL	Set of policy initiatives by the European Commission with the overarching aim of making the European Union (EU) climate neutral in 2050.
FUEL CELL	A fuel cell is an electrochemical cell that generates electrical energy from fuel via an electrochemical reaction.

	DESCRIPTION
GREENWASHING	Greenwashing is a term used to describe the act of making a product, policy, activity, etc. appear to be more environmentally friendly or less environmentally damaging than it really is.
GROSS CARRYING AMOUNT (GCA)	Under IFRS for debt instruments at amortized cost, the gross carrying amount shall be the carrying amount before adjusting for any loss allowance and for debt instruments at fair value through other comprehensive income, the amortized cost before adjusting for any loss allowance.
NET ZERO	Net Zero indicates a long-term pathway that implies a drastic reduction of one's CO ₂ emissions to zero, or almost zero, by 2050.
NET ZERO - DISORDERLY SCENARIO	Based on the NGFS' Delayed Transition scenario. It assumes that new climate policies are not introduced until 2030.
NET ZERO - HOT HOUSE WORLD SCENARIO	Based on the NGFS' Current Policies scenario. It assumes that no new climate policies are implemented: European emissions gradually decline, but global emissions grow until 2080 leading to about 3 °C of warming.
NET ZERO - ORDERLY SCENARIO	Based on the NGFS Net Zero 2050 scenario. This scenario assumes that climate policies are introduced early and become gradually more stringent.
PHYSICAL RISK	Physical risks arise from exposures to counterparties that may be adversely affected by phenomena related to climate change (or other environmental factors). These hazards can manifest themselves as both direct damages to property and/or business interruption, and indirect damages through supply chain disruption or macro-economic perturbations.
PHYSICAL RISK: ACUTE	Arises from extreme climate changes as more frequent and/or intense extreme weather events (cyclones, storms, floods, droughts, etc.)
PHYSICAL RISK: CHRONIC	Refers instead to changes in average climate variables or consequential changes in average environmental variables: this sub-category comprises, amongst others, increasing mean temperatures, change in precipitation patterns, sea level rise, ecosystem degradation, biodiversity loss, water stress and resource scarcity.
PILLAR 3	The Pillar 3 of the Basel framework provides a comprehensive package of all existing disclosure requirements, beyond those for regulatory capital requirements.
RACE TO ZERO	Race To Zero is a global campaign to rally leadership and support from businesses, cities, regions, investors for a healthy, resilient, zero carbon recovery that prevents future threats, creates decent jobs, and unlocks inclusive, sustainable growth.
RISK APPETITE FRAMEWORK (RAF)	A risk appetite framework represents the amount of risks a business accepts in order to achieve their strategic goals and objectives.
RISK APPETITE STATEMENT (RAS)	A risk appetite statement is a document that expresses the level of risk an organization will accept in its business activities and how it will manage those risks.

	DESCRIPTION
RISK WEIGHTED ASSET (RWA)	The risk weighted exposures total amount, i.e., risk weighted bank's assets according to riskiness expressed by a means of percentages provided by the regulator.
SCIENCE BASED TARGETS	Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.
SCOPE 1	Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization.
SCOPE 2	Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use.
SCOPE 3	Scope 3 encompasses emissions that are not produced by the company itself and are not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for up and down its value chain.
STRATEGIC PLAN 2023-2026	The new Strategic Plan by Mediobanca aims to deliver positive growth in all segments in which it operates, by leveraging on its distinctive features: a responsible approach to banking, focus and distinctive positioning in highly specialized and highly profitable business segments, driven by long-term structural growth trends, a solid capital position, and ongoing investment in talent, innovation and distribution.
TECHNICAL SCREENING CRITERIA OF THE EUROPEAN UNION TAXONOMY DELEGATED ACT	Specific characteristics that can be used to determine whether an economic activity provides a sub-stantial contribution to mitigation or adaptation.
TRANSITION RISK	<p>"Transition risk refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy"⁷⁶. In other words, it is the risk arising from the socio-economic response to changing climate.</p> <p>The European Commission⁷⁷ classifies Climate Transition Risk in five sub-categories: Legal Risk, Market Risk, Policy Risk, Reputational risks, Technology risks.</p> <p>As Physical risks, also Transition risks can produce both direct, through for example lower profitability or asset stranding, or indirect impacts, through macro-financial changes.</p>
TRANSITION RISK: LEGAL RISKS	Risk of litigation arising as a consequence of failure to comply with the current and emerging regulations, both regarding mitigation and adaptation.
TRANSITION RISK: MARKET RISKS	Risks referring to shifts in consumers' preferences towards more sustainable alternatives.
TRANSITION RISK: POLICY RISKS	Stemming from regulatory initiatives regarding e.g. carbon-pricing mechanisms, emission limits, reporting obligations.
TRANSITION RISK: REPUTATIONAL RISKS	Risks related to, for instance, difficulties in attracting investors, employees, costumers, business partners, etc. when the entity has associated a negative climate-related reputation.

76. Guide on climate-related and environmental risks, ECB, November 2020.

77. Guidelines on reporting climate-related information, European Commission, 2019.

DESCRIPTION	
TRANSITION RISK: TECHNOLOGY RISKS	Risks, for example, related to the competition in implementing low-carbon technologies or to the rapid obsolescence of high-emitting technologies.
UN GLOBAL COMPACT	Voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN Goals.

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