

TCFD Report 2023-2024

September 2024



MEDIOBANCA



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Introduction



MEDIOBANCA

1. Introduction

1.1 Mediobanca and its commitment to addressing climate change

The Mediobanca Group is a highly specialized financial entity offering Corporate & Investment Banking, Consumer Finance, and Wealth Management services. It has a significant stake in Assicurazioni Generali, establishing a strong presence in the insurance sector. Since its foundation, Mediobanca has maintained a responsible, long-term approach to banking¹.

Mediobanca's **2023-26 Strategic Plan** integrates its **Environmental, Social & Governance (ESG)** strategy, aiming to balance business growth and financial stability with social and environmental sustainability, creating long-term value for stakeholders.

The Group has set qualitative and quantitative ESG commitments, measurable over time, that are incorporated into the **evaluation and remuneration processes** for all employees and senior management. These targets which consolidate the integration of Environmental Social & Governance (ESG) topics into the corporate strategy, have a particular focus regarding the Environment and Climate Change, a priority in the Group's Sustainability Policy.

Recognizing finance's crucial role in achieving a **net-zero emissions** economy, Mediobanca has launched various awareness programs on climate change risks and opportunities, involving all levels of the organization, from the Board of Directors to the entire workforce. Aligning with the Paris Agreement goals, Mediobanca supports the **Climate-related Financial Disclosures (TCFD)** and has joined the **Net-Zero Banking Alliance (NZBA)** under the UN Environment Programme Finance Initiative (UNEP-FI). The Group is committed to reducing greenhouse gas emissions from its credit and investment portfolio to achieve a net-zero economy by 2050.

ENVIRONMENTAL E CLIMATE CHANGE



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

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 reaffirms its climate commitment, aiming for **carbon neutrality by 2050**, with an **interim whole portfolio target** of a 35% reduction in financed emissions intensity by **2030**.

The Group also focuses on its direct impact, pledging to use **100% renewable electricity by 2026** and maintaining **carbon neutrality** on own emissions².

1.2 Third Mediobanca TCFD Report

In line with the previous reports, the third Mediobanca TCFD Report discloses the results achieved and the methodologies applied to integrate environmental, social and corporate governance (ESG) criteria into Group's activities.

One section is devoted to each of the TCFD pillars – Governance, Strategy, Risk Management, Metrics and Targets – in order to provide a comprehensive overview of the Group's approach to climate risk and opportunities.

◆ **Governance** - The governance structure adopted by the Bank for investment choices remained unchanged in 2023; however, various climate awareness initiatives within the Group continued. To this end, it has continued to offer specialist training to equip employees with the necessary skills to engage with counterparties in the Bank's portfolio, analyze their transition plans more thoroughly, and communicate the Bank's sustainability strategy effectively.

This section covers several topics: the stages of the investment process integrating sustainability and climate risk profiles; the units responsible for proposals and the bodies overseeing their approval; how information on sustainability profiles and climate risks is communicated to senior management; and the roles of the CEO, management, and Board committees in coordinating and directing the Bank's work on all ESG issues. An overview is also provided on integrating climate KPIs into the remuneration incentive plan.

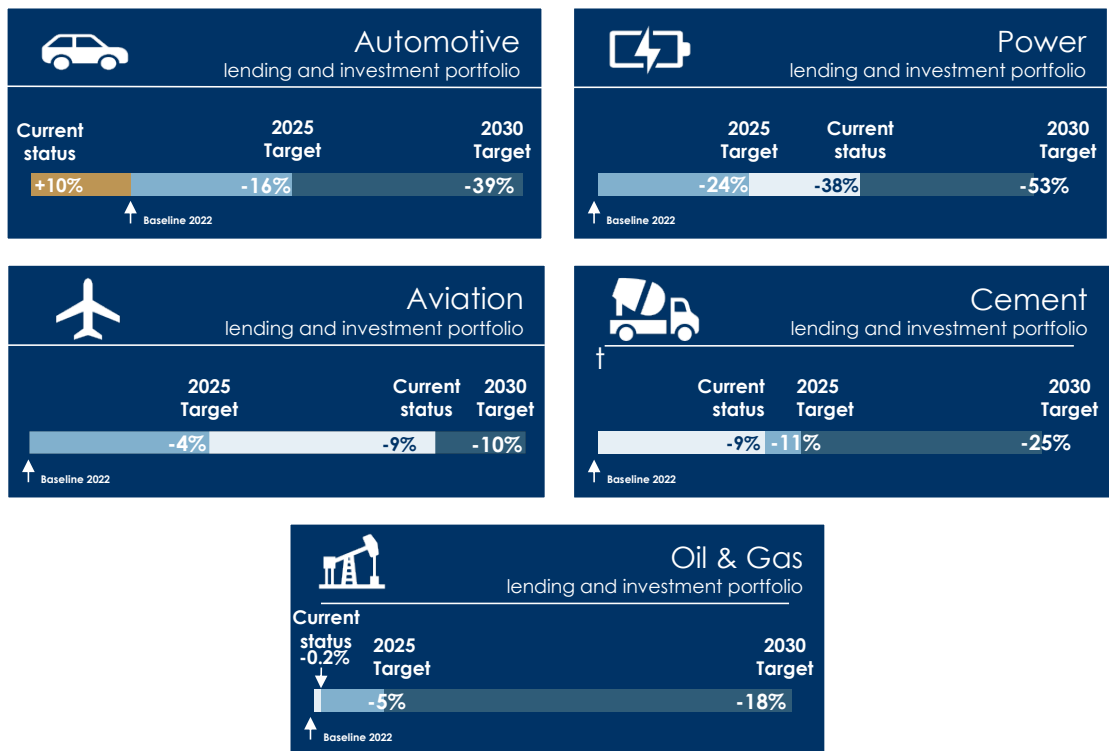
◆ **Strategy** - In line with the NZBA requirements the Group is publishing its high-level Transition Plan within this section, focusing on how Mediobanca is planning to reach the targets it has set to achieve Net Zero Emissions. With the 2023-26 Strategic Plan, the Group has further reinforced its commitment to merging these aspects, enhancing sustainability risk management and combating climate change. This section outlines the climate-related objectives in the new Strategic Plan. These targets, both commercial and portfolio-shaping, support the strategy resilience model the Group is developing by expanding the climate transition product offering, strengthening exclusion policies, and engaging stakeholders, all within a Risk Appetite Framework that increasingly incorporates climate-related metrics.

◆ **Risk Management** - Sustainability risks impact the financial risk and return profiles of portfolios, people's well-being, financial and price stability, and the overall growth of the economy, thereby influencing the context in which the Group operates. Consequently, Mediobanca integrates climate and sustainability factors into its risk management processes to identify, manage, and mitigate these risks while progressively reducing the weighted average carbon intensity of its portfolio. This section provides information on the climate risk materiality map developed during FY 2023-24, the risk assessment methodologies employed, and the results for different risk classes (credit, market, and operational risks, etc.). It also describes stress test methodologies and the Risk Appetite Framework

2. Scope 1 and Scope 2 (market-based) emissions.

(RAF). Mediobanca previously detailed the methodology for identifying potential ESG transition risks in the Bank’s corporate portfolio in its previous TCFD report, utilizing an ESG heatmap at the sector level to set maximum acceptable exposure levels to high environmental risk counterparties. In the current FY the Materiality Assessment has been integrated with additional scenario-based analysis with respect to both Real Estate, physical and transition risks, and Corporate, physical and transition risks. A climate VaR has also been implemented in the same context, which a forward-looking metric that quantify the impact in terms of losses deriving from both physical and transition risks given NGFS scenarios, and in every scenario the KRI was below the threshold.

◆ **Metrics and Targets** - Mediobanca is committed to aligning its operations with the goals outlined in the Paris Agreement and the EU’s target of achieving climate neutrality by 2050. In pursuit of this objective and in adherence to the commitment made upon joining the Net-Zero Banking Alliance (NZBA), the Group has established interim targets for 2030 and ensures transparent reporting and accounting in accordance with the Race to Zero criteria. This section also presents the outcomes of various analyses and initiatives conducted during the fiscal year 2023-24 to align the Group with a bold climate ambition, the setting of all relevant NZBA interim sector targets: oil and gas, iron and steel, shipping, and chemical industries.



New Economic Intensity Targets with 2023 Baseline



3. The first part, published in August 2021, focused on the “physical science basis» of the Earth’s changing climate.
 4. Climate Change 2023, Synthesis Report. link

1.3 The context

1.3.1. The Climate Challenge

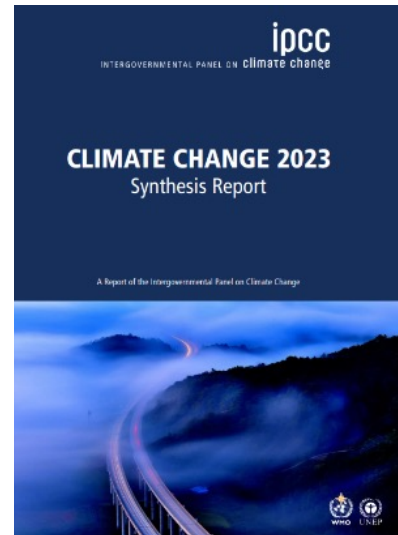
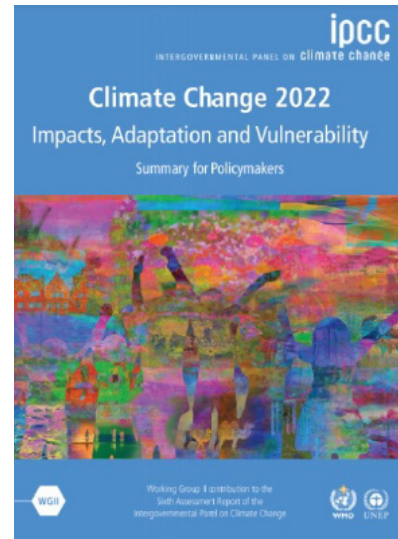
In February 2022 the IPCC (Intergovernmental Panel on Climate Change) published the second part of its sixth assessment report (AR6), where it presented the latest evidence on the impacts of climate change³. Among the findings, highlights that if global warming passes 1.5°C – even temporarily before falling back again – “human and natural systems will face additional severe risks”, including some that are “irreversible”.

Within the AR6 Synthesis Report, published in March 2023⁴, the IPCC has further highlighted that “*adaptation planning and implementation has progressed across all sectors and regions, with documented benefits and varying effectiveness. Despite progress, adaptation gaps exist, and will continue to grow at current rates of implementation.*”

Within this ever-evolving context, Mediobanca recognizes that the impacts and risks of climate change are becoming increasingly intricate and challenging to manage. Multiple climate hazards will occur simultaneously, and various climatic and non-climatic risks will interact, leading to cascading effects across sectors and regions, such as those identified by the IPCC.

Moreover, the United Nations Climate Change Conference (COP28), which concluded in December 2023, resulted in a landmark agreement marking the “beginning of the end” of the fossil fuel era. This accord sets the stage for a swift, just, and equitable transition, focusing on significant emissions reductions and enhanced financial support. Demonstrating global solidarity, negotiators from nearly 200 Parties met in Dubai to endorse the world’s first ‘global stocktake,’ a crucial outcome designed to intensify climate action efforts before the decade’s end, aiming to keep the global temperature rise within the 1.5°C limit.

In the short term, Parties are encouraged to set ambitious, economy-wide emission reduction targets, covering all greenhouse gases and sectors, aligned with the 1.5°C limit in their next nationally determined contributions by 2025⁵.



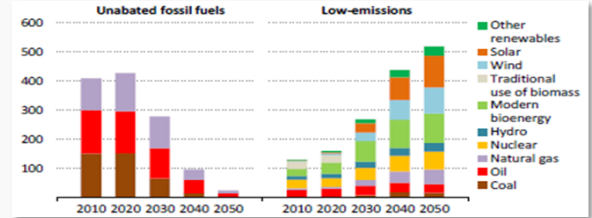
1.3.2. Market Context and Business Opportunities



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



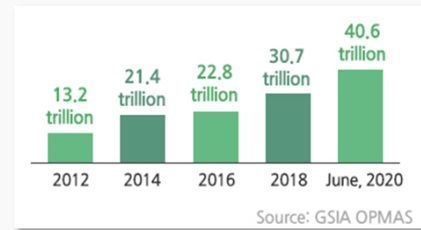
STAKEHOLDERS TRENDS

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.

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

- 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.

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.

EU FRAMEWORK FOR SUSTAINABLE GROWTH



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.

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 Shammai, 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.

As highlighted by the most recent IPCC reports, finance has a pivotal role in enabling the net zero transition. The global capital and liquidity are deemed sufficient to close global investment gaps. However, barriers exist that hinder the redirection of capital towards climate action, both within and outside the global financial sector, particularly in the context of economic vulnerabilities and indebtedness in developing countries. To scale up financial flows, financial actors can address the systemic under-pricing of climate-related risks and reduce mismatches between available capital and investment opportunities, considering national contexts.

CALL TO ACTION

Mediobanca acknowledges that businesses and financial institutions heavily rely on the healthy functioning of social and environmental systems for value creation. In collaboration with others, Mediobanca must structure climate actions to ensure plans are socially just and consider the interconnected issues of nature loss, geopolitical instability, and increasing inequality.

With bold commitments in place, society must now focus on implementing transition plans.

Banks' Net-Zero commitments require financial institutions to adapt their operating models, altering how they assess risk and generate revenue. Business strategies must reflect this new vision, requiring client-facing staff to understand its implications for their and their clients' operations.

Mediobanca recognizes its responsibility as a financial system operator in combating **climate change**, which **represents one of the pillars of ESG objectives embedded in the 2023-26 Strategic Plan "One brand – One culture"**.

Furthermore, EU Regulation 2020/852, known as the European Taxonomy, is part of the EU's plan to address climate change and achieve carbon neutrality by 2050. From January 1, 2022, to December 31, 2023, financial institutions like Mediobanca reported on their environmental impact, including the proportion of assets in taxonomy-eligible and non-eligible activities, exposures to governments and banks, and assets tied to companies not required to disclose non-financial information.

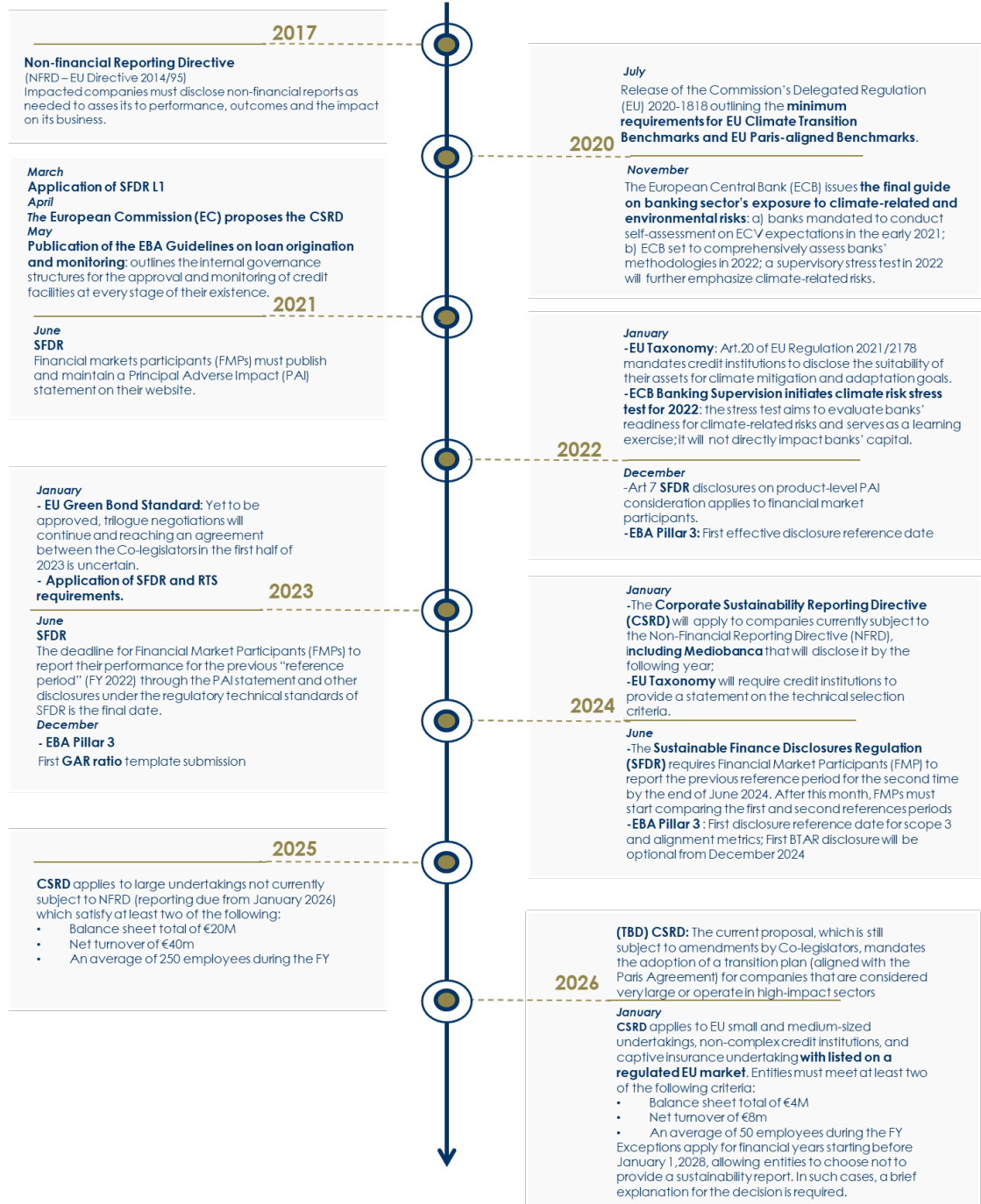
Starting January 1, 2024, reporting expanded to include "green" economic activities and off-balance sheet exposures. Firms must also report on taxonomy-eligible activities related to nuclear and fossil gas, as well as the remaining environmental objectives through 2025.

Mediobanca has continued to comply with these regulations, using actual data to develop and report Key Performance Indicators (KPIs) as required by EU regulations. These indicators are calculated within the regulatory consolidation scope and aligned with EU financial reporting standards. Further information regarding this topic is available in the Group's CNFS Chapter 12.

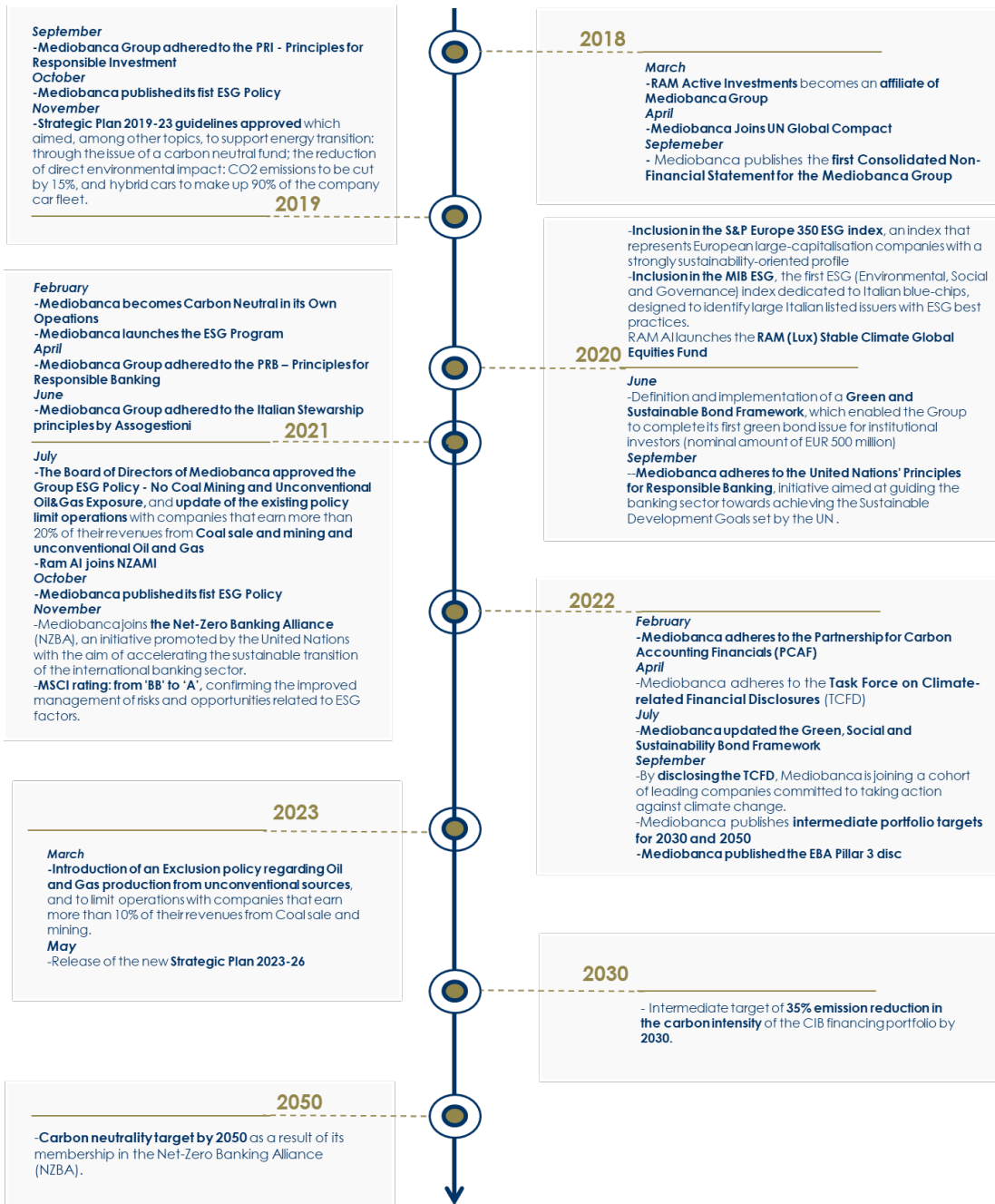
1.4. Mediobanca towards Net Zero

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 shown in the following timeline:



The Mediobanca Group has taken up the climate challenge and has invested in order to grow sustainably. This has been achieved over the years by implementing internal policies, signing up to a variety of initiatives, and setting targets to reduce emissions.



1.5 Report overview

TCFD RECOMMENDATIONS: CROSS REFERENCES			
TOPICS	TCFD RECOMMENDATIONS	REFERENCES ⁶	
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 2.1 Sustainability Governance overview 2.2 Board Oversight 2.3 The Chief Executive Officer 2.4 Role of Management 2.5 Staff and Business Units' responsibilities <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"> 3.2 Transition Plan and Strategy Resilience 3.2.2.1. Products and services - Lever 2 4.2 Climate related and Environmental Risks Materiality assessment;CNFS 4.4 Scenario analysis for climate stress testing in the ICAAP context 	
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 	

6. TCFD refers to this report, while CNFS refers to the Consolidated Non-Financial Statement FY 2022-23 published on the Mediobanca website at https://www.mediobanca.com/static/upload_new/non/non_financial_statement_2023.pdf.

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 Bond⁷</p>

7. 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



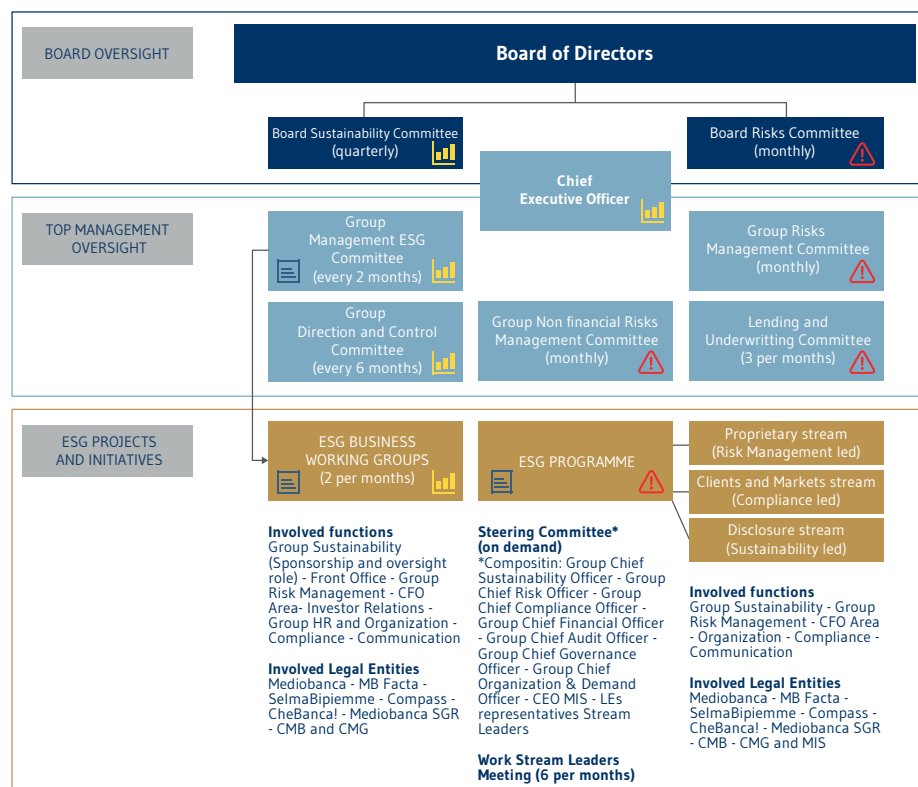
MEDIOBANCA

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, from when the Board of Directors assigned responsibility for oversight of sustainability activities to the **Chief Executive Officer** on 14 June 2017.

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



The following sections 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 increase knowledge and translate climate-related topics to the business approach and daily activities.

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. Against this backdrop, the Board of Directors is responsible inter alia for:

- ◇ Defining the **business model**, in full awareness 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 comparing the results delivered with those planned at regular intervals);
- ◇ Approving the draft individual and consolidated financial and non-financial statements, and the Pillar III Disclosure to the Public;
- ◇ Reviewing and leading 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 the Code of Ethics, Code of Conduct, the Group Sustainability Policy and the Group ESG Policy, which also cover relevant climate-related topics.

It is also responsible for compiling the Group Staff Remuneration Policy and Report (including the sustainability and ESG-related performance indicators contained in it), 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.

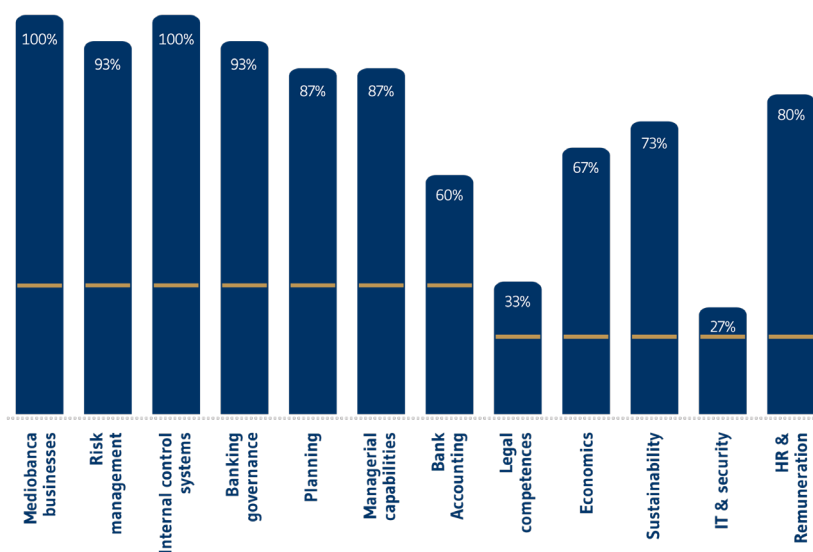
During FY 2023-24 the Board of Directors met 13 times, and at each meeting climate-related documents and topics were discussed/approved, including the ones listed below, thus exercising its oversight of climate-related risks and opportunities relating to the banking and investment activities performed by Mediobanca as well as the impacts generated directly (i.e. with its own operations) and indirectly (through banking, investing and advisory activities) by the Group on the climate.

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.

- ◇ FY 2023-24 Consolidated Non-financial Statement (CNFS) and TCFD Report
- ◇ Pillar III ESG disclosure at 30 June 2023 and 31 December 2023
- ◇ Update on Mediobanca C&E Materiality assessment and C&E strategic and operational plan
- ◇ Group Staff Remuneration Policy (including climate-related performance indicators contained in the LTI and the Bluebook)
- ◇ 2024 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: earnings prospects updated to take account of the quantification of physical risk and transition risk
- ◇ Group Sustainability Policy and Group ESG Policy (updates approved)
- ◇ Monitoring the implementation of the climate-related objectives to be included in the 2023-26 Strategic Plan
- ◇ Debriefing of latest Board Sustainability Committee and Risk Committee (see below for further details).

In addition, this document itself, which contains the third set of Net-Zero Targets (for the Oil and Gas, Iron and Steel, Shipping and Chemicals sectors), and the transition plan for the existing sector targets (Power, Automotive, Cement and Aviation) was shared with the **Board of Directors on 19 September 2024**. Further details are provided in Section 5.1.

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



% minimum target established in the Report on the qualitative and quantitative Composition of the BoD 2023

6. For details of the individual Directors' professional qualifications and areas of competence, reference is made to the relevant sections of the Mediobanca website at Mediobanca Corporate Governance

To further enhance ESG competences, in April 2024 an induction meeting took place for newly appointed members, also open to other Directors and Auditors, providing a specific focus on following topics: Sustainability within the Group, Sustainability governance, Environment & climate change, ESG targets in the 2023-26 Strategic Plan, Social issues and Sustainability disclosure.

2.2.2 Board Committees

The Board of Directors has established six 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 certain areas of competence.

On 24 March 2022 the Board of Directors announced that **governance of climate strategy and risk are respectively under the responsibility of Board Sustainability Committee (at the CEO's 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 for business model and strategy.

The **Board Sustainability 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. It has consultative, instructive duties on sustainability matters to be submitted to the Board of Directors. It meets at least on a quarterly basis and currently consists of the Chief Executive Officer (who chairs it) and 5 non-executive Directors. The Group General Manager, Group Chief Governance Officer, Group Chief Sustainability Officer, Group Chief HR and Organisation Officer and, normally, the Group Chief Risk Officer and Group Chief Financial Officers take part in Committee meetings, along with any other Group staff invited by the Committee Chair based on the items on the agenda.

During FY 2023-24 the Board Sustainability 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 role of oversight of climate-related opportunities and of direct and indirect impacts.

- ◇ Progress for the implementation of the CSRD Reporting
- ◇ Monitoring of the FY 2023-24 CNFS and TCFD report stages
- ◇ Overview of process for setting of the following Net-Zero Targets (Oil and Gas, Shipping, and Chemicals)
- ◇ Implementation of the Mediobanca's Transition Plan
- ◇ Green, Social and Sustainability Bond Framework (updates) and Report
- ◇ Review of the Mediobanca Group C&E Materiality assessment 2024
- ◇ Revised Group Sustainability Policy and the Group ESG Policy
- ◇ 2024 Material topics

7. The Board Committees are: the Board Sustainability 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 that fall within its remit.

- ◇ Monitoring the implementation of the climate-related objectives to be included in the 2023-26 Strategic Plan.

The Board is informed at the next meeting, and to the extent applicable, takes decisions regarding the proposals submitted for approval in relation to the topics discussed beforehand at the previous Board Sustainability Committee meeting.

At a **meeting held on 16 September 2024, the Board Sustainability Committee** reviewed the FY 2023-24 Consolidated Non-financial Statement and the FY 2023-24 TCFD Report which contains the third set of Net-Zero Targets (for the Oil and Gas, Iron and Steel, Shipping and Chemicals sectors), the existing sector targets (Power, Automotive, Cement and Aviation) and Mediobanca's Transition Plan.

The **Board Risks Committee** meets on at least a monthly basis and consists of five non-executive Directors; the Statutory Audit Committee also attends the meetings. 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. Further details regarding the role of the Committee is explained on Group's website.

- ◇ Update on Mediobanca C&E Materiality assessment and C&E strategic and operational plan
- ◇ 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: earnings perspectives updated to take into account the quantification of physical risk and transition risk
- ◇ Quarterly review of the Corporate Loan & Investment Portfolio ESG Heatmap and Tableau de Board (including climate risk)
- ◇ Climate stress test results
- ◇ Group Risk Map (including climate risk) updates
- ◇ Monthly update on "Single Supervisory Mechanism" (interaction with/requests from the Supervisor, including climate-related ones)

During FY 2023-24 the Risks Committee met 16 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 Bank's own operations and its business model.

2.3 The Chief Executive Officer

As mentioned previously, 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, and for ensuring that the Group is positioned correctly on sustainability issues in the relevant areas.

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

Attendance of the main Committee meetings (Board Sustainability Committee and the Management ESG Committee) ensures a secure and correct flow of information to allow the CEO to be correctly informed and to monitor and have clear visibility of business risks and opportunities, including climate-related topics.

2.4 Role of management

2.4.1 Directional Committees⁹

- ◇ The **Group Risks Management Committee** ("GRMC") 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.
- ◇ The **Credit and Market Committee** examines the ESG risk profile of the counterparties named in a proposed lending resolution, based on analyses prepared by Risk Management. It's worth to underline that counterparty's emission intensity is necessary in order to proceed with the submission process. Members with powers of approval are the Chief Executive Officer, Group General Manager and Group Chief Risk Officer.
- ◇ The **Group Non-Financial Risks Committee** is responsible for addressing, monitoring and mitigating non-financial risks. In particular, the Committee checks the non-financial risk profile of Mediobanca and the main Group Legal Entities on a regular basis, through analysis of the most significant non-financial risks, including climate-related operational and reputational risks.

2.4.2 Management Committees – the Management ESG Committee

The **Management ESG Committee** has the task of overseeing Sustainability matters ensuring the Group's proper positioning in terms of both direct and indirect impacts. It supports the CEO and the Sustainability Committee in defining the overall **ESG strategy, including the approach to climate topics** at Group level.

Among other things, the committee is responsible to:

- a) Define the Group Policy on Sustainability (including the ESG Policy) and oversee the declaration of those in the Legal Entities, as well as promote the implementation of consistent practices at the Group level;

⁹ Group ALM Committee, New Operations Committee, Investments Committee, Group Wealth Investment Committee, Private & Affluent Investments Committee and Conduct Committee.

- b) Assess the types of products that, by characteristics, feed into the Group's ESG offering, monitoring the Group's positioning on these areas, through qualitative and quantitative mapping activity;
- c) Expressing a prior opinion on plans to reduce the carbon footprint of the Group's portfolio, and hence on the Transition Plan drawn up in compliance with the Net-Zero Banking Alliance's requirements.
- d) Express prior opinion on the targets for reducing PAIs¹⁰ under SFDR;

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 TCFD Report and the **PRB Report**, defining the methods of communication. The main climate-related topics addressed in the FY 2023-2024 were: Portfolio alignment progresses, ESG Policy and ESG Catalogue CDP questionnaire results and developments, CSRD and the first proposal of the Transition Plan.

2.5 Staff and Business Units' responsibilities

1ST LINE OF DEFENCE

Front Office

- Contributes definition of the ESG strategy by taking climate-related risks and business opportunities into account in the light of the market scenario;
- Receives climate-related objectives as a result of the Group's adherence to ESG agreements/initiatives, and translates them into the business offering;
- Analyses clients' climate transition plans in conjunction with Risk Management and Group Sustainability, and actively engages clients to encourage the adoption of Paris-aligned business models;
- Manages the credit portfolio in accordance with ESG Credit Guidance and RAF;
- In conjunction with Risk Management and Group Sustainability, checks that the Group ESG Policy has been applied correctly (negative screenings and ESG investment limits).

2ND LINE OF DEFENCE

The Group Risk Management units, each for their own respective areas of responsibility, define the methodologies for measuring the impacts of environmental/climate-related risk (both physical and transition) on the different risk categories (credit, market, liquidity and non-financial risk).

They also support regular reporting, both internally and to the supervisory authorities, on issues related to climate and environmental risk.

Some of the main tasks performed are described below:

- **Managing relations with the supervisory authorities, including in relation to climate risk expectations**, and with the support of Group Sustainability, monitoring external regulations and best practices for climate risk management;
- Overseeing the qualitative and quantitative integration of climate issues into – among other things – the RAF and ICAAP frameworks; **defining, implementing and updating the Materiality Analysis** on at least an annual basis; preparing the risk reporting shared at regular intervals with the Board of Directors; co-ordinating the regulatory and management **stress tests (incl. climate-related ones)**
- Assessing the loan and proprietary investments portfolios' exposures to climate risks, which includes preparing and **updating the ESG Heatmap**
- **Assessing single-name ESG risk** and, in conjunction with Group Sustainability, checking that borrowers and invested counterparties are compliant with the ESG Policy
- Defining the methodology for, and carrying out the **calculation of, the Group's portfolio emissions ("Scope 3") and conducting the portfolio alignment analysis exercises**

10. Principal Adverse Impact

- Assessing operational risks related to climate topics (i.e. business continuity of the Group's units/entities and main outsourcers).

Compliance and Group AML presides over the regulatory risks facing the Group and the reputational risks deriving from them. Within the broader ESG spectrum, Compliance and Group AML manages AML, anti-bribery and corruption, and greenwashing risks. With reference to climate-related and environmental topics specifically, the Compliance unit is involved in defining the framework in conjunction with Group Risk Management and Group Sustainability.

3RD LINE OF DEFENCE

The Group Audit performs a third-level review of the ESG (including 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 developments in the market scenario.

Several units are involved in the assessment and management of climate risks and opportunities; internal

STRATEGY

Group Sustainability

- Supports the CEO and the corporate bodies in **defining the ESG strategy and setting the ESG (including climate-related) objectives and KPIs** included in the Strategic Plan 23-26
- Prepares and **updates the Group Sustainability and ESG Policies**, and proposes initiatives to be submitted to the Board Sustainability 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 (in particular the Net-Zero Banking Alliance)
- Supports the CFO, Risk Management and front office areas in **planning/budget activities** to understand the impacts of the ESG strategy on business
- Supports Group HR in **defining and monitoring ESG KPIs** included in the short-term and long-term incentive schemes (including climate-related)
- Supports Risk Management and the front office teams in **verifying compliance with the screening criteria set out in the ESG Group Policy**
- **Is responsible for preparing the Consolidated Non-Financial Statement (including the EU Taxonomy reporting), the TCFD and PRB, and contributes to the Pillar III ESG disclosures.**

Group CFO unit

- Through Group Treasury, the CFO is responsible for the **origination and structuring of financial instruments** relating to sustainable finance, and for managing the Green, Social and Sustainable Bond Framework asset pool, **assessing the eligibility for ESG purposes** of business opportunities generated within the Group; **it also defines and updates the Funds Transfer Pricing curve (FTP), including based on ESG criteria**
- Supervises process and **data consolidation, and monitors the quantitative climate-related objectives** and KPIs that are part of the Strategic Plan 23-26
- **Prepares the Pillar III Disclosure, Contributes to the preparation of EU Taxonomy disclosure contained in the CNFS by providing the accounting/financial data, Prepares the Green, Social and Sustainable Bond Framework annual reporting information.**

regulations are constantly updated to reflect C&E risk management roles, responsibilities, reporting and

Group HR

- Actively co-operates with Group Sustainability and CFO area in defining and regularly monitoring the climate-related KPIs included in the remuneration reward system
- In conjunction with Group Sustainability, organizes and delivers training sessions for the business units on climate and environmental topics

Group Strategy

- Support to the CEO in identifying and communicating the Group's overall strategies
- Monitoring the implementation of evolutionary strategies and the achievement of the quantitative objectives of the Strategic Plan

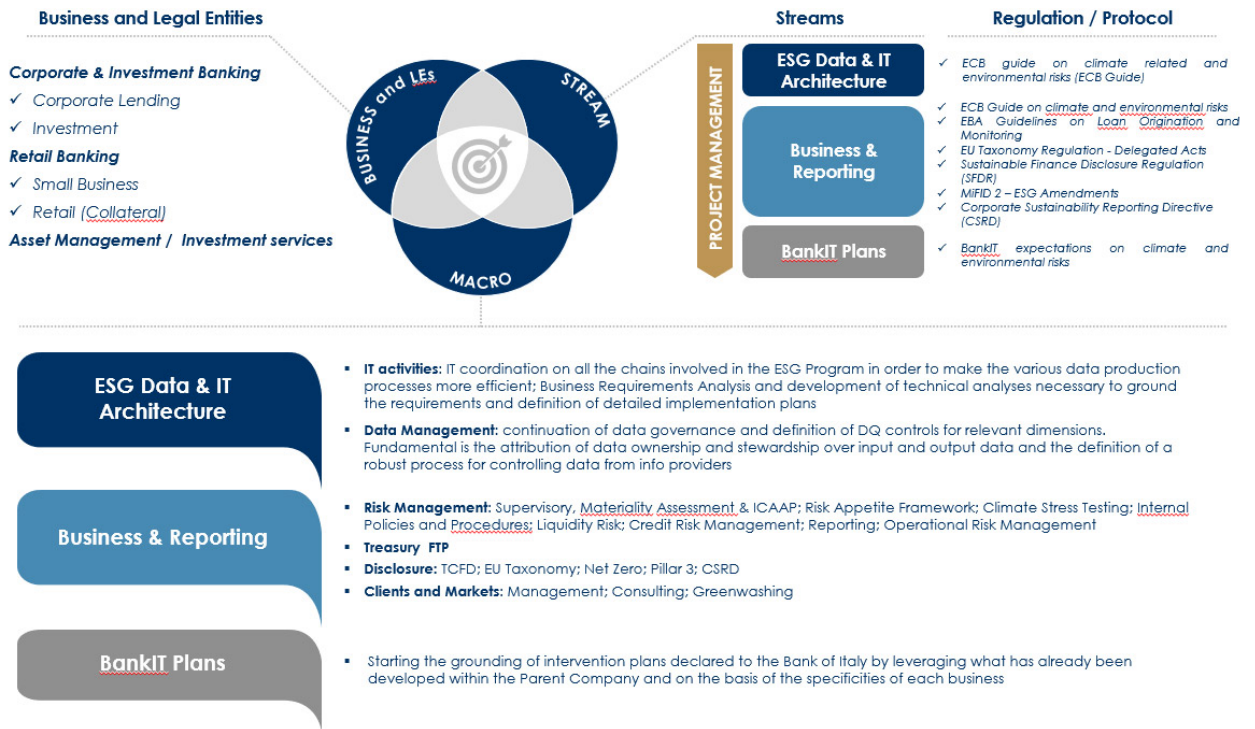
Group Technology and IT – Mediobanca Innovation

Operations, through the Group Data Office unit, regularly checks the quality of the ESG data, integrating the data quality framework with controls for the specific data/information flows prepared to meet the Bank's ESG requirements

Service (MIS) is responsible for the design, implementation and maintenance of the architecture underlying the ESG reporting framework and the tools to support ESG activities (heatmaps, ESG questionnaires on the credit risk side, etc.), ensuring the data used is consistent with the needs of the various units.

methodologies. Activities performed by the Bank's units in this connection are summarized below:

- ◆ The following Units are involved in the **internal environmental risk control framework**
- ◆ The following Units have **strategy setting and reporting responsibility**
- ◆ **Other Units** involved in climate-related topics are



2.6 ESG Projects and initiatives

2.6.1 ESG Programme

A multi-year programme was launched in January 2021 to gradually adapt the Group's operations to the new regulations in the ESG area. The initiative, named the "ESG Programme", is divided into three strands based on the business areas affected by the regulations.

The ESG Programme is sponsored by Group Sustainability, and reports to the Management ESG Committee. The Board Committees and the Board itself are regularly informed of the key milestones and achievements of the ESG Programme.

The different streams see the involvement of several functions, such as: Group Risk Management, Group CFO, Group data Office, Group Organization, Compliance and the IT unit (MIS).

Several of the actions implemented during the year in the Proprietary and Disclosure strands are included in this TCFD report which itself represents one of the initiatives implemented by the Bank to align its climate-related and environmental risks disclosure to the expectations of the regulator (expectation no. 13 of the ECB guide on Climate and Environmental Risk) and of the other stakeholders.

In particular, Phase 3 of the ESG Programme was completed in June 2023 and it focused on implementing the interventions declared to the ECB in 2022, incorporating the findings from the 2022 Thematic Review exercise, enlarging the scope of the SFDR reporting, and preparing the second cycle of disclosure in the EU Taxonomy and Pillar III area, which envisages a gradual

increase in the information to be reported.

Phase 4 of the ESG Programme was completed in June 2024 achieving several significant objectives. These included implementing and **finalizing commitments made with the ECB as part of the Thematic Review** as well as further enhancements, consolidating existing disclosure frameworks, and **assessing the impacts of the CSRD** on responsibilities, governance, reporting methods, controls, and other relevant areas. The Programme also involved monitoring ESG metrics within investment services and **establishing anti-greenwashing supervision practices**. Furthermore, attention was given to **consolidating the current application and data governance solution to ensure the coherence of information** assets across reporting chains and progressing towards the automation of data management processes: GHG calculations were one of the main focus.

2.6.2 ESG Working Group

The Directors, CEO and senior management all support the establishment of a sustainability culture and practice in which all employees understand their role in delivering alignment with the UNEPFI Principles of Responsible Banking (including with regard to climate topics) and translate this conviction into their approach to doing business and their daily behaviour.

Against this backdrop, an ESG Working Group (“ESG WG”) has been set up in order to:

- ◆ Promote an understanding and awareness of sustainability issues within the Group;
- ◆ Facilitate the adoption of a business strategy aimed not only at factoring in risks, but also 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 offering of sustainable products and services to customers.

The ESG WG, which reports to the Management ESG Committee, covers both business and reporting objectives, with the respective focus on embedding ESG-related risks and opportunities into the business strategy, and on quantification and monitoring of the ESG-labelled product portfolio. Sub-group/verticals are set depending on the topics analyzed (lending, funding, wealth and asset management etc.).

2.6.3 Training initiatives

During the financial year, several **training initiatives** were **launched to increase the Board members’ competences and Group employees’ awareness of ESG and in particular climate-related issues**. The entire population of Mediobanca, and its main Group Legal Entities were involved in introductory training modules on ESG topics, which also covered climate change and green products.

Specific training sessions took place with support of external consultant from March to June 2024 in continuation with those carried out the year prior, to further build upon the skills and knowledge needed to conduct an effective customer engagement.

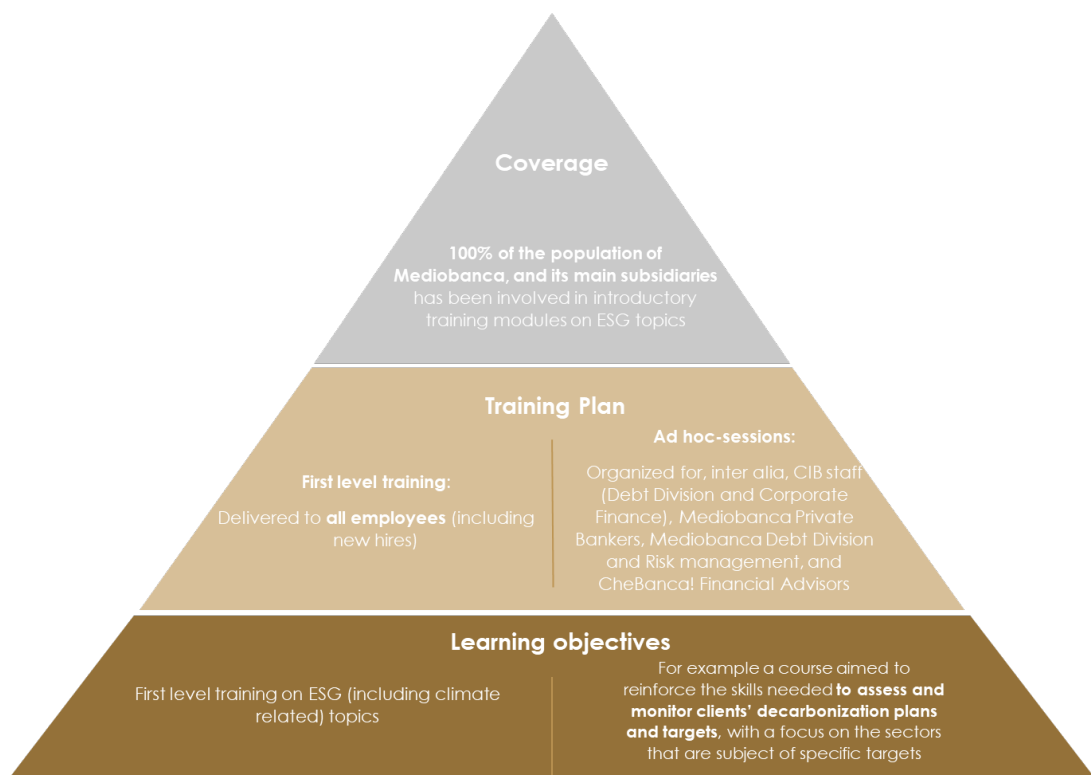
This initiative will allow colleagues to increase awareness on climate-related issues (by delving into the regulatory, risk, technological and operational context in which the decarbonisation action is placed in each of the target sectors) and correctly evaluate the associated risk, to provide the proper knowledge for establishing a dialogue with the counterparties subject to engagement.

Over 40 selected employees (of Debt Division, Risk Management, Compliance and CFO area of Mediobanca, Mediobanca International, MBFacta, SelmaBipiemme, MBCredit Solutions and Mediobanca SGR) participated in the two-year classroom structured in eight modules on the theme of decarbonisation. The course was made available on the e-learning Group platform Skillato.

Last year's training courses focused on the Automotive, Power, Cement and Aviation sectors. This year the sectors covered a deep dive on Oil and Gas, Iron and Steel, Shipping, and Chemicals sectors and an overview of the Agriculture and Real Estate sectors.

Furthermore, the process for the EFPA ESG-Advisors Certifications achieved by wealth consultants continued, equal to 67% of the total (increasing compared to 57% in the previous fiscal year). The 2023-26 Strategic Plan objectives include a specific target to reach 100% coverage.

As far as regards legal entities, during the FY all the MBFacta, SelmaBipiemme, MBCredit Solutions and Mediobanca SGR staff followed the course "Supervisory Expectations on Climate and Environmental Risks".



2.7 Remuneration

The Group Staff Remuneration Policy and Report, 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, thus orienting the conduct of beneficiaries towards the creation of long-term value.

The Long-Term Incentive Plan 2023-26

Qualitative and quantitative targets have been included in the new Long-Term Incentive Plan 2023-26, which provides for 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. Some 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 at Group level). The Plan was approved by shareholders at the Annual General Meeting 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 (toDEI) 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.

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 a one-year time horizon for their performance.

The financial objectives represent up to 10% of the quantitative component and refer to the annual ESG targets contained in the Strategic Plan for the Group's main businesses, with financial KPIs related, for example, to growth in the volume of green products (CIB, Compass and Mediobanca premier), or deeper penetration rates for SFDR art. 8 and art. 9 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. The qualitative objectives have equal weight and are to be evaluated individually. 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 2023-24 the quantitative objectives below have been comfortably exceeded (even with reference to the maximum KPIs) by both the CEO and the Group General Manager. Also the qualitative objectives have also been met.

The short-term incentive scheme for other senior figures (strategic management and Material Risk Takers heading up the main business lines) also includes quantitative, measurable ESG indicators with weightings of up to 10%, both individually and as part of the scorecards used to define the divisional bonus pools, where appropriate to the scope under consideration. These indicators include, but are not limited to: higher volumes of green products and deeper penetration of SFDR art. 8 and ar. 9 funds in clients' portfolios; 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.

All the objectives included in the scorecard are appropriately weighted to guarantee an overall weighting of 100%, as follows:

85% of the overall weighting refers to financial KPIs, with 10% reserved on a fixed basis for financial ESG objectives;

15% refers to non-financial qualitative indicators, which are pre-established and expressed in the evaluation drivers.

The incentivization curve is structured so that the overall objectives being met triggers the payment of a variable component, which is structured as follows: 85% of the fixed annual salary if the financial and non-financial targets are met, and 100% in the event of outperformance.

ESOP Plan 2023-26

As part of the Strategic Plan 2023-26, a Plan was introduced that enables:

- ◇ Group staff to take part in a share ownership and/or coinvestment scheme that allows them, on a voluntary basis, to issue instructions to acquire Mediobanca shares on the market, to be received on favourable terms (“discount”);
- ◇ Broader participation by the corporate population in the creation of sustainable value for the Group, with provision made for premium to be paid (or “matched”) when certain conditions are met (e.g. shares bought must be held for three years, the recipient must still be employed by Mediobanca at the end of the vesting period, and certain KPIs included in the new 2023-26 Strategic Plan must be met);
- ◇ The conditions which enable the shares to be matched (at a rate of 1 share for every 10 shares) is the achievement of a climate-related KPI, consisting of maintaining electricity from 100% renewable sources at Group level (for named accounts).

The scheme, which is based on voluntary investments being made on subsidized terms, closed in December 2023 with 28% of the eligible staff having participated. Participants will receive a further bonus if the Strategic Plan targets for 2026 are met.

For further details on the long-term and short-term incentives and on the ESOP 2023-26, reference is made to the Group Remuneration Policy and Report and related AGM documentation.¹¹

11. <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



CHIA, DE, TURATIS

A, VICECOMIT



Strategy



MEDIOBANCA

3. Strategy

3.1 Framework

Growth and sustainability are key characteristics of Mediobanca. The Group's development strategy is founded on the belief that ethics and profits must coexist, as long-term economic growth is unattainable without social and environmental progress.

This commitment has been recognized by the main ESG rating companies, including **CDP – Carbon Disclosure Project**, which awarded Mediobanca a "B" score in the last reporting period, in recognition of its good management of environmental impacts, improving its score by two notches (from C). ISS – Institutional Shareholder Services, has maintained its highest score of 1 for Mediobanca throughout almost all FY 2023-24 (since end-December 2023), in all three ESG areas (Environmental, Social and Governance).

The **inspiring principles, climate initiatives, and Group policies** outlined below are fundamental to Mediobanca's approach to climate and environmental issues.

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 set climate targets as a primary objective within the Framework.



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. The three LEs manage a portfolio of approximately 23 billion of asset under management.



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, RAM AI and Polus are 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 accordance with the targets set by the Paris Climate Agreement.



In July 2021 RAM AI joined the **Net Zero Asset Managers Initiative** which aims to stimulate 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)**, thus 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 a harmonized approach to assessing and disclosing the GHG emissions associated with their loans and investments.



Both Mediobanca SGR and RAMAI have adhered to the **Non-Disclosure Campaign** promoted by the Carbon Disclosure Programme (CDP), committing themselves 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 need to protect the environment and the approach adopted in the fight against climate change are both addressed in the **Group Code of Ethics** and the **Group Code of Conduct** which define the fundamental principles underlying the Group's reputation and the values that inspire its daily operations, and describe the standards of conduct required of all Mediobanca employees and collaborators.

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 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."*

Meanwhile, 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, including personal ones, on the Bank's brand and reputation.

3.1.3.2 Group Sustainability Policy

The **Group Sustainability Policy** first approved by the Board of Directors on 26 March 2020 (and updated most recently in February 2024), with the objective of formally defining the areas of the Group's non-financial commitment, is sub-divided into five areas held to be priorities: measures to tackle climate change and the environment, bribery and corruption, human rights, diversity, equity and inclusion, and financial health and inclusion. It is also applicable to the Group Legal Entities, and suppliers are also encouraged to adopt its principles and provisions. Though **mainly focused on** management of the Group's **direct impacts**, the Policy reiterates the Mediobanca Group's commitment to environmental protection and climate change issues. Even if direct impacts are less material than emissions within the value chain are, the Group is aware that all efforts are necessary in order to achieve carbon neutrality.

3.1.3.3 Group ESG Policy

In order to regulate the Group's indirect impact, Mediobanca has implemented a **Group ESG Policy**, which defines the general principles and guidelines for assessing environmental and social factors as well as financial ones in lending, investment and advisory activities. This policy has been updated annually since its introduction in 2021, in order to reflect Mediobanca's commitment to the Net-Zero Banking Alliance, developments in terms of engagement activities for climate transition purposes, alignment with the 2023-26 Strategic Plan, and best practices collected from international assessments, questionnaires and investor's requests.

For further details in relation to the Policy and client engagement activities, see sections 3.2.2.3 and 3.2.3 respectively.

3.2 Transition Plan and Strategy Resilience

The Glasgow Financial Alliance for Net Zero (GFANZ), the global coalition of leading financial institutions (launched in 2021 during the COP26) committed to accelerating the decarbonization of the economy, **has recognized that the private financial sector has the capacity to mobilize the necessary capital and financing services to support government efforts and the real economy to limit temperature increase to 1.5 degrees C.** However, this requires clear policies, real-economy transition plans, and appropriate frameworks and methodologies.

To address these challenges, GFANZ published the **Net-Zero Transition Plans (NZTP) framework in 2022**, defining transition finance and identifying the transition financing strategies considered essential for an orderly and inclusive whole-economy transition. As defined by GFANZ, **“A net-zero transition plan is a set of goals, actions, and accountability mechanisms to align an organization’s business activities with a pathway to net-zero GHG emissions that delivers real-economy emissions reduction in line with achieving global net zero. For GFANZ members, a transition plan should be consistent with achieving net zero by 2050, at the latest, in line with commitments and global efforts to limit warming to 1.5 degrees C, above pre-industrial levels, with low or no overshoot”**.²²

As a signatory to the Net-Zero Banking Alliance, **Mediobanca is required to disclose a high-level Transition Plan that effectively and efficiently describes the Group’s efforts to reach its net-zero targets.** The Transition Plan is the next step in translating the Bank’s net-zero commitment into specific objectives and actions aimed at reducing real-economy GHG emissions, thereby further providing credibility and accountability to these efforts.

Mediobanca has adopted the GFANZ guidelines²³ for financial institutions to implement its Transition Plan. In line with this framework, the following section describes the Group’s approach, based on the following **“actions”** and their enabling **“levers”**:

- ◇ **Foundations:** establishment of net-zero goals and priorities, with the aim of adhering to net-zero targets and identifying strategic priorities in order to enable emission reductions, in line with Mediobanca’s **2023-26 Strategic Plan** for the medium-term.
- ◇ **Implementation strategy:** the strategy that the Group is deploying to embed the net-zero commitment into day-to-day activities, for example through:
 - ◇ Development of **financial solutions** to encourage investments in companies committed to energy transition and sustainable business models, for instance by providing financing conditional on phasing out high-emitting assets, and building a portfolio focused on assets with clear transition plans, while offering clients support on transition risks and coaching towards net-zero goals;
 - ◇ Counterparty **evaluation and monitoring criteria**, including through updating models based on the counterparty’s transition;
 - ◇ The **adoption policies and conditions** for access to financing as well as criteria for continued collaboration.
- ◇ **Engagement strategy**, to foster dialogue with clients and other key stakeholders on their transition through engagement activities with clients, industry associations and investors;
- ◇ **Metrics and targets** used to set and monitor net-zero targets and the enabling levers;
- ◇ **ESG governance** with a focus on the roles, responsibilities and compensation of the Bank’s governing bodies.

22. <https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf>
23. Ibid.

The areas of action, the related levers, and accountability mechanisms identified by Mediobanca in its **Net-Zero Transition Plan** are summarized in the following table, and will be analysed in more depth in the following sections.

	FOUNDATIONS	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
AREAS OF ACTION	Define the organization's goals to achieve Net Zero by 2050 or earlier, with measurable targets and timelines, and identify priority approaches of the Net Zero transition action.	Align existing and new products and services with a Net Zero pathway of 1.5°C. For banks, this could involve training and advising customers on the transition to Net Zero .	Provide feedback and support to customers and portfolio companies to encourage transition to Net Zero. For banks, this could mean developing customer assessment methodologies or dashboards that incorporate industry- and geography-specific considerations to monitor performance and prioritize engagement with customers to support their transition.	Establish goals against key metrics that support the strategy and net-zero priorities.	Define the roles of the Board of Directors and senior management so that they have ownership, supervision and responsibility for Net Zero goals.
		Incorporate "Net Zero" goals into key assessment and decision-making tools and processes.	Alignment with industry-specific alliances, such as the NZBA , helps lay the foundation for a bank undertaking a transition.	Monitor a range of metrics to assess progress in implementing the zero emission transition plan in the short, medium and long term.	Provide training and development support to teams and individuals involved in the plan.
	Establish and implement policies and conditions for priority sectors and activities.		Direct and indirect lobbying of the public sector , encouraging consistency of lobbying and advocacy efforts of clients and portfolio companies with the institution's net zero emissions goals.	Net GHG emissions from scope 1 and 2 are outside the scope of GFANZ guidance, but are included in metrics and target setting by banks.	
LEVERS	1 Goals and priorities	2 Products and services 3 Activities and decision-making 4 Policies and conditions	5 Clients and portfolio companies 6 Financial sector 7 Governments and the public sector	8 Metrics and targets	9 Roles, responsibilities, and compensation 10 ESG skills and culture

Joining Net Zero

3.2.1 Foundations

Mediobanca is committed to **achieving net-zero emissions by 2050, while maintaining carbon neutrality for its own emissions**. The Group's ambition is to balance business growth and financial stability with social and environmental sustainability, in order to create long-term value for stakeholders. Recognizing the unequivocal threat that climate change poses to human well-being and the health of the planet, Mediobanca emphasizes that climate action plans must be socially just, and consider factors such as nature loss, geopolitical instability, and increasing inequality in its Transition Plan.

3.2.1.1 Goals and priorities - Lever 1

To achieve its Net-Zero Targets, Mediobanca has outlined several principles, including the need for significant transition management, and effective monitoring climate risks and opportunities. Mediobanca has also pledged to use **100% renewable electricity by 2026**, and **by 2030** aims to **reduce the carbon intensity of its financing by 35%**, with an **interim target of 18% by 2026**. While this target cannot be defined as a net-zero aligned target, it nonetheless shows the Group's commitment to decarbonization. Furthermore, this KRI, which is analysed in more depth in section 5.1.1.1, will also be monitored as part of the RAF, as a further step in the effort towards incorporating an increasing range of climate-related indicators into the Group's risk framework.

The principles, initiatives and policies outlined in the previous sections have been the source and inspiration for the **Group Portfolio and Own Operations Climate Targets**, the former referring to the climate objectives for Mediobanca's financial activities, the latter to the Group's own processes.

Mediobanca has demonstrated its commitment through its bold decarbonization efforts, which include participation in the **Net-Zero Banking Alliance**, and by reducing its environmental impact through the use of renewable energy sources and maintaining carbon neutrality targets. Mediobanca also supports social and environmental initiatives by selecting suppliers based on ESG criteria. Qualitative and quantitative ESG objectives have been integrated into the **2023-26 Strategic Plan**, that are at the foundation of the Group's climate transition strategy. For Social and Governance KPIs, the Group set targets for responsible investing, implementing sustainable procurement, and supporting local communities by providing economic backing. Some of the main

environmental and climate-related targets are shown below, for all the other ESG targets included in the Strategic Plan, please see Chapter 9 “Objectives and future commitments” of the CNFS 23-24.

CLIMATE AND ENVIRONMENTAL OBJECTIVES IN 2023-26 STRATEGIC PLAN			
SDG	AREA	OBJECTIVES TO 2026	30/06/2024
 	Reducing direct impact within Own Operations	100% renewable energy at Group level Carbon neutrality on own emissions ²⁴	100% energy from renewable sources Carbon neutrality confirmed
	Reducing the impact in the Group Portfolio	-35% financed emissions intensity by 2030 (down 18% by 2026) Interim sector targets for Net-Zero Banking Alliance released by 2024	-9,8% reduction in financed emissions intensity All interim sector targets for Net-Zero Banking Alliance released
	Supporting transition to clean energy	At least two sustainability bond issues	€500m green bond issued
		+50% qualified funds production (vs. + 9 as at 30/06/2026) ²⁵ Lending: 40% Corporate ESG loans in new production ⁷ bearing ESG or ESG Linked features	+6 38%
Risk	Incorporating more “Climate & Environment” metrics into risk management processes such as RAF, ICAAP and Stress testing	RAF metrics fine tuning activities EBA “One-off Fit for 55” stress test developed	

As a member of the **Net-Zero Banking Alliance** and in line with its strategic priorities, last year the Group set climate targets for the Power, Automotive, Cement and Aviation sectors’ proprietary lending and investing exposure at Group level. This year Mediobanca has set net-zero targets in an additional range of sectors: Iron & Steel, Oil & Gas, Shipping and Chemicals, representing an important step forward from previous disclosures.²⁶

The targets, aligned with a 1.5° climate ambition, are summarized in the table below.

TARGET VERSUS BASELINE	AUTOMOTIVE (2022)	POWER (2022)	AVIATION (2022)	CEMENT (2022)	IRON & STEEL (2023)	OIL & GAS* (2022) / (2023)	SHIPPING (2023)	CHEMICALS (2023)
SDA Method	gCO _{2e} /vkm	tCO _{2e} /MWh	tCO _{2e} /pkm	tCO _{2e} /ton	n.a.	gCO _{2e} /MJ	n.a.	n.a.
	16% by 2025	24% by 2025	4% by 2025	11% by 2025		5% by 2025		
	39% by 2030	53% by 2030	10% by 2030	25% by 2030		18% by 2030		
Economic intensity method	tCO _{2e} /\$ (revenue)							
Targets updated for all sectors with a new ambitious 7.7% annual reduction								

* For O&G sector 2022 baseline for SDA metod and 2023 baseline for GEVA method have been selected.

24. Includes Scope 1 and Scope 2 market-based emissions.

25. Number of ESG qualified funds (SFDR Articles 8&9 funds) manufactured by the Group Asset Managers

26. In the TCFD FY 2021-22 interim targets were only set for the lending exposures of Mediobanca S.p.A. and Mediobanca International in the Power and Automotive sectors.

The Group has no or negligible exposure in Coal mining and Agriculture. As far as Commercial and Residential Real Estate are concerned, the ratio between exposure and financed emissions shows that this sector is immaterial compared to other assets included in the portfolio, in part due to the weak business levers that the Group is able to apply to it. Further details regarding the target-setting methodology can be found in section 5.1.1.

Embedding ESG, and specifically climate-related, **impacts in the financial planning** is a crucial turning point in terms of climate-related risks and opportunities being taken into account as part of the Group's strategic orientation and business environment. Sound, well-integrated, financial planning will enable the resilience of Mediobanca's business model to be managed properly. Indeed, in the next few years the Group will work to increase the alignment between its net-zero objectives and its strategic and business decisions.

FOUNDATION	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
MAIN ACTIONS INCLUDED IN THE TRANSITION PLAN RELATED TO GOALS AND PRIORITIES				
The 2050 net-zero emissions commitment is the fundamental initiative to be undertaken. No further core actions have been deemed necessary in this connection, but the following actions might be useful to further strengthen Mediobanca's commitment in this area.				
ACTIONS TO BE IMPLEMENTED				TIMEFRAME
Implementation of ESG goals, scenarios, and impacts within financial planning				
Consolidation of ESG implications and impacts within the framework of the next Strategic Plan				
Strengthening of the monitoring process of ESG KPIs defined within the Strategic Plan				
Legend: Short term  Medium/long term 				

3.2.2 Implementation strategy

Mediobanca's implementation strategy for achieving net-zero encompasses a multi-faceted approach across its **products and services, activities and decision-making** processes, and the establishment of **policies and conditions**.

Firstly, leveraging on both **existing and innovative products and services**, Mediobanca aims to bolster clients' and portfolio companies' transition efforts aligned with 1.5 Celsius degrees net-zero pathways. This involves not only accelerating and scaling up the net-zero transition within the real economy, but also offering educational resources and **guidance to facilitate the transition process**. Mediobanca is also committed to supporting portfolio decarbonization in line with its overarching net-zero transition strategy.

Secondly, the institution integrates its net-zero objectives and priorities **into core evaluation and decision-making frameworks**, ensuring alignment throughout the organization's structures and operations. This entails net-zero considerations being embedded into both top-down oversight structures and bottom-up tools and actions.

Finally, Mediobanca establishes and enforces **policies and conditions targeting priority sectors and activities**, such as thermal coal, oil and gas, and deforestation. This includes extending scrutiny to other high-emitting sectors or activities detrimental to the climate, and in this way delineating

business boundaries consistent with the institution’s net-zero objectives and priorities. Through these comprehensive measures, Mediobanca is poised to make tangible progress towards its net-zero commitment, while fostering sustainable financial practices.

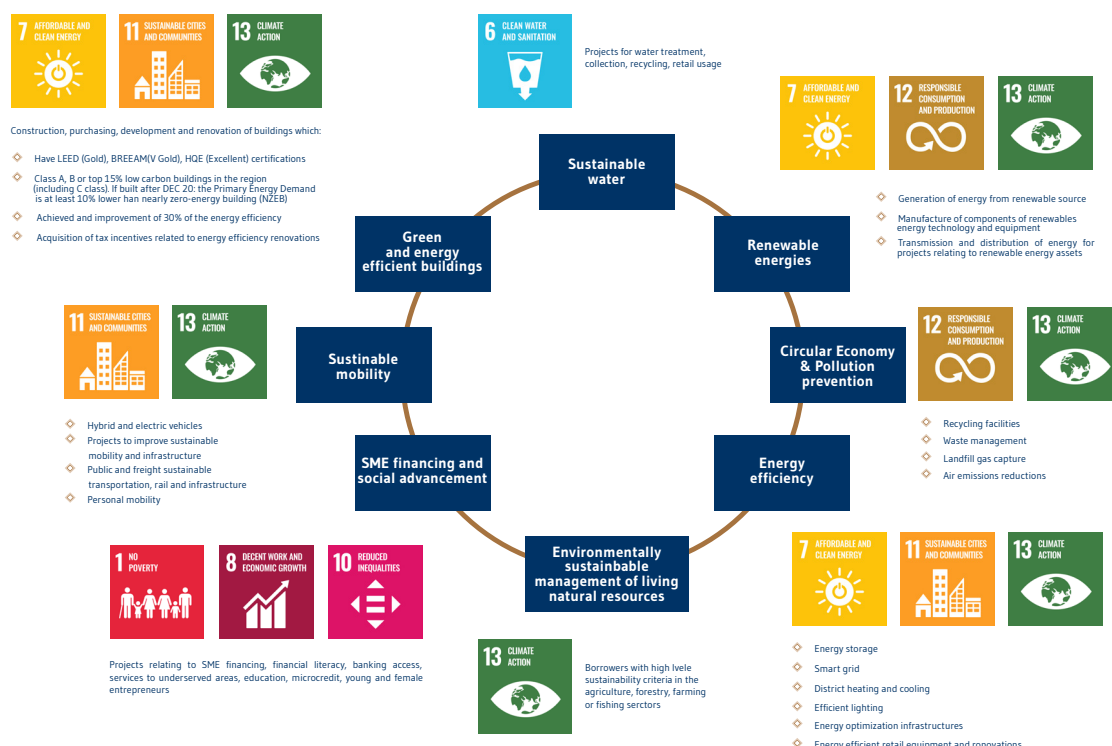
3.2.2.1 Products and services - Lever 2

There are numerous opportunities for banks triggered by the increased attention to climate topics. Mediobanca has the potential to capitalize on these opportunities and to make significant strides forward. One way currently being explored 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 all emerging. These products are set to **grow and expand** in line with the developing EU sustainable growth projects and policies, such as the EU Taxonomy Regulation, the EU Commission’s legislative proposals, and EU ETS trading, to name just a few. By aligning themselves with new environmental and social standards, financial institutions such as Mediobanca can ride the wave of increasing demand from consumers and investors who are eager to minimize their environmental impact.

The Group is increasingly **integrating climate and environmental factors** into its lending and investment processes, by continuously refining its products, and by its active **engagement with customers**, for example through advisory services, in order to support their decarbonization efforts. This approach not only adds value for customers seeking to reduce their environmental footprint, but also positions Mediobanca as a **leader in low-carbon finance**.

In line with market standards and consistent with the strategic path towards decarbonization, the Group has continued to promote the distribution of sustainable products. In this area, Mediobanca’s **Green and Sustainability Bond Framework** sets out the rules and procedures for identifying 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:

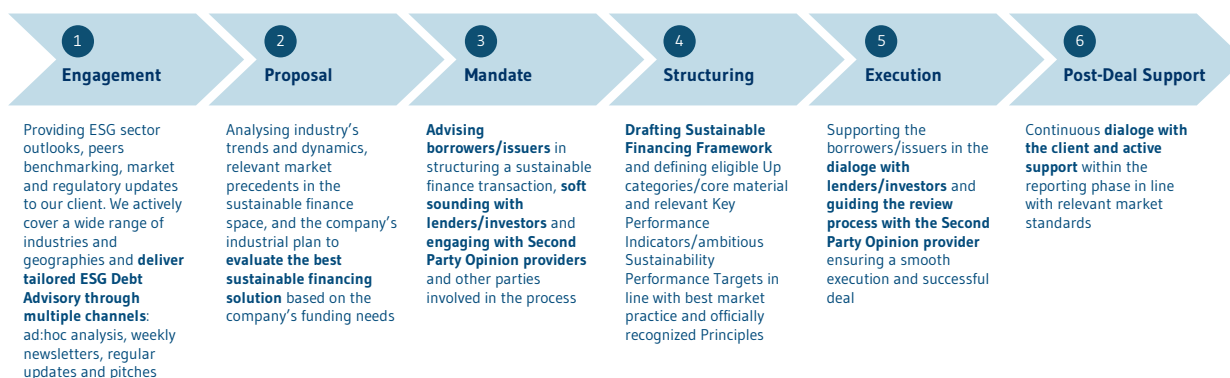
The **Group’s sustainable products** targeting climate-related topics/objectives are summarized below. For a comprehensive description of the Group’s offering of sustainable products, reference is made to the **ESG Product Catalogue**, while details of volumes of such products are also provided in the Consolidated Non-Financial Statement.



The diagram below represents the engagement process for a product. The six-step approach details exactly what Mediobanca is doing in this regard, starting from initial engagement with the client, in the form of specific analysis, newsletters, and regular updates and pitches, through to post-deal support, in which the Bank fosters ongoing dialogue with the client and provides active support when needed.

LEGAL ENTITY	OFFERING DESCRIPTION
Lending to corporates	<p>Mediobanca</p> <p>Green financing: financing used by corporates exclusively to finance or refinance new and/or existing green activities/projects.securitizations</p> <p>ESG/sustainability-linked financing: lending products that incorporate bonus/malus pricing mechanisms linked to trends in certain ESG KPIs.</p>
	<p>MB Facta</p> <p>Factoring solutions for tax receivables in relation to investments in energy efficiency renovations and improvements introduced by Italian or other EU governments.</p> <p>Supply chain finance: solutions are currently being analysed, the pricing of which factors in the suppliers' ESG rating obtained from an external provider (i.e. in which the pricing is more favourable if the ESG rating is positive).</p>
Lending to corporates	<p>SelmaBipiemme Leasing</p> <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: a) with the support of SACE guarantees (SACE Green); and b) to install photovoltaic systems to produce electricity from renewable sources;</p> <p>Leasing operations: deals concluded by companies in order to make investments that grant access to the "Transition 5.0" tax credits provided for by Italian Decree law no. 19 of 2 March 2024, regarding "Further urgent provisions for the implementation of the National Recovery and Resilience Plan (NRRP)";</p> <p>Real estate leasing transactions involving energy efficient buildings that meet strict criteria based on best practices.</p>
	<p>Mediobanca Premier</p> <p>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.²⁹</p>
	<p>Compass</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> <p>Finance to improve energy efficiency of buildings: consumer credit solutions to finance renovation work to improve energy requirements/consumption ratios, due to improvements made by private individuals to their own homes.</p>

LEGAL ENTITY	OFFERING DESCRIPTION
<p>Corporate and investment banking</p>	<p>Mediobanca</p> <p>Debt Capital Markets: green bonds, sustainability Bonds and sustainability-linked Bonds.</p> <p>Market-Sales & Trading: the Markets Division is working on the launch of ESG products to meet the demand from investors (incl. bonds with an ESG label assigned by third-party providers that have verified the use of the proceeds, and investment instruments linked to equity and credit underlying assets selected with ESG filters). Liquidity is also provided in ESG-related transactions, ranging from proprietary participation in the ESG swap market, to the recent involvement in carbon trading, and warehouse financing of ESG securitizations.</p> <p>Corporate Finance Advisory: the Energy Team assists clients, providing advisory services to corporates in connection with M&A deals with a view inter alia to pursuing a sustainable business model and so supporting the energy transition.</p>
<p>Asset and Wealth Management</p>	<p>Mediobanca</p> <p>Investment advisory: Mediobanca Private Banking, Mediobanca Premier and CMB Monaco offer of different types of ESG-compliant financial instruments in the selection and management of their portfolios. The selection criteria, depending on the Group Legal Entity concerned, may translate to the distribution of Article 8/9 SFDR-labelled products, the use of negative and/or positive screening criteria, and 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 Article 8 of the SFDR, with investment management activities delegated to Mediobanca SGR, while CMB Monaco offers a discretionary asset management contract based on a “best-in-class” ESG positive screening methodology, with management delegated to CMG Monaco.</p> <p>Mediobanca SGR, CMG Monaco, Mediobanca Management Company and RAM AI manufacture several Article 8 SFDR funds and one Article 9 SFDR fund.</p>



29. 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.

COMPREHENSIVE SUPPORT IN A NEW SUSTAINABLE FINANCE JOURNEY

On Tuesday, 5 December 2023, Cap Holding S.p.A, an Integrated water service management company, successfully closed a sustainability-linked US private placement with Pricoa Capital Group Inc.

The transaction marks the **first US private placement bond sustainability-linked format in Italy**, with coupons linked to specific targets connected with the reduction of GHG emissions.

As a part of the issuance, the company published its first Sustainability-Linked Financing Framework, in which **Mediobanca acted as Sole ESG Structuring Advisor**.

The proceeds of the issuance will be used by the company for general corporate purposes, and more notably to support investments outlined in the integrated water service business plan.

At closing, Cap Holding issued a €105m tranche consisting of Senior Unsecured notes with a 5.10% coupon, **securing advantageous funding conditions despite a significantly challenging market environment. Mediobanca acted as Sole Arranger for CAP Holding**.

FOUNDATION

IMPLEMENTATION

ENGAGEMENT

METRICS AND TARGETS

GOVERNANCE

MAIN ACTIONS RELATED TO CLIMATE PRODUCTS AND SERVICES INCLUDED IN THE TRANSITION PLAN

In its Transition Plan, Mediobanca has identified some possible actions regarding the products and services offered by the Bank to build on climate opportunities. These will be further defined as part of the framework and applied to the Group's activities; the most important are shown in the table below:

ACTIONS TO BE IMPLEMENTED	TIMEFRAME
Identification and monitoring of products/assets that enable the acceleration of decarbonization	
Definition of new and more specific solutions and targets, such those linked to products that support achievement of the Group's decarbonization goals	
Maintaining at least 50% of transactions (annual advisory operations announced by the bank) related to energy transition (Energy Transition Team)	

Legend: Short term  Medium/long term 

3.2.2.2 Activities and decision making - Lever 3

As one of the main drivers underpinning its **Risk Appetite Framework**, the Group has identified environmental-related factors as fundamental to promoting responsible business activities, seeking to maintain a **low profile in terms of its exposure to climate risk**. The objective is 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 challenge of the business over the long term as well as prudent asset valuation. In this respect, the Group rises to the challenge by **embedding climate change issues 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, regarding the transition to a more sustainable (i.e. 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 connection, with the aim of monitoring achievement of the climate-related targets, **two specific indicators have been developed and included in the RAF** (see section 4.5 for further details), aimed at monitoring:

- a) The **exposure to environmental high-risk corporate counterparties** in the Wholesale Banking portfolio of Mediobanca and Mediobanca International (the "WSB Portfolio"), which is included in the RAS; and the ESG Heatmap analysis, which will be discussed further in section 4.3.1.1, where the KRI is defined as the percentage of portfolio volumes assigned to "High Risk" and "Medium Risk" categories, and a threshold has been set according to the RAF of 4% for high-risk exposures only.
- b) The **financed emissions intensity** of the WSB portfolio.

As far as **physical risk** is concerned, the Group is mainly exposed to the risks connected to weather events (acute and/ or chronic) or other environmental factors (e.g. water stress, pollution, etc.) that may have an impact regarding the monetary value of the collaterals in the short, medium and/ or long term. In line with best practices, the Group carries out regular climate stress tests (see section 4.4 for further details). Finally, due to the transition risks associated with the use of less efficient buildings as collaterals, Mediobanca Premier has introduced a specific metric to evaluate the energy efficiency of the mortgages.

SUSTAINABILITY-LINKED INTERNAL FUND TRANSFER PRICING

Mediobanca has strengthened its internal Fund Transfer Pricing process with the aim to support its strategic portfolio decarbonization and ESG new business volumes objectives.

In particular, the Group Treasury department has worked on:








- ◇ the definition of stringent eligibility criteria that the Group lending business can leverage on to apply for C&E or ESG related mark downs on the internal standard FTP rate
- ◇ the definition of a specific governance to approve the eligibility of a business case for the incentives and to carry out ex ante and ex post controls (incl. internal reporting) on the correct application of the framework.

The defined eligibility criteria are always linked to one or more Group's strategic objectives (e.g. loans to counterparties which have committed on science based transition targets in line with Mediobanca Group's decarbonization targets) and in some cases linked to internal C&E related Risk Appetite Framework indicators.

Over the past few years, as part of the IT Data Architecture, the common data base has been designed and integrated as a "single point of truth" for the collection, historicization and consultation of the ESG data component used in different business processes. The data model in which the ESG component has been integrated is scalable, thus capable of promptly responding to regulatory changes and diverse needs that may arise in relation to climate, environmental, and social changes.

In order to ensure the continuous updating of the common ESG database, cross-functional working tables are active to intercept new requirements. Notably, among the numerous developments, the automations related to the calculation of the GAR EU Taxonomy, Heatmap, and Pillar 3 ESG are highlighted, utilizing internal tools and the support of external reporting applications.

In conclusion, in order to adequately quantify the climate-related and environmental risks to which the Group is exposed, and to conduct a proper **climate-related and environmental due diligence review**, Mediobanca will strengthen its evaluation process for non-financial corporation counterparties at origination. This will be achieved by introducing more quantitative criteria to the due diligence process, in order to make sound and fully informed risk-taking decisions.

FOUNDATION	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
MAIN ACTIONS RELATED TO DECISION MAKING ACTIVITIES INCLUDED IN THE TRANSITION PLAN				
In its Transition Plan Mediobanca has identified some possible actions regarding the further development of decision-making activities, to promote the inclusion of climate and ESG components. These will be further defined as part of the framework and applied to the Group's activities; the most important are shown in the table below:				
ACTIONS TO BE IMPLEMENTED				TIMEFRAME
Integration of risk analyses (Climate & Environmental) including forward-looking, science-based projections				
Strengthening the Credit Risk framework by incorporating quantitative criteria for counterparty analyses from a Climate & Environmental perspective				
Expanding on the integration of ESG variables into the Risk components in the pricing calculation framework				
Integration of ESG data , and specifically Net-Zero related data, into the Data Governance and Data Management framework to support current decision-making processes with appropriate automated tools				
Establish a process for periodic monitoring of the counterpart Transition Plan				
Legend: Short term  Medium/long term 				

3.2.2.3 Policies and conditions - Lever 4

In May 2024 the Board of Directors of Mediobanca approved the **Group ESG Policy**, 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 all the activities of lending, investing own funds, and providing investment advice to clients.

For lending at Group level, and in the direct proprietary investments activity performed by the Insurance – Principal Investing (PI) Division of Mediobanca,³¹ **specific policies have been developed for sectors considered to be sensitive to climate and environmental issues**, such as: forestry and use of forested areas, production of agricultural goods, livestock farming and fishing, mining industry, energy, oil and gas sectors, infrastructure and transport sectors.



With regard specifically to the **coal and non-conventional oil and gas sectors**, it should be noted

31. It should be noted that this division also manages Mediobanca's Principal Investing activities.

that the Group has set reduction and exclusion policies that have become increasingly strict over time, to align them with Mediobanca's transition plan. The Group, as part of the Strategic Plan 2023-26 "One Brand-One Culture", has set further restrictions regarding the coal industry, planning to exit it by **31 December 2030**.

The Group has introduced an additional exclusion criterion for thermal coal, that has been integrated into the updated ESG Policy, setting further limits on lending to and investing in companies producing electricity from coal, with the aim of achieving a global phase-out by 2030. Customers' coal-exit trajectories will be scrutinized and monitored.

The **main changes in the 2024 revised version** involve: the addition of **more structured selection criteria**; the introduction of **commitments** made by the Group as part of the 2023-26 Strategic Plan objectives mentioned above (exit from the tobacco and coal sectors); an **enlarged scope of application**, and the introduction of **new sector-based guidelines**; and the inclusion of a new section (4.6) on the "Structuring of complex products and the distribution of non-personalized recommendations".

FOUNDATION	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
MAIN ACTIONS RELATED TO CLIMATE POLICIES INCLUDED IN THE TRANSITION PLAN				
ACTIONS TO BE IMPLEMENTED				TIMEFRAME
Enhancing the climate and environmental due diligence process, with a focus on both initial and ongoing monitoring, as well as escalation procedures				
Legend: Short term 				

3.2.3 Engagement strategy

Mediobanca's engagement strategy seeks to effectively **engage with key stakeholders in its transition path** towards achieving the Group's net-zero targets. This strategy encompasses collaboration with **clients, financial institutions, industry associations, and investors**. By fostering strong relationships with these stakeholders, Mediobanca aims to align efforts and share best practices that support the transition to a sustainable economy. The engagement strategy emphasizes the importance of **collaborative initiatives and dialogue**, ensuring that all parties are actively involved and committed to its decarbonization goals.

3.2.3.1 Client and portfolio companies - Lever 5

The Mediobanca Group is dedicated to engaging with and supporting its clients and portfolio companies in their journey towards achieving net-zero emissions, thereby **facilitating the realization of its own transition goals**. This approach extends to engaging with clients, existing and potential borrowers, and invested companies to mitigate environmental and climate-related risks through open dialogue.

The Group advocates for supporting 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 less climate-sensitive parties. 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. This approach also allows the financial marginalization of those firms that have laid down reliable decarbonization plans and which operate in critical sectors to be mitigated, supporting their transition, and to involve a plurality of stakeholders in the support of a “just transition” which ensures continuity in the provision of key services.

Despite supporting the validity of a managed phase-out strategy, the Group also insists on **stricter lending criteria** to ensure pursuit of net-zero objectives, and provides **specific training sessions** for employees involved in the analysis of clients’ transition plans, with the objective of helping the participants to gain a solid foundation on which **build their climate-related skills**, and quantify corporate climate impacts at the origination (see 2.6.3 Training initiatives).

The Group is implementing the engagement framework, shown below, to help the counterparties move towards more climate-responsible business and to align the Group’s investments with the net-zero scenarios.



Mediobanca has already begun to engage with several counterparties, identifying primary ones by pivotal factors such as their emission intensity or their absolute impact within the portfolio itself. The Group is working towards formalizing the engagement process, including the prioritization of the counterparties, as part of the next activities of the Transition Plan, as well as evaluating the possibility of extending it to other Group Legal Entities as well.

However, the continually evolving normative and regulatory environment has led clients to set energy transition and decarbonization targets in their own lines of business. This has allowed the Group temporarily to jump the first phases, while still assisting the counterparties in identifying the decarbonization levers required in order to achieve carbon reduction, by structuring specific financial solutions and overseeing their effectiveness (see next box for further information). The latter activities comply with the remaining final actions of the engagement process.

The **Group asset managers** also 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), while RAM AI is also part of The Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+.

Since 2001, the **Mediobanca Equity Research team** has played a **leading role in equities brokerage**, leveraging its market expertise and strategic positioning. Currently, a team of over 60 staff in London, Milan, New York, and Paris provides integrated sales, research, and trading services for both Italian and international shares, and for the last nine years has been **ranked as the leading research team** by Institutional Investor/Extel surveys (2015-23).

More than **250 institutional accounts** regularly engage with Mediobanca Research, which is covering 200 listed stocks with a multi-specialist approach across five core sectors: Italy, Pan European FIG, Pan European Luxury Goods, Southern European Utility/Oil & Infrastructure, Southern European TMT, and Mid-Small Cap.

The engagement practices related to climate change topics carried out by this team require a variety of actions to be organized. These include a **daily newsletter on the Energy and Power Sectors** forwarded to its client list, and the organization of dedicated conferences.

With regard to the latter, on 26 March 2024, Mediobanca Equity Research organized the second **“Mediobanca Energy Transition Conference for French Investors”** in Paris. The event was designed to provide a unique platform for companies, specifically involved in the energy transition sector, to engage directly with investors.

Most importantly, the team **publishes an annual sector report** focused on **sector-specific issues**, encompassing various aspects of regulation and energy transition emerging trends, and **analysis of individual companies**, utilizing proprietary models developed by the team, and offering valuable information for all clients.

MEDIOBANCA ENERGY TRANSITION TEAM

Mediobanca is strongly committed to supporting its clients when pursuing and investing in **Energy Transition projects** towards a net-zero emissions economy by 2050. For this reason the Group has set up a dedicated inhouse **“Energy Transition Team”**. Leveraging on an unparalleled track record as leading M&A advisor to Utilities and Oil & Gas companies in its countries, Mediobanca’s Energy Transition Team has been developing indepth insight into decarbonization topics.

In the last year, the team has successfully completed multiple large projects on renewables, green utilities, the circular economy, E-mobility and BESS (Battery Energy Storage Solutions). Most of these advisory activities entail a **“capital recycling”** approach, characterized by a strong energy transition added value which aims at switching fossil-based assets with other greener ones.

A list of the most significant case studies is provided below:

- ◇ **Minority sale of ENEL Libra Flexsys:** Mediobanca acted as financial advisor to Enel on the sale of a 49% stake in ENEL Libra Flexsys S.r.l., a company that will own 23 BESS and 3 OCGT in Italy for a 2.6GW capacity. The deal is the most sizeable M&A transaction in Europe in the BESS space to date, and the assets portfolio will play **a crucial role in the Italian energy decarbonization process** by providing more power capacity in a scenario of increased price volatility due to renewables penetration;
- ◇ **KKR voluntary tender offer for Greenvolt:** Mediobanca acted as exclusive financial advisor to KKR in the acquisition of 61% of the shares held by the reference shareholders, and in

the tender **offer for 100% of the share capital of Greenvolt, a European renewables company** with a growth pipeline of 7.7 GW (wind, solar and storage);

- ◇ **Plenitude (Eni) capital increase reserved to Energy Infrastructure Partners:** Plenitude is a leading utility company that operates in the market with a **highly distinctive business model which combines power generation from renewables, the sale of energy and energy solutions, and an extensive network of electric vehicle charging points**. EIP took a stake in Plenitude through a €0.6bn capital increase (8% of Plenitude post-money). Mediobanca acted as financial advisor to Eni on this deal, providing support in all the phases of the transaction;
- ◇ **Establishment of IPLANET, a 50:50 joint venture between Italiana Petroli and Macquarie Capital, for the electrification of service stations on urban and suburban roads.** The new company will initially comprise 510 IP service areas throughout Italy, where **traditional fuel pumps will begin to be transitioned to electric charging stations** (Fast+ 150kW and Ultrafast 300kW chargers). Mediobanca acted as joined financial advisor for IP and Macquarie, providing support in all the phases of the deal, including the origination and the structuring of all aspects of the transaction;
- ◇ **Sale of Enerfin to Statkraft:** on 17 November 2023 Elecnor announced it had reached an agreement with Statkraft for the **sale of a 100% stake in Enerfin, its renewable energy subsidiary**. Mediobanca advised Elecnor on the available strategic options, and provided encompassing support in devising and executing the deal, designing the structure of the transaction, providing support throughout the due diligence process, and leading the negotiation phase. Mediobanca was instrumental in:
 - ◇ Defining the equity story, in order to crystallize the full value creation capabilities of the company (including repowering, pipeline, platform, etc.);
 - ◇ Identifying and devising the strategy for target investors, with the appropriate mix of strategics/financial investors.

3.2.3.2 Financial, governments and public sectors - Levers 6 and 7

The Mediobanca Group believes that engagement practices in constructive, continuous, and transparent relationships with a number of public authorities, institutions, and industry associations are necessary in order to achieve improvement from an ESG standpoint and to address climate change.

To this end, the Mediobanca "Ufficio Studi" carried out an analysis in collaboration with Centro Studi Tagliacarne and Unioncamere (the Italian association of chamber of commerces) in assessing the **sensitivity of Italian mid-cap family businesses to green issues**. This comprehensive review included an examination of the actions these companies have undertaken, the related investments, the challenges they have encountered during implementation, and the best practices identified. The analysis also aimed to highlight any sectoral, geographical, or size-related trends that may exist. The study was **based on a detailed survey** distributed to approximately 4,100 mid-sized Italian family-owned manufacturing companies. For benchmarking purposes, the survey was also sent to an additional 500 medium-to-large family-owned manufacturing companies. This dual approach ensured comprehensive coverage of the so-called "**Italian Fourth Capitalism**", allowing for a thorough comparison and understanding of how these businesses are engaging with green and net-zero initiatives.

Mediobanca also carries out other types of engagement through its participation in industry associations. For example, since June 2021 Mediobanca SGR has adhered to the **Italian Stewardship Principles** instituted by **Assogestioni**, which includes establishing guidelines for intervening with investee companies on environmental issues. Mediobanca is also a member of the **Italian Banking Association (ABI)**, promoting socially responsible practices, and participating in initiatives such as ABI training programmes to share its sustainability expertise with other banks, to help them improve their ESG footprint. Further information on these two initiatives and Mediobanca's role in them can be found in the Group's Consolidated Non-Financial Statement.³²

As confirmation of the importance that stakeholder relationship management has for the Group, in June 2022 the Board of Directors adopted a specific **Board S-D Engagement Policy for Investors and Proxy Advisors**,³³ which defines, in accordance with the regulations in force, the means by which investors can engage with the Board of Directors, identifying the stakeholders, the topics of discussion, and the process for addressing enquiries. The topics covered include policies on environmental, social and sustainability issues, including climate-related topics.

FOUNDATION	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
MAIN ACTIONS RELATED TO ENGAGEMENT ACTIVITIES INCLUDED IN THE TRANSITION PLAN				
<p>In its Transition Plan Mediobanca has identified some possible actions regarding the further enhancement of engagement activities versus clients, industry associations, governments and the public sector activities, to promote the inclusion of climate and ESG issues. These will be further defined as part of the framework and applied to the Group's activities; the most important are shown in the table below:</p>				
ACTIONS TO BE IMPLEMENTED				TIMEFRAME
Codify a structured process for conducting client engagement (i.e.: identifying ownership, objectives, mode, and frequency of activities)				
Establish a detailed plan with timelines and targets for counterparty engagement to ensure that efforts are consistent with the nature of decarbonization goals				
Promote the publication of research and reports that highlight the need for policies to combat climate change				
Legend: Short term  Medium/long term   				

3.2.4 Transition Plan's metrics and targets - Lever 8

Mediobanca's metrics and targets in place to reach net-zero include a comprehensive set of measures to **drive and monitor the execution of its net-zero transition plan** across near-, medium-, and long-term horizons. These metrics focus on aligning financial activities with the real economy's net-zero transition, ensuring that all investments and financial services support decarbonization efforts. Other metrics will assess changes in GHG emissions within Mediobanca's client base and overall portfolio, providing a clear indication of progress towards reducing carbon footprints. By establishing and rigorously monitoring these metrics and targets, Mediobanca aims to ensure accountability and transparency in its journey towards achieving net-zero emissions.

In line with its commitment to a low-carbon economy, Mediobanca is actively measuring, disclosing,





32. Please see section 7.2 Entities and Public Institution on the CNFS 23-24.

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

and monitoring its financed emissions. The Group is developing a comprehensive transition plan, **setting sector-specific targets for key industries**. Last year the Group set targets for the automotive, power, cement and aviation sectors. This year, recognizing the importance of including additional sectors, it has set targets for the Oil & Gas, Iron & Steel, Shipping and Chemical sectors, due to their significant financial exposure and data availability. Mediobanca aligns its goals and methodologies with the EBA Pillar III disclosure framework, ensuring consistent and comprehensive targets.

Furthermore, for the NZBA sectors, the Group aims to invest in counterparties that support the Group's sustainability and climate-related targets. Through the engagement practices mentioned previously, Mediobanca aims to be able to ascertain whether, to what extent, and how many portfolios counterparties are acting towards **aligning themselves to net-zero emissions**.

The practices and activities carried out by the Group will be further explored in the relevant section of this TCFD Report (chapter 5. Metrics and targets).

FOUNDATION	IMPLEMENTATION	ENGAGEMENT	METRICS AND TARGETS	GOVERNANCE
MAIN ACTIONS RELATED TO METRICS AND TARGETS INCLUDED IN THE TRANSITION PLAN				
In its Transition Plan Mediobanca has identified some possible actions to further strengthen the methodology in place to evaluate its counterparties' emissions and the quality of the targets set by the Group. These will be further defined as part of the framework and applied to the Group's activities; the most important are shown in the table below:				
ACTIONS TO BE IMPLEMENTED				TIMEFRAME
Define and formalize an ex ante monitoring process for both financed emissions and sectoral targets, providing tools to support automation of calculation and internal monitoring				
Evaluate third-party validation of GHG emissions targets to provide stakeholders with independent assurance on the credibility of targets and data				
Legend: Short term  Medium/long term 				

3.2.5 Climate governance - Levers 9 and 10

In addition to the information provided in the Governance section, in order to achieve its net-zero targets, Mediobanca's climate governance needs to be revised, to **define new roles and responsibilities**. Regular reviews of the transition plan ensure that material updates and developments are incorporated, implementation risks are managed effectively, and remuneration incentives are well-aligned to drive commitments. Another effective way to supervise the issue at all levels is to ensure that the management team is updated on climate-related topics, and to extend the induction sessions to include other stakeholders in the value chain as well.

The use of **data from info-providers** has also become a crucial enabler in managing ESG analysis and disclosures. This is evident not only from a business perspective but also from a technical and architectural standpoint, particularly regarding the provision of such data. Consequently, this year the **Group's data governance has been revised** in order to guarantee the accuracy and reliability of the data. This has involved identifying data owners and data stewards responsible for GHG emissions, transition and physical risks, Pillar III, and the EU Taxonomy Regulation.

MAIN ACTIONS RELATED TO CLIMATE GOVERNANCE INCLUDED IN THE TRANSITION PLAN

In its Transition Plan Mediobanca has identified some possible actions in order to further strengthen the Group's climate governance. These will be further defined as part of the framework and applied to the Group's activities; the most important are shown in the table below:

ACTIONS TO BE IMPLEMENTED	TIMEFRAME
Further define process, roles, and responsibilities for activities related to the transition plan (ownership, activity definition, and related monitoring)	
Definition of a broader blue book of KPIs aligned with the net-zero strategy, to be assigned to material risk takers (considering the scope of responsibility and room for manoeuvre)	
Provide ongoing training at all levels (Board and employees) and establish transparent processes to identify and enhance sustainability skills	

Legend: Short term  Medium/long term 



Risk Management



MEDIOBANCA

4. Risk Management

4.1 Overview and climate risk management process

This section outlines **Mediobanca's risk management measures and processes**, and how they have been adapted to include climate and environmental risks into the traditional risk management framework. Some results of the climate risk assessment are also provided.

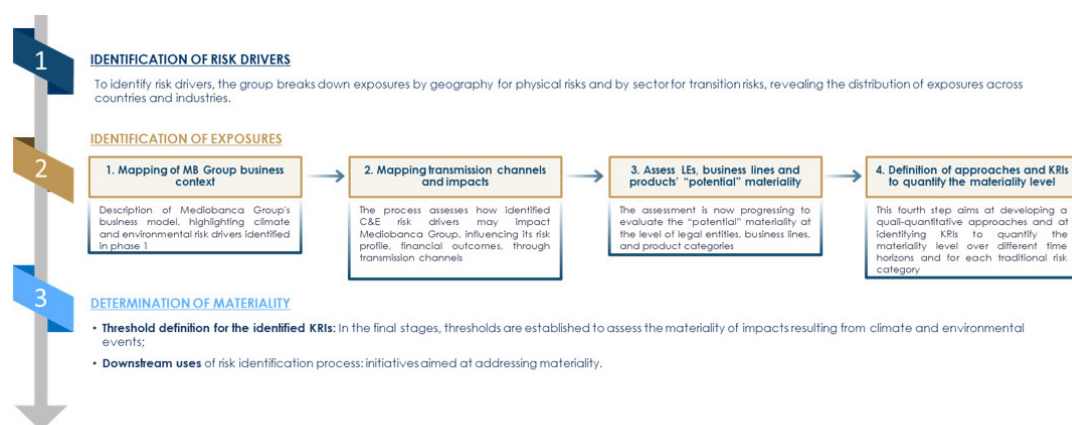
The chapter has the following structure:

- ◆ **Climate-related and environmental risks materiality assessment** (section 4.2): this gives a holistic view of the impact such risks could have on existing risk categories (i.e. credit, market, operational, strategic, reputational and liquidity risk), and of the impact they could have on their business areas across different time horizons;
- ◆ **Risk metrics and results** (section 4.3): it introduces credit, market and operational risk metrics and main results with a focus on methodologies applied in ICAAP context;
- ◆ **Scenario analysis for climate stress testing in the ICAAP context** (section 4.4): it provides a focus on scenario analyses conducted for the purpose of evaluating the Group's capital adequacy while also considering climate-related risks.
- ◆ **Climate risk in the Group's Risk Appetite Framework** (section 4.5) describes how the Mediobanca Group has integrated climate risks into its risk appetite framework.

4.2 Climate-related and environmental risks materiality assessment

In today's banking world, integrating climate-related and environmental (C&E) risks in the risk management framework is essential. European banking regulations call for a holistic assessment of the impacts of C&E risks on traditional risk categories such as strategic, credit, market, operational, and liquidity risks, and their effects on activities across various time-horizons. This process, called "materiality assessment", involves identifying C&E risk drivers, mapping their transmission channels to traditional risk categories and financial products, selecting proper methodologies to capture these C&E risks, and quantifying their impacts.

Mediobanca Group has enriched its approach to climate-related risks, fulfilling ECB expectations and good practices with a detailed Climate and Environmental Materiality Assessment. In its multi-year ESG plan, the group defined a process in 2023 to assess the materiality of C&E risks at a Group level, which has been operational since and extended in 2024 to include all the main Legal Entities and business units. The process is summarized and described by Figure 1.

Figure 1: Materiality Assessment framework process, phases and steps.

STEP 1: Identification of risk driver

The main outcome of the risk drivers identification phase is a list of potential physical/transition risk drivers that could impact the business of the Group in relation to non-financial corporate counterparties/ guarantors and real estate and movable properties collaterals.

Figure 2: Identified relevant risk drivers for Mediobanca Group by Non-Financial Corporate and Real guarantees.

C&E Risk	Risk Driver	Description	NFC	Real Estate Guarantees
Physical acute	Droughts	Drought is defined as: an exceptional period of water shortage for existing ecosystems and the human population (due to low rainfall, high temperature, and/or wind)	●	
	Heatwaves	Heatwaves is defined as a period of abnormally hot weather, often defined with reference to a relative temperature threshold, lasting from two days to months.	●	
	Floods	Flood is defined as the overflowing of the normal confines of a stream or other water body, or the accumulation of water over areas that are not normally submerged.	●	●
	Landslide	Landslide is the movement downslope of a mass of rock, debris, earth, or soil (soil being a mixture of earth and debris).	●	●
	Wildfire	A wildfire is an uncontrolled fire that burns in wildland vegetation, often in rural areas.	●	
Physical chronic	Earthquake	An earthquake is caused by a sudden slip on a fault. The tectonic plates are always slowly moving, but they get stuck at their edges due to friction. When the stress on the edge overcomes the friction, there is an earthquake that releases energy in waves that travel through the earth's crust and cause the shaking that we feel.		●
	Coastal erosion	Coastal erosion is the process by which local sea level rise, strong wave action, and coastal flooding wear down or carry away rocks, soils, and/or sands along the coast.	●	●
Transition	Water stress	Water stress refers to the ability, or lack thereof, to meet the human and ecological demand for water.	●	
	Policy and regulation	Some jurisdictions have established a number of policy initiatives to reduce GHG emissions. The aim of these measures is to encourage the transition of the economy, or at least of some of its parts, towards activities that produce fewer GHG emissions, and lower carbon emissions.	●	●
	Technology	Technological change relating to energy-saving, low-carbon transportation, and increasing use of non-fossil fuels or other technologies that help reduce GHG emissions.	●	●
	Market sentiment	Transitioning to lower-carbon economies may also trigger shifts of consumer and market sentiment to less carbon-intensive products or investments.	●	●

STEP 2: Identification of the exposures

This step delves into Group's business to evaluate its actual exposure to the potential C&E risk drivers previously identified. The process involves understanding Mediobanca's business framework (Step 2-1), identifying how C&E risks affect the Group (potential impacts) as a whole through different channels (Step 2-2), and assessing the significance of these risks across various legal entities, business lines, and product categories to determine their material impact (Step 2-3).

Here is a summary of what has been identified in the first three steps of phase 2, detailing the impacted legal entities:

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"

Figure 3: Mediobanca Group potential impacts related to C&E risks

	Risk drivers	Risk Type	Time Frame	Potential legal entities										
				MB	MBI	MBP	SB	FA	CM	CO	OT			
Physical	Acute: droughts, heatwaves, floods, landslides, wildfire, earthquake	Credit Risk	ST (0-3q)	■	■	■	■	■	■	■	■	■		
			MT (3-5q)	■	■	■	■	■	■	■	■			
			LT (>5q)	■	■	■	■	■	■	■				
		Market Risk	ST (0-3q)	■	■	■	■	■	■	■	■			
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
	Operational Risk	ST (0-3q)	■	■	■	■	■	■	■	■				
		MT (3-5q)	■	■	■	■	■	■	■					
		LT (>5q)	■	■	■	■	■	■	■					
	Chronic: water stress, coastal erosion	Liquidity Risk	ST (0-3q)	■	■	■	■	■	■	■	■			
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
Transition	Policy & Regulation	Credit Risk	ST (0-3q)	■	■	■	■	■	■	■	■			
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
		Market Risk	ST (0-3q)	■	■	■	■	■	■	■				
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
	Technology	Operational Risk	ST (0-3q)	■	■	■	■	■	■	■				
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
		Liquidity Risk	ST (0-3q)	■	■	■	■	■	■	■	■			
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
	Market Sentiment	Liquidity Risk	ST (0-3q)	■	■	■	■	■	■	■				
			MT (3-5q)	■	■	■	■	■	■	■				
			LT (>5q)	■	■	■	■	■	■	■				
		Strategic Risk		■										

Legend: Legal Entities: MB (Mediobanca SpA); MBI (Mediobanca International SA); MBP (Mediobanca Premier SpA); SB (Selmabipiemme Leasing Spa); FA (Mbfacta S.p.a.); CM (CMB Mo...)

Potential Impacts

Non financial corporates: Acute and/or Chronic Physical events can impair a company's operations and finances, varying by sector and location, leading to reduced profitability, creditworthiness and solvency.

Real guarantees and consumer customers: Acute and chronic climate events may damage property and disrupt businesses, especially in vulnerable sectors, reducing collateral value and potentially leading to job losses, affecting credit risk.

Non financial corporates: Acute and chronic climate events can disrupt company operations, affecting profitability and financial market values. Uncertainty about these events may increase market volatility and alter risk premiums and valuations for affected businesses' financial instruments.

Business continuity and own properties: Extreme weather may cause substantial damages to a company's infrastructure and outsourced services, leading to operational losses and disrupting business continuity and asset integrity.

Credit and funding risk exposures: Physical risks may prompt customers to rapidly withdraw funds, impacting liquidity ratios and exerting short-term pressure on entities managing current accounts and credit lines, potentially affecting the Group's liquidity due to undrawn lines or counterparty defaults.

Market risk exposure: Physical impacts could hinder the Bank's capacity to trade or sell assets counted in liquidity reserves, affecting issuers and their financial instruments.

Non financial corporates: Tougher regulations and greater demand for innovation, along with reduced market confidence, may lead to decline in competitiveness, inflate costs, and necessitate investments, undermining profitability, creditworthiness, and solvency.

Real guarantees and consumer customers: Tighter regulations and the push for innovation, coupled with the trend towards energy-efficient housing, could depreciate property values, lead to stranded assets, and burden household finances, thereby impacting creditworthiness and solvency.

Non financial corporates: Tougher regulations and greater demand for innovation, along with reduced market confidence, may lead to decline in competitiveness, inflate costs, and necessitate investments, undermining profitability, creditworthiness, solvency and the value of their traded financial instruments.

Greenwashing: The failure to comply with the ESG criteria, as well as the run of business with mixed/controversial counterparties, yet, greenwashing episodes, could seriously impact the reputation of the Bank, bringing (in the eventuality) to the imposition of sanctions by the central authorities which mean direct operational losses.

Credit and funding risk exposures: Considering transition risks and changes in consumer preferences, customers may also draw on their credit lines, further straining the Group's liquidity and leading to increased funding costs, while affecting deposit levels and the overall ability to finance.

Market risk exposure: Transition effects could limit the Bank's trading or selling of assets included in liquidity buffers, impacting issuers and their securities.



Transition risks may threaten long-term business strategies, necessitating innovation and adaptation in products and operations to maintain competitiveness and align with decarbonization goals, or risk damaging the institution's viability.

In the final phase of this second step, methodologies and Key Risk Indicators (KRIs) are developed to assess Climate and Environmental risks, with the majority of evaluations covering three periods: short-term (up to 3 years), medium-term (3-5 years), and long-term (beyond 10 years), as outlined by the European Banking Authority (EBA) consultation paper on the management of ESG risks (EBA/CP/2021).

STEP 3: Determination of materiality

The last Phase is about materiality determination and the corrective actions to undertake in case it is recorded. Review the summary of the main outputs represented for each traditional risk category, where the materiality is detected in case when the KRIs value exceeds the thresholds value, and they are highlighted in red (while green slots are not material).

Figure 4: Conclusions on materiality assessment, credit risk.

Credit Risk				
Risk Drivers		Time Frame		
		ST (0-3y)	MT (3-5y)	LT (>5y)
Physical 	Non financial corporate	Green	Green	Green
	Real Guarantees	Red	Green	Green
	Consumer Loans	Green	Green	Green
Transition 	Non financial corporate	Red	Green	Red
	Real Guarantees	Red	Green	Green
	Consumer Loans	Green	Green	Green

- ◇ The Real Estate Physical Risk Indicator (see section 4.3.1.3.1) and the real estate transition risk Indicator (see section 4.3.1.3.2) have demonstrated the materiality of both transition and physical risk drivers on the credit risk profile of loans secured by real guarantees in the short term;
- ◇ The ESG Heatmap (see section 4.3.1.1) has shown the materiality of transition risk drivers on the credit risk profile of non-financial corporates in the short term;

The Non-Financial Corporate, transition Risk model (see section 4.3.1.3.2.) did not highlight materiality, exceeding the materiality threshold, but the Group prudently considered the transition risk drivers on the credit risk profile of non-financial corporates in the long term.

When these KRIs indicate materiality exceeding established thresholds, Mediobanca Group Risk Management takes proactive measures to strengthen the risk management framework. For credit risk, this strengthened framework involves:

- ◇ integration into the credit approval process of ESG factors: this integration spans from initial assessments to financing approvals;
- ◇ credit risk exposure monitoring at both “single name” and “portfolio” level through the “Heatmap” tool;
- ◇ loan pricing adjustments;
- ◇ inclusion of risk appetite triggers and escalation process into risk appetite framework.

Additionally, the materiality of physical and transition risk is considered in climate stress scenarios integrated into the ICAAP managerial stress tests to assess the impact of C&E risks on the Group’s capital indicators.

Figure 5: Conclusions on materiality assessment, market risk.

Market Risk				
Risk Drivers		Time Frame		
		ST (0-3y)	MT (3-5y)	LT (>5y)
Physical 	Non financial corporate			
Transition 	Non financial corporate			

Figure 6: Conclusions on materiality assessment, operational risk.

Operational Risk				
Risk Drivers		Time Frame		
		ST (0-3y)	MT (3-5y)	LT (>5y)
Physical 	Business continuity and own properties			
Transition 	Greenwashing			

Figure 7: Conclusions on materiality assessment, liquidity risk.

Liquidity Risk				
Risk Drivers		Time Frame		
		ST (0-3y)	MT (3-5y)	LT (>5y)
Physical 	Credit and funding risk exposures			
	Market risk exposure			
Transition 	Credit and funding risk exposures			
	Market risk exposure			

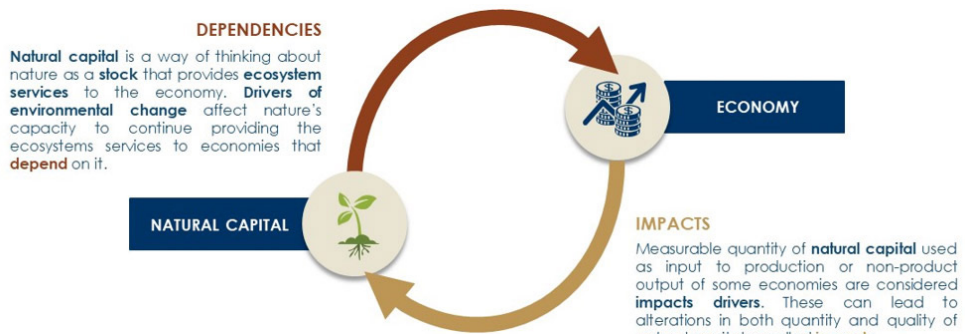
Nature-Related Risks

The study “Living in a world of disappearing nature: physical risk and the implications for financial stability”¹ reveals that 75% of non-financial corporations (NFCs) in the euro area, along with their financing banks, depend heavily on ecosystem services. Consequently, Mediobanca Group has proactively assessed nature-related financial risks affecting its corporate lending activities.

Mediobanca Group has adopted the ENCORE methodology to assess nature-related financial risks. Endorsed by the NGFS, ENCORE is a recommended tool for central banks and financial supervisors to understand nature-related risks².

The ENCORE methodology’s initial step for assessing nature-related risks involves understanding natural capital—a concept viewing nature as a stock that yields benefits for humans and the economy. This includes assets like water, forests, and air, providing ecosystem services essential for life and economic activities. These services contribute to production, risk mitigation, and overall well-being. However, any negative changes in natural capital, such as pollution, can adversely affect dependent businesses, highlighting the economy’s reliance on a resilient natural environment. The following image shows these basic concepts of ENCORE methodology.

Figure 8: Illustration of the circular reference between Economy and natural capital.



Please review the summary of the main outputs.

Figure 9: Conclusions on materiality assessment, nature risks.



1. “Living in a world of disappearing nature: physical risk and the implications for financial stability”, ECB Occasional Paper 333, 2023.
 2. NGFS technical paper “Recommendations toward the development of scenarios for assessing nature-related economic and financial risks”

4.3 Risk metrics and results

The European Banking Authority (EBA) outlines two primary methodologies for ESG risk assessment: scenario-based and exposure-based³.

1. **Scenario-Based Methodology:** This involves creating hypothetical scenarios to assess the potential impact of ESG risks over different time horizons. It helps in understanding how various ESG factors could affect financial stability under different conditions.
2. **Exposure-Based Methodology:** This focuses on assessing the current exposure of an institution to ESG risks. It involves analyzing the extent to which an institution's assets and operations are vulnerable to ESG factors.
3. **Portfolio-Based Methodology:** This method combines elements of both exposure-based and scenario-based approaches. It assesses the alignment of a portfolio with specific ESG goals, such as those outlined in the Paris Agreement. This methodology is covered in the next chapter Metrics and Targets.

From December 2023 to March 2024, Mediobanca took part, along with other 109 EU banks, in the one-off exercise Fit-for-55 climate risk scenario analysis conducted by the European Banking Authority (EBA). This exercise is part of the so called Fit-for-55 policy package, which refers to EU's target of reducing net GHG emissions by at least 55% by 2030 and aims to bring EU legislation in line with the 2030 goal. Mediobanca provided aggregated and counterparty-level data as of December 2022, offering insights into its own climate-related and financial information on credit risk, market risk, and real estate risks. This data supported the EBA in evaluating the resilience of the EU banking system to potential climate risks. The exercise was conducted at Group level. In May 2024, the ECB issued a report to participating banks, including Mediobanca, assessing the quality of the data provided by comparing it to the full sample and to peers with similar business models. The ECB's projections under the climate stress scenario are expected in the coming months.

4.3.1 Exposure-based methodologies

4.3.1.1. ESG Heatmap

ESG Heatmap definition

With the aim of identify and assessing ESG risks that could affect proprietary lending and investment portfolio exposures, Mediobanca has developed a tool which considers and quantifies sectoral ESG risk by a means of a score: the ESG Heatmap.

The ESG Heatmap was initially calculated based on the portfolio as of 31 December 2021 of the Corporate and Investment Banking Division and has since been recalculated quarterly to inform the Group Risks Management Committee (GRMC) and the Risk Committee about the impacts of climate and environmental risks on credit and investment portfolios. These Committees possess full authority to make policy decisions based on the results presented.

Such methodology has been recently extended to a wider perimeter so that as of June 30th, 2024:

- ◆ The lending amount considered for the analysis covers almost the whole Group's Corporate and FIG committed lending exposure;

³ Consultation paper on draft Guidelines on ESG risks management

- ◇ The Group ESG Heatmap has been extended to include MB Facta and Selmabipiemme Leasing;
- ◇ The investment portfolio analyzed (i.e., equity, bond, and derivatives exposures) accounts for the majority of the whole Group's proprietary investment exposure.

The ESG Heatmap incorporates ESG factors. Mediobanca has developed a framework for recalibrating the risk level of a given sector based on active exposures (counterparty-specific) by considering the potential risks for all sectors identified through international standards activity codes. This framework employs:

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

The information from the questionnaire and the external provider is then converted into scores.

This tool results in a methodology based on sector mapping according to different levels of ESG risk. The foundational information for this tool is sourced from external international standards, specifically 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 to 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.





Based on these external sources, ESG factors impacting each economic sector were selected, and information about the related level of impact was gathered. The "Impact Map" reported in the UNEP FI "Portfolio Impact Analysis Tool" was adopted, identifying how companies from different economic sectors impact various ESG areas both positively and negatively. To enhance the robustness of the analysis and the Heatmap itself, the ESG factors identified by UNEP FI were supplemented with themes proposed by the PSI in the "Managing environmental, social and governance risks in non-life insurance business" document.

This process resulted in the delineation of ESG factors impacting each economic sector, characterized according to the three macro-pillars (Environmental, Social, and Governance) and by reference source (UNEP FI, PSI).

Table 1 Transcoding of UNEPFI and PSI

ESG PILLAR	SOURCE: UNEPFI	SOURCE: PSI
Environmental	Air Soil Climate Waste Habitat Resource intensity Species Waterbodies	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 Age discrimination Child labour Conflict Connectivity Data privacy Ethnic/racial equality Finance, Gender equality Health & safety Mobility Modern slavery Natural disasters Other vulnerable groups Social protection Wages	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	Economic convergence Rule of law Civil liberties Sector diversity Flourishing MSMEs Infrastructure	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 these ESG factors, a risk scale has been created based on four 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 analysed 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

Following the evaluation of the impact of ESG factors, a risk level is assigned to each sector.

Furthermore, the Heatmap has been refined to include the specific characteristics of individual counterparties within the portfolio through “single name analysis”, allowing for a more accurate representation of their specific ESG risk levels. Previously based only on a “potential” sectoral perspective, the methodology for calculating the sectoral ESG score is now recalibrated integrating results from individual assessments of portfolio counterparties. This process involves:

- ◇ Completing Qualitative Questionnaires to gather information on the Group ESG policy requirements and to define an internal ESG score specific to each counterparty. These questionnaires are provided to individual counterparties and differ by number and type of questions, based on the risk level of the counterparty’s sector.
- ◇ Calculating a score for each section of the questionnaire corresponding to the counterparty’s risk exposure. These scores are then aggregated using a numerical methodology to generate a synthetic counterparty ESG score, which is then translated into a qualitative ESG rating.
- ◇ Collecting specific information on individual counterparties from an external info-provider, for those whom the questionnaire was not submitted to.

In case no information is available from the sources mentioned above, the counterparty evaluation is based on the sectoral results from the “potential” Heatmap.

It is important to note that the recalibration process may vary across different Legal Entities. For example, it is possible that different Legal Entities might use data from different Info Providers.

ESG risk analysis and management are part of a periodic monitoring process, which includes the definition of Key Risk Indicators (KRIs) to monitor ESG risks. Results of the ESG risk analyses are discussed quarterly in the GRMC and the Risks Committee. The analysis provides an evaluation of Environmental, Social, and Governance (ESG) risks of the lending and investment portfolio exposures, with a detailed focus on high-risk environmental sectors. Business decisions also consider the ESG Heatmap results and are based on appropriate ESG-based limits set within the Risk Appetite Framework (RAF), which are monitored quarterly through the Tableau de Bord and presented to the Risks Committee and the Board of Directors.

Additionally, for Mediobanca and Mediobanca International CIB lending portfolio, the Group Risk Management function evaluates the counterparty’s ESG risks and summarizes 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. These analyses and the resulting ESG ratings are updated every 12-18 months and are reviewed by the Credit and Market Committee alongside the annual credit risk rating reviews.

4.3.1.1 Heatmap results

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

Overall portfolio

Figure 10 shows the results provided by the re-calibrated ESG Heatmap for the overall Mediobanca portfolio on the “Environmental” Pillar, in terms of the 4 riskiness levels assigned to each economic sub-sector.

The Overall portfolio includes:

- ◆ Mediobanca Lending Portfolio, with an exposure of about €27 billion in terms of Granted Amount⁴;
- ◆ Mediobanca Investment Portfolio, with an exposure of about €18 bn in terms of MTM value of the positions;
- ◆ Selmabipiemme Lending Portfolio, with an exposure of about €1.2 bn in terms of Gross Carrying Amount⁵;
- ◆ MB Facta Lending Portfolio, with an exposure of about €2.7 bn in terms of Gross Carrying Amount⁶.

As of June 30th, 2024, the overall portfolio’s exposure is equal to €49.1 bn.

The breakdown shows that the portfolio is mainly exposed to low-risk sectors (88% of total exposure), with a smaller exposure to high-risk sectors (0.1%).

Figure 10: Overall portfolio: Re-calibrated ESG Heatmap results on the Environmental Pillar

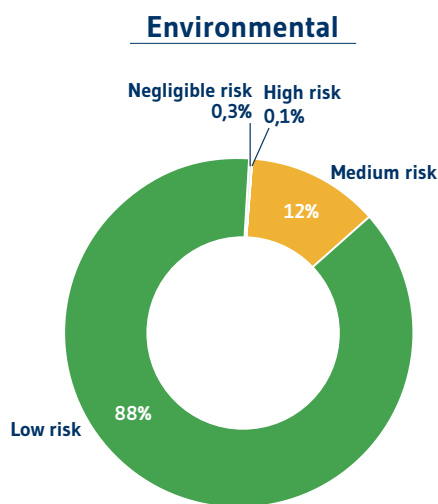
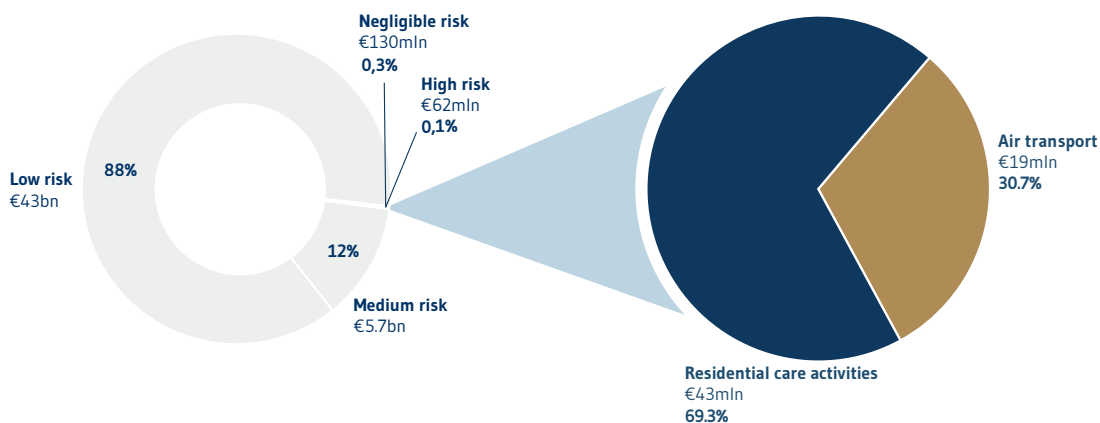


Figure 11 shows the breakdown of high-risk sectors in the Environmental dimension to which the Overall portfolio is exposed.

The portfolio’s high Environmental risk is mainly concentrated in the Residential care activities (69.3%) and Air Transport (30.7%) sectors.

Figure 11: Overall portfolio: Focus on high Environmental risk sectors



4. Sum of drawn and undrawn exposure, aligned with Corep template
 5. Remaining Gross outstanding exposure, aligned with Finrep template.
 6. Remaining Gross outstanding exposure, aligned with Finrep template.

Lending portfolio

This paragraph presents the results of the analysis on Mediobanca S.p.A. and Mediobanca International Lending portfolio as of June 30th, 2024, assessing Environmental, Social and Governance (ESG) risks on their Lending exposures through the ESG Heatmap.

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

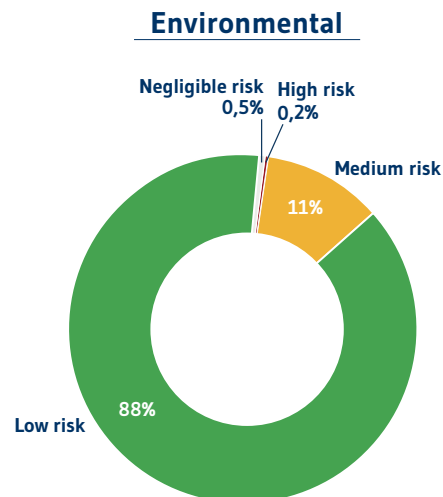
- ◇ Corporate counterparties (Large corporates, SMEs);
- ◇ Financial counterparties.

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

As of June 30th, 2024, the overall exposure of the lending counterparties analysed exceeds €27 billion.

The results provided by the re-calibrated ESG Heatmap for Mediobanca Lending portfolio on the “Environmental” Pillar, are shown in Figure 12 below.

Figure 12: Lending portfolio: Re-calibrated ESG Heatmap results on the Environmental Pillar

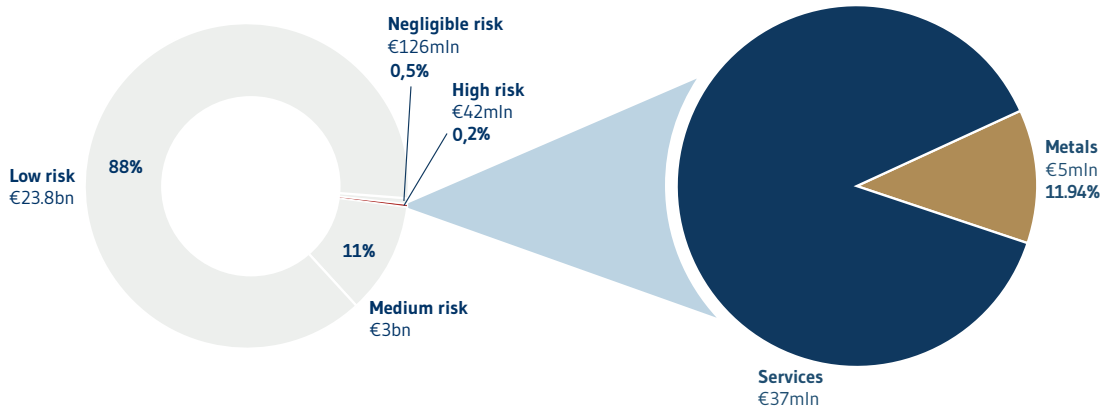


The breakdown shows that the portfolio is mainly exposed to low-risk sectors (88% of total exposure), with a smaller exposure to high-risk sectors (0.2%).

Figure 13 shows the breakdown of high-risk sectors in the Environmental dimension to which the Lending portfolio is exposed.

The portfolio’s high environmental risk is mainly concentrated in the Services (88.06%) and Metals (11.94%) sectors.

Figure 13: Lending portfolio: Focus on high Environmental risk sectors



Investment portfolio

This section presents the results of the analysis of Mediobanca S.p.A. and Mediobanca International investment portfolio as of June 30th, 2024, carried out to provide an assessment of the Environmental, Social and Governance (ESG) risks faced by the investment portfolio exposures, performed using the ESG Heatmap.

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

- ◆ Equities (excluding holdings in funds and ETFs);
- ◆ Bonds (excluding structured securities, e.g. ABS, securitizations, etc.);
- ◆ Derivatives (excluding positions with underlying instruments related to indices, rates, currencies and baskets).

All intra-Group positions have also been excluded from the analysis.

Regarding the derivatives portfolio, two different views have been adopted for determining the exposures: the first relates to the counterparty, the second to the underlying issuers.

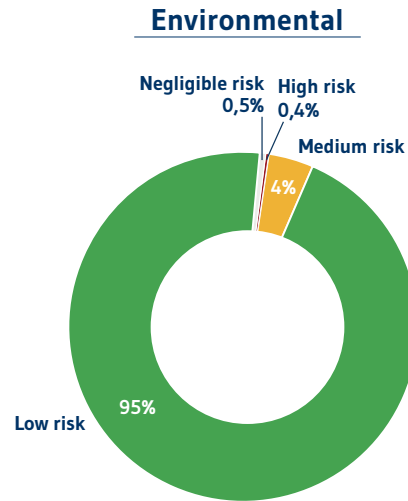
In this document, for the overall representation of the investment portfolio, it has been decided to aggregate the derivatives portfolio to the equity and bond portfolio using the “underlying issuers” view.

As of June 30th, 2024, the overall exposure of the investment counterparties analysed exceeds €18 billion.

The following sections illustrate the results of the analysis, reporting the exposures associated with the economic sectors, with the relevant degree of risk at the individual ESG pillar level.

The results provided by the re-calibrated ESG Heatmap for Mediobanca Investment portfolio on the “Environmental” Pillar, are shown in Figure 14 below.

Figure 14: Investment portfolio: Focus on high Environmental risk sectors

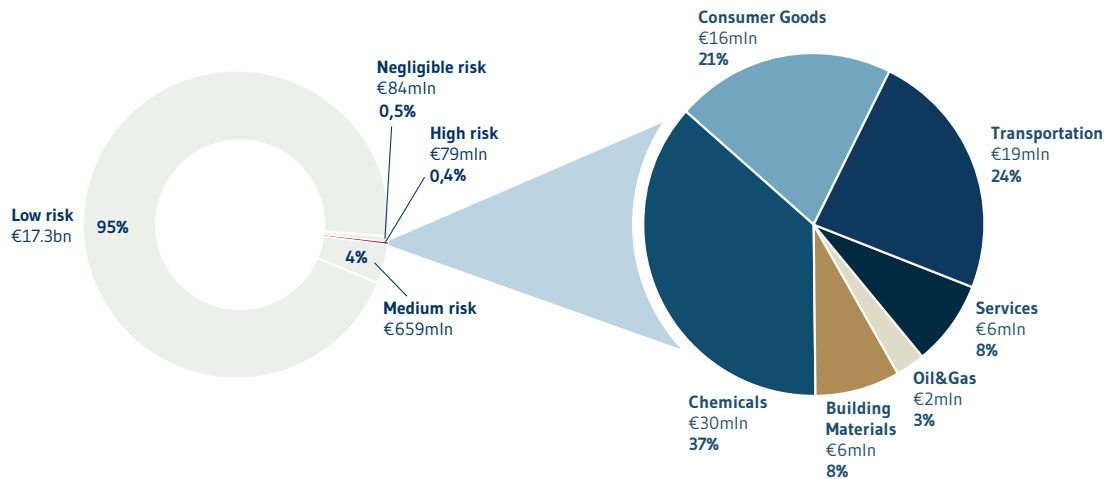


The breakdown shows that the portfolio is mainly exposed to low-risk sectors (95% of total exposure), with a smaller exposure to high-risk sectors (0.4%).

Figure 15 shows the breakdown of high-risk sectors in the Environmental dimension to which the Investment portfolio is exposed.

The portfolio's high environmental risk is mainly concentrated in the Chemicals (37%), Transportation (24%) and Consumer Goods (21%) sectors, that represent about 82% of the total exposure to high-risk sectors for Pillar E.

Figure 15: Investment portfolio: Focus on high Environmental risk sectors



4.3.1.2. Volatility analysis

In addition to the ESG Heatmap, the Market Risk Reporting unit assesses the ESG risks of its investment portfolio by monitoring the volatility of both equity and credit spread market parameters for each Climate Policies Relevant Sector (CPRS) on a quarterly basis. The assessment considers transition risk for corporate exposures and physical risk for sovereign exposures.

Following the EBA classification methodology⁴ deployed in assessing transition risk in the banking industry, CPRS are identified as those sectors most sensitive to new restrictive environmental policies.

The following table lists the CPRS and their corresponding NACE:⁵

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

Transition risk refers to the potential financial loss an institution might face, directly or indirectly, due to the shift towards a lower-carbon and more environmentally sustainable economy. This risk might have a different intensity depending on the industry the company belongs to. While transition risk is sector-specific, physical risk is geographically focused.

Therefore, it is crucial to reckon which countries could be deemed as being more exposed to physical risk for conducting the analysis.

To assess physical risk, Mediobanca compares the yield to maturity for a panel of countries that

4. “Mapping climate risk: Main findings from the EU-wide pilot exercise” – EBA, May 2021.2.

5. It is worth specifying that the CPRS classification focuses on only the most impacted sub-industries of the NACE codes shown.

have experienced physical events (such as floods, massive heatwaves, etc.⁶) with that one of the benchmark countries (the most stable ones in the relevant geographic area). The results do not show clear evidence of a correlation between changes in sovereign credit spreads and the occurrence of physical events.

For transition risk, the assessment is performed by evaluating variations in terms of equity and credit spread volatility within a timespan, around the time a specific event related to transition to a lower-carbon economy is recorded.⁷ The table below lists the events considered for the purpose of the transition risk analysis.

Figure 16: 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

The volatility assessment takes place at two levels:

- ◇ At sector level, the analysis compares how a specific industry, such as oil and gas, behaves in relation to market benchmark during a transition event;
- ◇ At the single-name level, the analysis evaluates how an individual issuer within that industry (for example issuer 1 in the oil and gas industry) reacts compared to both the sector index and the market benchmark.

In other words, the goal is to assess how a sector sensitive to transition risk performs with respect to the entire market and how a single issuer performs with respect to both its sector and the market.

A well-known statistical measure used to capture this volatility is the market “beta”.⁸

Beta is calculated for each sector index relative to the market benchmark, and for each issuer relative to both its sector index and the market benchmark. The latter is necessary in order to assess the volatility of Mediobanca’s actual portfolio of exposures in those sectors facing high transition risks.

The following tables show the results of the volatility analysis carried out as at 30 June 2024. Based on the recorded betas, a volatility score is assigned as follows:

- ◇ Betas of ≤ 0.7 , indicating “low volatility”, are scored green;
- ◇ Betas of $0.7 < \beta \leq 1$, indicating “medium volatility”, are scored yellow;
- ◇ Betas of > 1 , indicating “high volatility”, are scored red.

6. Physical events considered in the analysis are the following: Greek wildfires (21/8/21); highest-ever recorded temperature in Florida, Sicily (11/8/21); heatwave through Greece, Turkey, and Italy (27/7/21); Greek flooding (12/1/21); Bay Area fire, California (18/8/20); storm Dennis, UK (17/2/20); EU heatwave, France, Germany, and UK (25/6/2019); EU flooding, Spain, France, and Italy (4/10/18); UK and Ireland heatwave (18/4/18); hurricane Harvey which tore through Houston, Texas (28/8/17); West Attica floods, Greece (15/11/17); Greek heatwave (29/6/17); EU floods in Austria, Belgium, France, Germany, Moldova and Romania (3/6/16).

7. For the purposes of the analysis, such events could be selected based on the Market Risk Management unit’s judgement by retrieving them from a variety of sources: e.g. main European regulation approvals (ECB, EBA, focusing on the relevant ESG documents and provisions); articles published by national and international newspapers, information from the data-providers used by the Bank, etc.

8. Beta compares the security’s returns relative to the returns of the market as a whole; a beta greater than 1 means that the security’s volatility is higher than that of the market. Conversely, if the beta is less than 1, the financial instrument is considered less volatile than the market. A negative beta, meanwhile, indicates a negative correlation relative to the market (i.e. security returns and market return are negatively correlated, hence they move in opposite directions).

Figure 17: Summary of equity volatility analysis

Sector CPRS	Equity Issuer	Industry Beta	Market Beta	Event Impact			Volatility Segment
		Beta 1W	Beta 1W	Paris agreement enters into force	Green deal	EU climate law	
Fossil fuel	Issuer 1	1.04	1.05	Low	High	Medium	Yellow
	Issuer 2	0.98	1.21	Low	Low	High	Red
	Issuer 3	0.5	0.96	Low	Medium	Medium	Green
Utility	Issuer 4	0.98	0.97	Medium	Low	Low	Yellow
	Issuer 5	1.09	0.93	Low	Low	Low	Yellow
	Issuer 6	1.26	0.99	Low	Low	Low	Red
Energy intensive	Issuer 7	0.56	1.16	Medium	High	Medium	Yellow
	Issuer 8	1.02	1.06	Low	High	Low	Yellow
Buildings	Issuer 9	1.12	1.29	Low	Medium	Low	Red
	Issuer 10	1.15	1.35	Low	Medium	Low	Red
Transportation	Issuer 11	1.02	1.16	Low	Medium	Low	Yellow
	Issuer 12	1.16	1.43	Medium	Medium	Low	Red
	Issuer 13	0.9	1.66	Low	Low	Medium	Red

Figure 18: Summary of credit spread volatility analysis

Sector CPRS	Credit Issuer	Industry Beta	Market Beta	Event Impact		Volatility Segment
		Beta 1W	Beta 1W	Green deal	EU climate law	
Fossil-fuel	Issuer 1	0.41	1.26	High	Low	Yellow
	Issuer 2	0.43	1.52	Low	Low	Yellow
Utility	Issuer 3	1.54	1.05	Low	Low	Red
Energy-intensive	Issuer 4	1.48	1.93	Low	Low	Red
	Issuer 5	1.04	1.16	Low	Low	Red
	Issuer 6	0.82	1	Low	Low	Yellow

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 event’s date of occurrence.⁹

Regarding equities, six issuers show higher volatility with respect to their index benchmark; building and Transportation CPRS sectors are the most impacted. All the other issuers are in the yellow boundary meaning that there is a high correlation with its sector benchmark. Analysing the Event impact, most of the issuers show a very limited correlation, however for one issuer belonging to fossil and fuel CPRS sector in the event of EU Climate law it has been found a high dependency.

Analysis of credit spread volatility reveals medium/high volatility in the utilities and energy – intensive sectors. Analysis of the event impact shows quite a low correlation between the returns of the credit index and the spread movements of the single issuers.

4.3.1.3. Real Estate Indicators

4.3.1.3.1. Real Estate Physical Risk Indicator

The importance of **physical risk** has been carefully analysed by **Mediobanca Premier** especially as **Italy** is considered to be one of the **European countries** which is most exposed to the effects of **climate change** and **environmental degradation**.

To quantify its **exposure** to **physical climate** and **environmental risk**, Mediobanca Premier has defined a **Real Estate Physical Risk Indicator**, assigned to each collateral. The assignment is based

9. For credit spreads, the time series have a depth of five years which is not feasible to assess the impact of the Paris Agreement on the corresponding issuer/sector/market.

on the Italian municipality in which it is located. More specifically, to each municipality is assigned a synthetic risk level through the application of the following methodological steps.

Starting from the **hydrogeological risk maps** (provided by ISPRA – Istituto Superiore per la Protezione e la Ricerca Ambientale) and seismic risk maps (provided by Protezione Civile), Mediobanca Premier defined the following specific physical risk indices:

- ◇ landslide risk index,
- ◇ flood risk index,
- ◇ earthquake risk index¹⁰

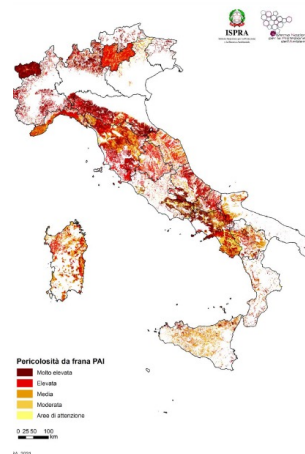
Each physical risk index is assigned a riskiness rating on a scale, which can be divided into various bands. For example, the landslide risk index has six bands. To ensure consistency in the risk bands defined for each index, a synthetic riskiness band to each municipality, the three riskiness indices were aggregated according to proprietary logics to construct a synthetic riskiness index.

For the definition of the seismic risk score, data available on the Civil Protection website were used. Civil protection associates each Italian municipality - through its own methodology - a level of risk ranging from 4 (low risk) to 1 (high risk) representative of the probability of frequency of seismic events in the municipality.

Only landslide hazard and flood hazard will be examined deeply in the TCFD report, as seismic hazard is not considered to be climate-related, even though, as it's shown above, internally it is analysed with the same granularity.

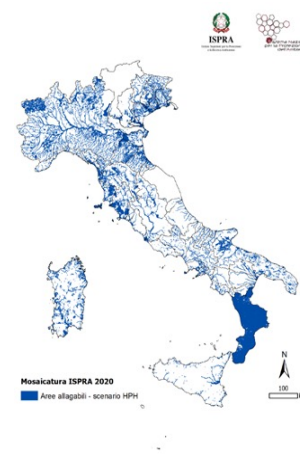
Figure 19: Hydrogeological risk maps (provided by ISPRA): Landslide and Flood Hazard

Landslide Hazard



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

Flood Hazard



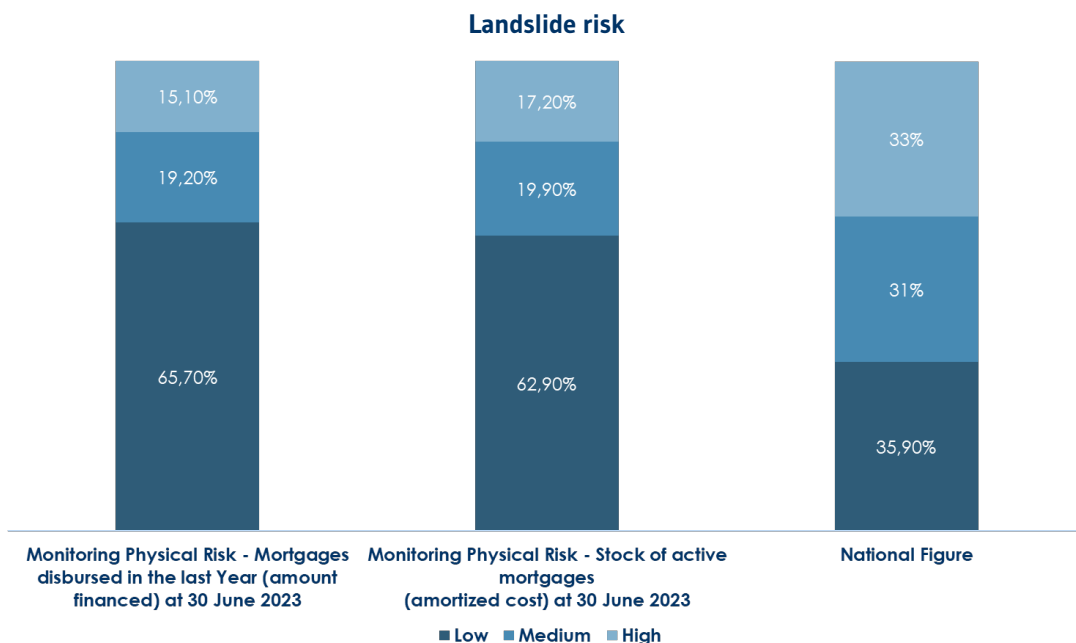
Regarding floods hazard, according to ISPRA **5,4%** of the national territory falls in high hazard areas, making up a potentially floodable area of 16.224 km²

10. Given the morphological configuration of the Italian territory, three adverse climatic and environmental phenomena were considered for the assessment: landslides, floods, and earthquakes. More specifically, hydrogeological hazard (landslide hazard and flood hazard), defined as climate physical risk, and seismic hazard, defined as environmental physical risk.

Landslide hazard

To define the landslide risk level at municipal level, the data provided by ISPRA for this hazard in Italy has been used.

Based on the ISPRA classification, six landslide risk classes have been identified: High Risk (P4), Medium High Risk (P3), Medium Risk (P2), Medium Low Risk (P1), Low Risk (AA) and No Risk. From these 6 classes we group into 3 classes according to the following logic: High (P4, P3); Medium (P2, P1); Low (AA, No Risk).



The graph above shows the results of the analysis conducted for the mortgages disbursed by Mediobanca Premier in FY 2023-24, and it is clear that **it reflects significantly lower exposure than the national figure for landslide risks.**

The third stacked column, labelled “national figure”, represents the average number of Italian municipalities with very high and high landslide hazards over the past four quarters, relative to the total number of municipalities in Italy. The first two stacked columns in the graph compare the distribution of the exposures to the distribution ranking of individual municipalities.



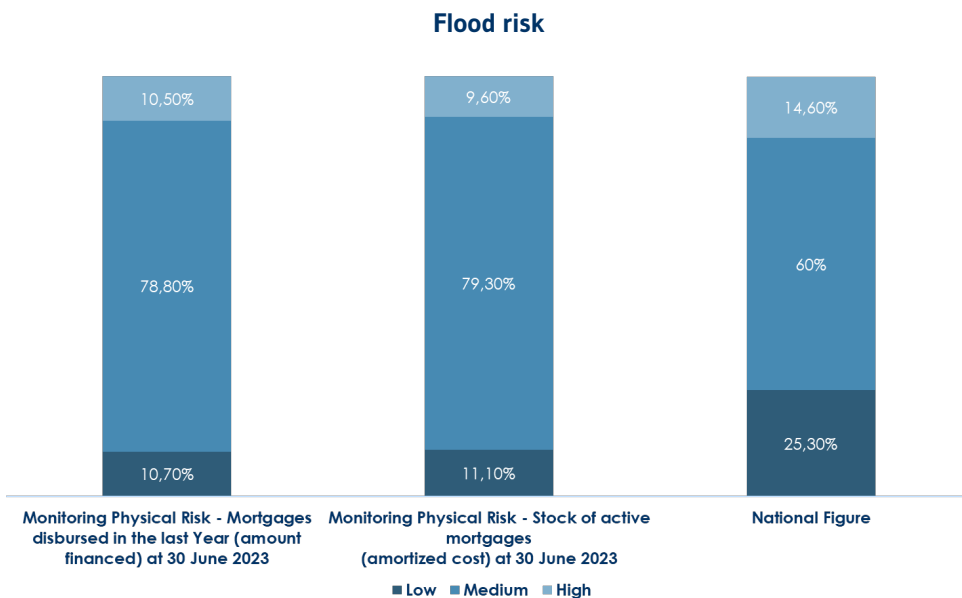
The map illustrates the regional distribution of the mortgage stock classified in the high and very high risk bands (blush and red) for landslide hazard in the Medoibanca Premier portfolio as at 30 June 2024 showing that the highest concentrations are in Campania (27.93%), Tuscany (18.50%), Sicily (8.86%) and Emilia-Romagna (6.35%), where 61.64% of the risk under observation is concentrated.

Flood hazard

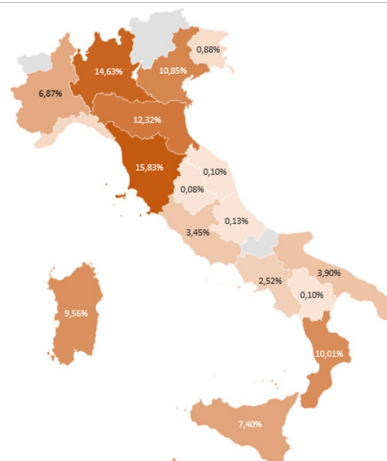
In order to define the flood risk level at municipal level, the data provided by ISPRA on such hazard in Italy were used.

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

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



The above graph shows the results of the analysis conducted on the mortgages disbursed by MB Premier during FY 2023-24, and it is clear that it **reflects significantly lower exposure than the national figure for flood risks**. The third stacked column, labelled "national figure", represents the average distribution by classes of risk of Italian municipalities over the past four quarters. The first two stacked columns in the graph compare the distribution of the exposures to the distribution rankings of individual municipalities. The level of exposures is highly concentrated in the medium-risk category, mainly due to high incidence of mortgage loans in major Italian cities, like Rome and Milan, which are classified as medium flood risk.



The map illustrates the Premier portfolio as at 30 June 2024 showing that the highest concentrations are in Tuscany (15.83%), Lombardy (14.63%), Emilia Romagna (12.32%), Veneto (10.85%) and Calabria (10.01%), where 63.64% of the risk under observation is concentrated.

This metric has been integrated into the Group's Risk Appetite Framework, as described in section 4.5

4.3.1.3.2. Real Estate transition risk indicator

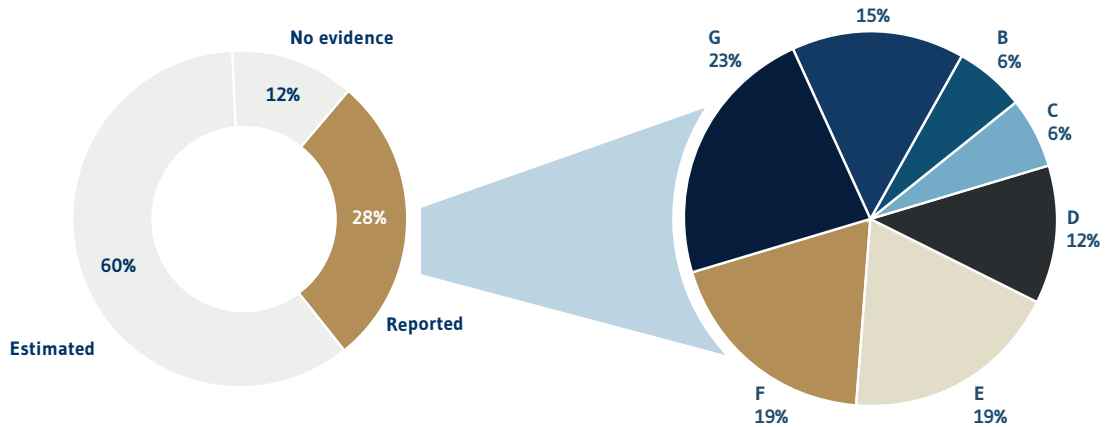
Specifically, to assess the exposure of the collateral portfolio to transition risk, information on the energy performance certificates (EPCs labels) of the collateral have been collected, and a distribution analysis of collateral portfolio has been performed. Mediobanca Premier has identified the energy classes "A" and "B" as those not exposed to transition risk and for this reason it analyses and monitors the level of exposure towards these two classes.

Information on the transition risk of loans collateralized by immovable properties is reported in the Pillar III ESG disclosure. Specifically, template 2 of the Pillar III shows all exposures in loans secured by real estate classified by energy class and energy performance score. The Group has put specific processes in place to gather this information.

Mediobanca Premier, whose scope of operations accounts for approx. 85% of the Group's loans collateralized by immovable properties (approx. €12,4bn as of 30 June 2024, out of a total of €14,6bn), has developed processes for obtaining energy certificates when new contracts are signed. Additionally, it has also launched activities to obtain energy certificates for buildings or properties securing loans already outstanding and included in the loan book, with the support of an info-provider. In this way it has been possible to obtain EPC labels for properties used as collateral representing around 33% 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 using the external service provider, for properties used as collateral representing around 60% of the loan book.

For the real estate portfolio of the other Group LEs, EPC certificates have been recovered for the repossessed collateral. In addition, for a portion of the collaterals, energy efficiency values have been estimated using the internal methodologies developed for the Climate Stress Test. Furthermore, activities have also been undertaken to recover energy certificates, for both new and existing contracts (including the Monaco property portfolio).

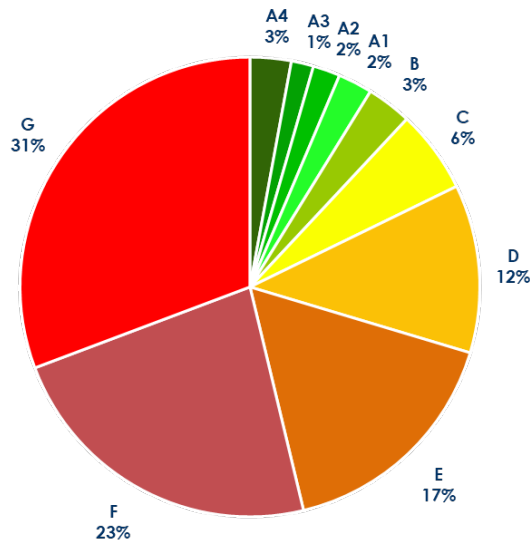
Once collected, the Group has analysed the collateral value distribution by EPC label and energy performance score. The results for the Group are shown below:



Of the approximately 4,9 billion loans for which the energy certificate is available, 44% are collateralized by property with EPC label A to D, half of which are in the first two energy classes.

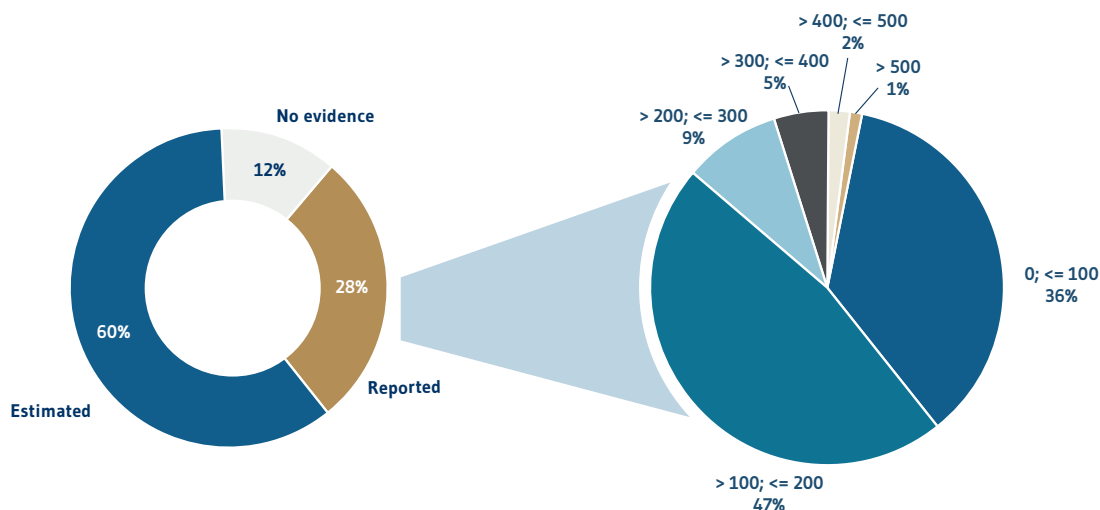
The results show that the Group’s exposure is more concentrated in high-efficient buildings than the national distribution of energy certificates.¹¹ Indeed, analysis published by SIAPE (Sistema Informativo sugli Attestati di Prestazione Energetica, the information system for energy performance certificates) shows that 33% out of 6,1 million APE certificates collected have an EPC label of A to D, around 15% of which are in the first two energy classes:

Figure.20 : National EPC label distribution as at 22/5/23 (source: Information system for energy performance certificates – SIAPE)



Considering both estimated and reported data, 81% of loans are collateralized by a property with an energy performance score of below 200,¹² 42% of which are in the [0-100] range.

11. It should be noted that this comparison compares an abundance of energy certificates figure with an exposure figure.
 12. The lower the score is, the more efficient the energy performance is.



The EPC label indicator has been integrated into the Mediobanca Premier Risk Appetite Framework, as described in section 4.4.2.

4.3.1.4. Exposure of Mediobanca Group's buildings to physical climate risk

An indicator was provided to assess a synthetic level of physical risk exposure relating to the buildings owned by the Group considering both the features of current properties (e.g. country, city, address, market value) and the scoring of specific physical threats (i.e. flooding, landslide, coastal erosion) assuming a "Delayed transition" scenario in a short-term time horizon (i.e. within three years).

Firstly, the indicator is calculated on building level, categorizing risk exposure into five qualitative classes (Not Significant, Low, Medium, High, Very High). These classes reflect the percentage of physical risk damages from both single and cumulative threats.

At Group level, the risk exposure is calculated by weighting the cumulative / synthetic risk score of each property to the corresponding market value and, consequently, comparing the result with the total market value of properties; the outcome of the calculation is again distributed into five qualitative classes to state the materiality exposure to the physical risk at Group level (Not Significant, Low, Medium, High, Very High).

4.3.1.5. Non-financial risk

In its path towards ensuring that all risks impacting the Group are controlled and mitigated on an ongoing basis, Mediobanca has implemented the non-financial risk management framework whose aim of having a holistic and exhaustive view of each non-financial risks class. In particular, in the FY 2023-24 the first reputational Risk Materiality assessment has been carried out. The aim of the analysis has been identifying, with a forward-looking approach, the reputational events to which the Group is exposed. The assessment included the identification of reputational assets/ stakeholders and the definition of Taxonomy of Reputational Risk events; specific ESG related stakeholders (e.g. local communities), assets (e.g. consistency, sustainability) and risks related to the Group's social responsibility, respect for the environment and influence on society (e.g. sponsorship to sectors/initiatives that can impact the environment and social ethics) were encompassed in the framework. The outcome of the analysis illustrates the level of materiality of each reputational risk events considering adequacy of controls.

4.3.2 Scenario Based Analysis

4.3.2.1 Climate VaR

The methodology behind this analysis has been developed by an external provider (MSCI) and it's a forward-looking metric that **quantify the impact in terms of losses deriving from both physical and transition risks given NGFS scenarios**. More specifically transition risk is divided into:

- ◇ Policy risk: which measures the costs related to the carbon footprint of a company.
- ◇ Technology opportunities: which measures the benefits of the adoption of low emission technology.

At issuer level the loss (Climate VaR) can be represented as:

$$\text{Climate VaR (company level)} = \frac{\text{PV of Climate related costs}}{\text{Enterprise market value}}$$

Mediobanca has decided to run 3 scenarios

- ◇ 1.5°C remind NGFS orderly (Net Zero 2050 1.5°C)
- ◇ 2°C remind NGFS disorderly (Delayed transition)
- ◇ 3°C remind NGFS current average (Current policies)

Since the costs are calculated until a long-term horizon (2100) The Climate VaR has been rescaled into 3 time horizons

- ◇ Short term: 3 years
- ◇ Medium term: 5 years
- ◇ Long term: 10 years

The related KRI to identify the materiality has been represented (for both Transition and Physical risks) as the expected loss due to climate-related scenarios projections divided by CET1 capital in the 3 horizons. **In every scenario the KRI was below the Threshold** set at 0.5% of the CET1, therefore both physical and transition risk were not considered with material impact.

4.3.2.2. Real Estate Models

4.3.2.2.1. Real Estate Physical Risk Model

This year, the Group took a step further in defining Real Estate physical risks by deploying a risk quantification, on top of the indicator described above, and by expanding the perimeter of application. In particular, Mediobanca S.p.A, Mediobanca Premier, CMB Monaco, and Selmabipiemme deployed such model.

As a first step, the geographical location of the real estate, its estimated residual life and the construction specificities of the building are retrieved.

As a second step, a damage function for each risk class (flood, landslide, seismic, costal erosion) is estimated as a percentage of the market value. The damage function, in turn, depends on the frequency of the physical risk phenomenon. The severity associated with each event is a function of the physical features of the real estate (e.g., stone vs reinforced concrete) and of the return

period. With this data, a cumulative probability function for each return period is calculated.

Finally, for each risk class and return period, the expected damage is computed as:

$$ED = P * D * E$$

Where P is the cumulative probability of the physical risk phenomenon occurrence, D is the associated damage percentage and E is the value under risk (the minimum between the market value and the reconstruction cost of the real estate).

It shall be noted that the probability of occurrence of a physical phenomenon are based on climate scenarios, for the march 2024 materiality assessment exercise the scenarios selected are the following:

- ◇ Delayed transition
- ◇ Current policies
- ◇ Net zero 2050

Each scenario is associated with a different temperature trajectory, which directly affects the probability of occurrence of a physical risk phenomenon.

4.3.2.2.2. Real Estate, Transition Risk Model

Mediobanca Premier, CMB Monaco, Selmabipiemme, Mediobanca SpA deploy the real estate transition risk model. For transition risk modelling the starting point is the EPC assigned to a building. Indeed, the EPC allows to estimate the energy need of the building to meet the normal necessities each year, such as heating. Depending on the type of the building and its size, an economic impact computed based on the estimated cost to be faced to close the gap between the actual energy class and the one required by the regulation. In case the energy class is not known, an estimation which relies on the following data:

- ◇ year of construction
- ◇ geographical location
- ◇ type of building

The model to estimate the transition risk is based on a transition matrix that represents the marginal costs in euros per kWh/sqm/year required to improve from one energy class (row) to the all the other more efficient energy classes. The marginal cost is differentiated by property type and construction characteristics.

The expected economic impact of transition risk (depreciation), estimated as described above, is further adjusted to avoid double-counting phenomena, reducing the impact by a percentage (reduction coefficient) that incorporates the effect on the value of the property of its relative energy inefficiency in accordance with what the average market is already discounting.

The reduction coefficients applied are taken from a Bank of Italy study ; and basically represent the average percentage differential in current price, i.e. between an "A" EPC and the property's EPC in the relevant climate area. The coefficients vary according to the climate area in which the property is located, in order to take into account the level of geographic dispersion found in the real estate market today on the premium associated to the energy efficiency.

As far as the transmission channel is concerned, the same logic is adopted as for the physical risk.

Thus we propagate the impacts through the risk parameter (LGD).

4.3.2.3. Non-Financial Corporate Models

4.3.2.3.1. Non-Financial Corporate, Physical Risk Model

To incorporate physical risk and stress the probabilities of default, Mediobanca Spa has adopted a forward-looking balance sheet which has been used as input of the AIRB model like the adopted framework in the long-term transition risk.

The types of physical risks covered for corporate exposures are:

- ◇ Acute risks: flood, landslide, drought.
- ◇ Chronic risks: related to the loss of productivity in relation to the excessive heat

The calculation methodology differentiates between

- ◇ Connected "Global" Corporate (turnover \geq 50 mln)
- ◇ Local "Small" Business (turnover $<$ 50 mln).

For all cases except Acute risk of Local "Small" Business we use an approach where a damage function L_t expressed in terms of aggregated monetary loss over GDP for the projection year t is downscaled to the j -th corporate considering the capital intensity and supply chain factors.

$$\text{Impact}_{t,j} = L_t \text{ Factor}_j$$

In particular for chronic risks, for both global and small business, we use an estimate of L_t at country level applying the methodology of Kalkuhl and Wenz (2020) calculated at macro level through the NiGEM macro-economic model. For small business the damage function L_t is further downscaled at NUTS3 level through a ranking of the different provincial areas in terms of average temperatures.

For acute risks (thus only in relation to Large Corporate) instead we use the projection associated to each NGFS scenario from the NGFS Phase IV scenarios. Phase IV have been a major improvement over Phase III projection in that they consider also indirect costs (revenues lost and supply chain disruptions) through the NiGEM (National Institute Global Econometric Model) macro-economic model.

For Acute risks for Small Business (turnover $<$ 50 mln) we use instead an adaptation of the methodology for acute risks for real estate exposure. In particular we use the tangible asset of the corporate instead of the collateral value and we use the headquarter address of the corporate for the geolocation.

Once the monetary impact (increase in costs) for the j -th corporate and projection year t has been calculated, we propagate this impact through the profit&loss and asset&liabilities of the corporate. We then recompute the PD through our internal model and we apply the relative change of the PD to the current ECL to estimate the impact on our capital (through the increase in provisioning).

The calculations have been carried out for the following climate scenarios:

- ◇ Delayed transition
- ◇ Current policies
- ◇ Net zero 2050

4.3.2.3.2. Non-Financial Corporate, Transition Risk Model

This methodology follows the indications of the European Central Bank and allows to obtain a forward-looking assessment of transition risk impacts. The perimeter on which it is applied is limited to corporate exposures, for which additional costs are expected to be generated by the expenses due to carbon cost and GHG emissions. These higher cost items lead to a deterioration of the financials, thus impacting the probability of default (PD) through the internal model. The impact of these factors ultimately results in the presence of an additional amount of estimated Loan Loss Provisions (LLPs) (included in the Group Stress Test framework) due to transition risk impacts.

This process follows two main steps:

- ◇ Firstly, the projected variations of the balance sheet parameters were estimated, through the different time horizon considered. For both short-term and long-term horizons the working group chose a parametric Gross Value Added method (GVA projection);
- ◇ Then, after estimating the prospective variations, the forward-looking balance sheets and the forecasted probabilities of default were computed.

As for the projections over the short and long terms, it was assumed that the operating income followed the same trend as the GVA, since it directly explains the development of the economy.

Equation 1 – Short and Long Term Operating Income

$$\Delta \% \text{ Operating Income}_{t,t+1} = \Delta \% \text{ Gross Value Added}_{t,t+1}$$

The same reasoning was extended to the other balance sheet items (total revenues, total assets, total debt, total equity) as outlined in the previous section.

Balance sheets were forecasted for short and long-term scenarios. The time span considered for short and long-term projections includes three decades and the prospective years of interest are the 2024, 2025, 2030, 2035, 2040, 2045 and 2050.

A second projection is performed, in order to introduce the climate component in the bottom-up projection framework. Starting from the forward balance sheets provided by the GVA projection, the working group decided to include the climate component in the model as an operating cost to subtract to the operating income. Indeed, the climate cost is considered as an operating expense because it provides an estimate of the amount a company pays for the consumed tons of CO₂.

The climate cost is expressed as the product between the carbon cost and the GHG emissions, without including the prospective reduction of the current GHG emissions.

Indeed, the climate cost for all scenarios was defined as:

Equation 2 – Climate Cost formula

$$\Delta \% \text{ Operating Income}_{t,t+1} = \Delta \% \text{ Gross Value Added}_{t,t+1}$$

where Carbon Cost is obtained from Oxford Economics scenarios¹⁵, Scope1 and Scope2 Emissions from Sustainalytics, S&P Trucost, or PCAF (if missing).

With these impacts (GVA only vs GVA + Climate Cost) we compute an ECL Climate Impact as outlined in the previous section through an impact of the Climate cost on the internal model PD.

$$PD \text{ Climate Impact} = \frac{PD_{GVA + Climate Cost}}{PD_{GVA}}$$

4.3.2.4. Operational Risk Climate Stress test

Impacts of the quantification of the risks in scope (in terms of VaR) are determined by a means of a scenario analysis: i.e., material assets damages (such as real estate properties), IT systems dysfunctions (from outsourcers) and greenwashing.

The material assets damages scenario (which is intended to capture physical risk) allow to estimate losses from real estate assets after a disruptive event occurred it implies the need to restore damaged buildings, artworks, and offices equipment. IT system dysfunctions scenario considers physical risk as well: it assumes a heat wave that leads to an electricity blackout at a primary outsourcer, resulting in costs or revenue losses affecting Mediobanca Group. Last scenario is related to a greenwashing episode (it is applied to MB SGR), and it deals with reputational damage: it assumes a fine imposition by the competent authorities after an inspection in which uncovers that the company's investment portfolios include a significant portion of investments not compliant with the ESG standards.

KRIs calculated over the short, medium, and long term depend on 90 % VaR projections on the 3rd, 5th, and 10th year forecast respectively. For the estimation, scale factors derived from the total income forecasts/budgets were used.

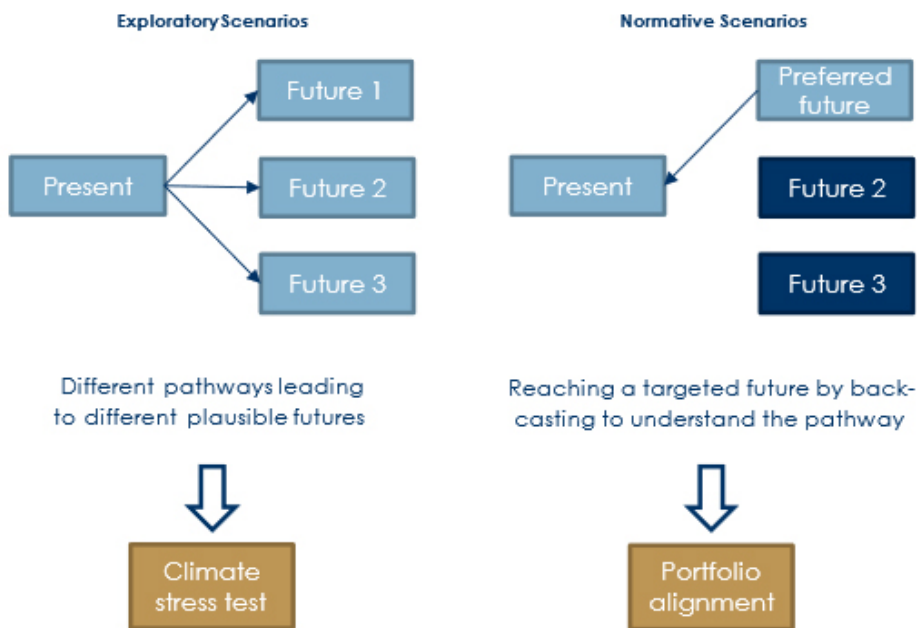
4.4 Scenario analysis for climate stress testing in the ICAAP context

To incorporate the climate risks and opportunities mentioned above into the Group's strategic positioning and delineate the Bank's approach to the decarbonization paradigm, scenario analysis exercises have been and continue to be run periodically. Since scenarios describe plausible future projections under different assumptions, they enable the Bank to analyse its approach with a forward-looking perspective.

Climate scenarios can be classified into exploratory and normative pathways. where:

- ◆ **Exploratory scenarios** allow what-if risk analysis to be performed: they outline possible future developments if a series of assumptions comes true. They answer questions such 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**, conversely, specify the sector pathways required to reach a certain goal. They answer questions such as: "what actions should be taken 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 illustrated in section 5.1.

15. Nominal Prices have been taken from OE for all scenarios.

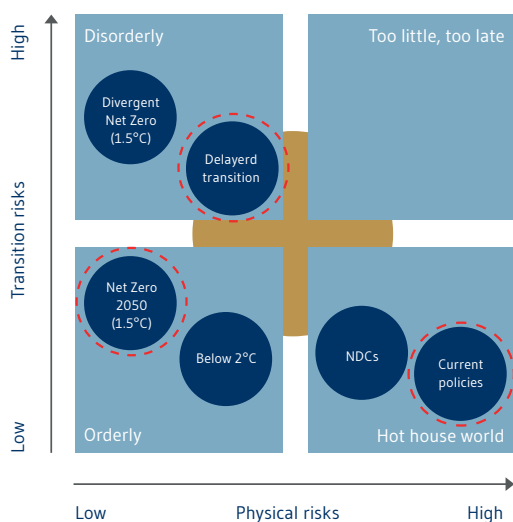


As a first step in applying scenario-based analysis in the context of the ICAAP, the selection of the climate scenario is required.

The Transition Risk scenarios build upon 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.

The ECB scenarios themselves are based on three of the six NGFS scenarios shown in Figure 21 (the dotted scenarios).

Figure 21 Overview of the NGFS scenarios.



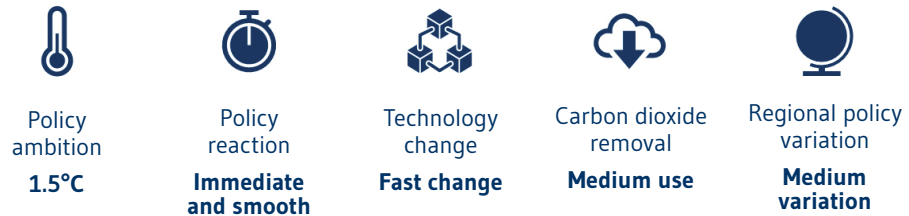
Scenarios are indicated with bubbles and positioned according to their transition and physical risks. (Source: NGFS)

An overview of the three ECB scenarios is provided here for reasons of simplicity.

◆ The **orderly scenario** is based on the NGFS Net-Zero 2050 scenario and it assumes that climate

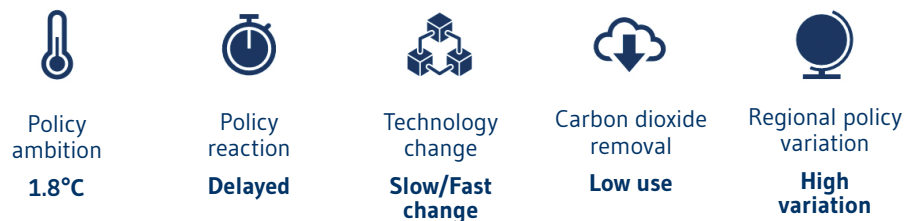
policies are introduced early and gradually become more stringent. Net CO₂ emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot.

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.¹⁶



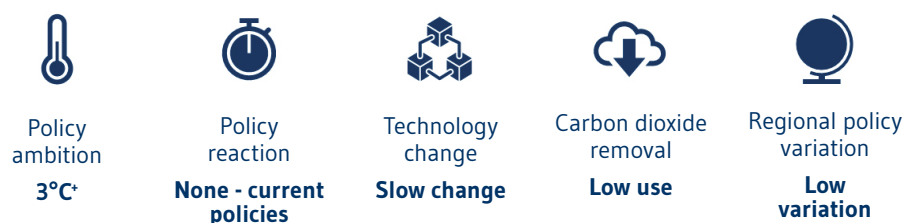
- ◇ The **disorderly scenario** is based on the NGFS's Delayed Transition scenario and it assumes that new climate policies are not introduced until 2030. Therefore, global annual emissions exceed the carbon budget temporarily, declining more rapidly after 2030 to ensure a 67% chance of limiting global 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 result of delayed policy implementation, the scenario explores higher physical and transition risks compared to the orderly transition one, due to the resulting higher global average temperature increase.



- ◇ The **hot house world** scenario is based on the NGFS's Current Policies scenario and 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.¹⁷



16. NGFS.
17. NGFS, ECB.

The Group includes climate and environmental aspects for all the main risk dimensions over short-, medium- and long-term timeframes as part of the ICAAP stress test exercise. The aims of the analysis are the same as those indicated by the European Central Bank,¹⁸ i.e. to 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.”*

To evaluate the Group’s capital adequacy while also considering climate-related risks, Mediobanca incorporates a climate-related scenario analysis within the ICAAP bottom-up stress test performed at Group level. This analysis enables a forward-looking approach by separately considering transition and physical risks. The results are presented to senior management and the Board of Directors alongside the ICAAP report approval.

By including a climate-environmental scenario, the Group can assess the impact on the Group’s capital indicators through the relevant transmission channels of climate transition and physical risks.

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, categorized as follows:

- ◇ External macroeconomic factors: linked to changes in major 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 changes in asset prices and financial instruments, also influenced by new investors/ consumers preferences for specific markets/ sectors less exposed to climate-environmental risk factors.

When taking into consideration a forward-looking assessment of transition risk impacts this methodology follows the indications of the European Central Bank. The perimeter on which it is applied is limited to corporate exposures, for which additional costs are expected to be generated by the expenses due to carbon cost and GHG emissions. These higher cost items lead to a reduction in the financial KPIs, impacting the probability of default (PD) through the AIRB models. The impact of these factors ultimately results in the presence of an additional amount of estimated LLPs (included in the Group ST framework) due to transition risk impacts.

This process follows two main steps:

- ◇ Firstly, the projected variations of the balance sheet parameters were estimated, through the different time horizon considered. For both short-term and long-term horizons the working group chose a parametric method;
- ◇ Then, after estimating the prospective variations, the forward-looking balance sheets and the forecasted probabilities of default were computed.

Details of the methodologies used for each transmission channel are illustrated in the following sections.

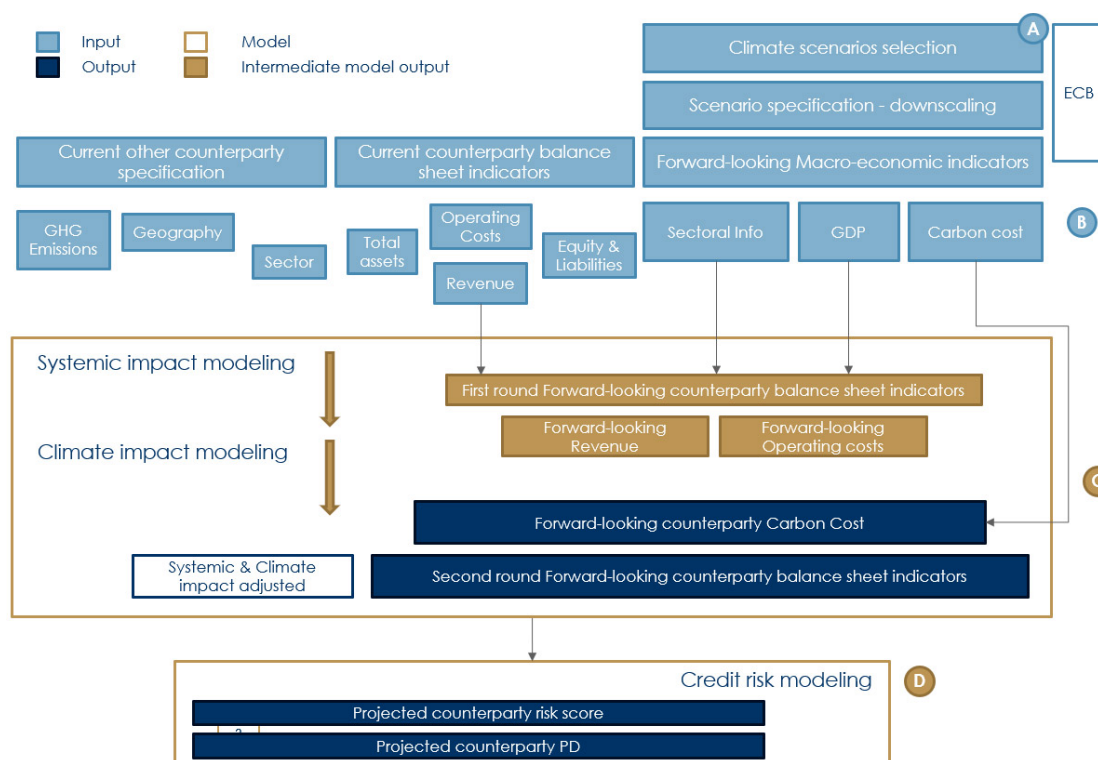
18. ECB Guide on climate-related and environmental risks, 2020.

Credit risk

Transition risk – Corporate Exposure

As already pointed in paragraph 4.3.2.3, Mediobanca calculates prospective company financial statements and a new score and rating class by leveraging the internal rating model used for AIRB purposes. The new score and rating class take into account both macroeconomic shocks and the carbon cost component according to the chosen scenario. Counterparties' GHG emissions projections are derived from ECB predictions and the company's current emissions and plans (i.e., net-zero targets). Each counterparty's carbon cost is integrated into projected counterparty's balance sheet indicators.

The following diagram summarizes the methodology used for **Climate transition credit risk**:



Physical risk – Corporate Exposure

For **physical risk**, the methodology differs for real estate and corporate counterparties:

- ◆ **Real estate counterparties:** Commercial and residential real estate price shocks are assessed for the Group portfolio for different type of risks: flood, landslide, seismic and costal erosion. The assessment is based on the assets' locations and relevant maps derived from governmental agencies' (i.e. ISPRA for flood and landslide in Italy). The impact evaluation modulates the assets vulnerability. Real estate price shocks impact the collateral value and thus the Loss Given Default of secured positions.
- ◆ **Corporate counterparties:** The Group has conducted a physical risk forward-looking assessment. As already pointed in paragraph 4.3.2.3, methodology takes into consideration both acute and chronic physical risks differentiating between Global Corporate and Small Business.

Market risk

Mediobanca currently includes all equity and bond instruments in this analysis, accounted for at Fair Value Through Profit and Loss, plus Held for Trading and derivatives positions involving these instruments, provided they are held directly 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. For further details on methodologies please refer to paragraph "Climate VAR Section 4.3.2.1

Operational risk

Operational risk climate stress testing leverages on the disorderly scenario. For further details on methodologies please refer to paragraph "Operational Risk Climate Stress test Section 4.3.2.4.

4.5 Climate risk in the Group's Risk Appetite Framework

A detailed description of the climate risk metrics and triggers that have been included in the Group's Risk Appetite Framework is provided below.

4.5.1. Credit risk

◇ Environmental high-risk exposure (lending portfolio)

The indicator is derived on the internal risk assessment conducted as part of the ESG Heatmap (see section 4.3.1.1), which was developed at sector level to identify potential risks to ESG factors in the Wholesale Banking portfolio for Mediobanca and Mediobanca International. This assessment is recalibrated to incorporate the peculiarities of the Bank's portfolio and the characteristics of its individual counterparties:¹⁹ **the metric is focused on the corporate loan exposure to high risk sectors related to the Environmental pillar.**

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

The indicator guides business decisions to align with the risk appetite and the commitment that the Group has made in terms of supporting the green transition. In this connection, the Group has 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 Financed Emissions over time, which are defined as per the Scope 3 Category of the GHG Protocol²⁰ (details in section 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 the WSB Portfolio counterparties' GHG emissions (Mediobanca SpA and Mediobanca International SA).

19. The recalibration process is based on the output of qualitative questionnaires for the counterparties analysed or on the information collected by the info-provider (IP) Morningstar-Sustainalytics, and the most recent Sustainability Report issued by the company wherever available. If none of the former is available, the assessment of the counterparties is based on the sector average data for the Heatmap.

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

The NZBA requires its signatories to measure and monitor Financed Emissions over time, as defined by the Scope 3 Category of the GHG Protocol (see section 5.1.11 for details). To monitor the exposure to non-financial counterparties (NFC) with a high dependence on carbon emission, Mediobanca has developed a portfolio emission intensity metric based on the Scope 1, Scope 2, and Scope 3 GHG emissions of the Wholesale Portfolio counterparties.

As suggested by the TCFD Recommendations and as indicated by the ECB,²¹ the calculation has been made based on the Global GHG Accounting and Reporting Standard for the Financial Industry (December 2022) compiled by the Partnership for Carbon Accounting Financials (PCAF). The calculation approach is aligned with the quantitative information the Group provides in the Pillar III disclosure.

The portfolio emissions intensity metric is defined as the sum of Scope 1-2-3 financed emissions (tCO₂e.) divided by the sum of the Gross Carrying Amount of the NFC's lending exposure, as follows:

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

4.5.2. Mortgages secured by real estate

In the area of credit risk, physical risk is defined as the potential impact of weather events and other environmental factors on a counterparty's creditworthiness or collateral value over the short, medium, and long term. The Bank identifies landslides, floods, and earthquakes as significant environmental risks that can cause severe damage to buildings, reducing the value of real estate used as collateral for loans.

To monitor this risk, the RAS metric focuses on Mediobanca Premier mortgage exposures secured by real estate, developing a methodology to assign a synthetic physical risk score to its mortgage portfolio exposures based on the collateral's location, as mentioned in the section 4.3.1.3.1. This classification aims to monitor and limit lending in high-risk areas.

The primary objective of the indicator is to monitor, through the synthetic physical risk indicator, the percentage of high and extremely high-risk loans granted in the quarter:

$$\begin{aligned} & \text{Mortgages secured by RE in high and extremely high-risk areas (\%)} \\ & = \\ & \frac{\text{Mortgages secured by RE in high and extremely risk areas granted in the quarter}}{\text{Total mortgages secured by RE granted in the quarter}} \end{aligned}$$

A similar analysis has been conducted on transition risk for Mediobanca Premier exposures secured by real estate. In the area of credit risk, transition risk is defined as the risk that the transition to a low-carbon economy, driven by specific EU and national regulations, may impact a counterparty's creditworthiness or the value of the collateral over the short, medium, and long term.

To monitor this risk, Mediobanca Premier has identified energy class level as a key factor affecting the value of real estate pledged as collateral for loans. The Bank aims to monitor the level of mortgages granted each quarter that are guaranteed by properties with an energy class of A or B, using a Transition Risk Indicator (see section 4.3.1.3.2. for further details). These energy classes indicate high efficiency and low consumption levels for the properties.

In order to monitor this risk, Mediobanca Premier has identified energy class level as the factor capable of affecting the value of real estate pledged as collateral for loans in the short, medium and/or long

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

term.

The Bank's objective is to monitor, by means of a Transition Risk Indicator, the level of mortgages granted during the quarter guaranteed by energy class A or B properties (see section 4.3.1.3.2. for further details), as these energy classes reflect a high degree of efficiency and hence also a low level of consumption for the property:

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

4.5.3. ESG clients' portfolios alignment

With the aim of ensuring that investment decisions consider ESG factors and align with MiFID ESG clients' preferences – the ESG criteria that clients wish to prioritize in their investment portfolios, as outlined under the Markets in Financial Instruments Directive (MiFID) II regulations - the Group is beginning to monitor the minimum percentage of clients' portfolios exposure in ESG products at Mediobanca Private Banking and Mediobanca Premier.

4.6 Climate risks in Mediobanca assets

Group assets' climate risk is analyzed in accordance with requirements described in the Group Business Continuity Management Directive at a minimum frequency of at least once a year. Banking and Mediobanca Premier.

4.6.1 Methodology

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

The business continuity framework implemented within the Group, and the risk analysis process that forms part of it in particular, considers, among other things, the effects of the physical risk (and acute events in particular) on those critical assets.

The analysis considers both the probability and impacts of specific threats on three critical types of assets:

- ◆ Human resources,
- ◆ The locations where the critical Group processes take place,
- ◆ The ICT components essential to maintain data and services supporting critical processes.

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

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 risk analysis maps and evaluates hazards according to different scenarios. The climate-related hazards and corresponding scenarios comprised in the model are shown in the table below:

The resulting risk evaluation stems from analysis of both direct and indirect impacts, such as, for example, recovery costs or the reputational damage generated by the adverse event. Conversely, adverse event probability is estimated starting from highly specialized external institutions' datasets, including those of the Regional Agencies for Environmental Protection. Risk is therefore evaluated according to impact, probability, and mitigation measures in place, in the final form of residual risk.

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

4.6.1.2. Results

Each Group's Legal Entity applied the methodology described above. All the locations where the Group's critical processes are executed don't show a risk level higher than the medium for 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 put in place.



Metrics and Targets



MEDIOBANCA

5. Metrics and Targets

5.1. Portfolio Target

5.1.1 Sectoral portfolio alignment and targets

In line with its commitment, the Bank actively measures, discloses, and monitors its financed emissions. The Group is developing a comprehensive plan for transitioning towards a low-carbon economy, and is expanding its efforts to reduce emissions across various of the sectors in which it operates. This includes establishing sector-specific targets for key industries with carbon-intensive processes or value chains, identified by NZBA as priority. In line with the initiative's objectives, the Group has set targets for all sectors that are currently relevant in the Bank's portfolio: due to the volume of the exposure in the financial portfolio, the share of absolute GHG financed emission (with respect to the whole portfolio), the availability of levers to manage the climate-related issue, or the availability of data.

Hence, **Mediobanca published the remaining sector-specific objectives** for these areas, ensuring a holistic approach to emissions reduction: **Oil & gas, Shipping, Iron & Steel and Chemicals**.

Other sectors required by NZBA not included in the target setting are not relevant for the Group to date, in particular:

- ◇ Coal: the Group has no exposure to this sector (see section 3.2.1.1);
- ◇ Agriculture: the Group has no exposure to this sector (see section 3.2.1.1)¹;
- ◇ Real estate: the household mortgages covers nearly 24% of the financial exposure, but the relative financed emissions do not exceed 2% of the whole Group's emissions. The weak levers toward these counterparties and the low flexibility in term of decarbonization strategy to be applied to the asset, has led the Group to not consider material this sector and exclude it by the target setting activity. Even the Corporate mortgages represent a marginal share both in term of GCA as in financed emissions.

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.

Accordingly, the GEVA targets have been restated using a more challenging pace of reduction that guarantees coherence with the Template 3 of the Pillar III disclosure, and they have been calculated using the Gross Carrying Amount as at 30 June 2024, in order to publish consistent targets between the Group's disclosures.

1. According to NACE codes A01, A02 and A03, considering a specific value chain not extended to the "Food and Beverage" sector.

Another minor change refers to the inclusion of the Motor Vehicle Loans (MVL) assets, where those linked to Households have been excluded by the perimeter due to their irrelevance (less than 1% both in term of GCA and financed emissions). Conversely, MVL linked to Corporates have been included in the Automotive target sector, in relation to vehicle financing, and in the sectors of the counterparty if related to the financing of outfitting and/or other types of credit not strictly related to the vehicle. These exposures are negligible therefore it was not deemed necessary to update the target.

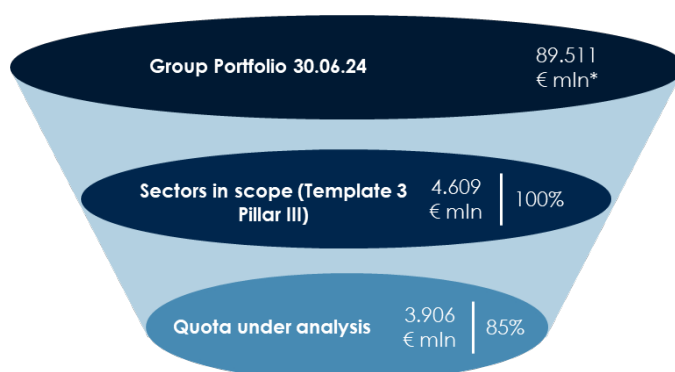
As the previous financial year, the scope of the exercise includes the whole Group's lending and investment portfolio (see following section).

5.1.2 Product and sectoral scope

The analysis was performed on the Group's lending and investment portfolio as at 30 June 2024 for the following Group Legal Entities, which account for virtually all the Group's credit and investment exposures: CMB Monaco, Mediobanca Premier S.p.A, Compass Banca S.p.A, MBFACTA S.p.A and SelmaBipiemme Leasing S.p.A..

The Group's investment and lending counterparties belonging to the sectors aligned to the EBA Pillar III Template 3 definitions represent an exposure of approx. €4.61 bn, of which the Automotive sector accounts for the largest share (31% of the total portfolio volume), followed by the Chemical sector (24% of the total portfolio volume). The Power and Oil&Gas have respectively the same share of 17% of the total portfolio volume, while Aviation, Cement, Shipping, and Iron & Steel sectors amount together for roughly 9% of the total portfolio. These sectors together represent 85% (€3.91bn) of the Template 3 exposure.

According to the info-provider Standard and Poor's (S&P) Global, complemented by the emissions data disclosed or notified to the Group by certain counterparties not covered by S&P, data is available for 85% of the total exposure attributable to the sectors defined granularly in EBA Pillar III Template 3. In particular, a good coverage has been achieved for the sectors where the SDA approach was used: 48.1% of the Automotive, 42.5% of the Power, 33.2% of the Cement, 32.5% of the Oil & Gas. The only sector with a low coverage is the Aviation with 6.7% because the majority of the counterparties in Bank's portfolio are airports: it necessary to underline that the methodology cannot be applied to all the counterparties included in these sectors (see the following section).



The analysis was performed on this covered exposure in order to ensure better control of changes in the data over time, thus avoiding the need to introduce further approximations. The approach is also supported by the high percentage of coverage achieved.

In order to enhance comparability with the calculation of portfolio's Financed Emissions (see section 5.2), for which the PCAF standard requires drawn lending exposure to be used instead of

committed exposure, the Portfolio Alignment Target Setting activities have been carried out taking the former into account rather than the latter.

5.1.2.1 Overview of methodology and targets

Mediobanca has classified the counterparties using a managerial NACE code (Nomenclature of Economic Activities), as closely aligned as possible to the counterparty's actual activity. This step is essential in order to focus on counterparties belonging those sector codes that fall within the Pillar III Template 3 reporting and NZBA requirements. Such a selective approach has enabled targeted analysis and action for specific sectors.

Having determined the counterparties to be included in the analysis, as well as obtaining data through direct engagement with the largest counterparties, Mediobanca has also evaluated the availability and suitability of metrics publicly disclosed by such counterparties to the market, as compiled and processed by Standard and Poor (S&P) Global.

The counterparties belonging to the NACE codes required by Pillar III have been analysed based on the Sectoral Decarbonization Approach (SDA) methodology, in cases where the appropriate physical intensity metric was available for them, and on an economic intensity-based methodology ($tCO_2eq/revenue$) where the counterparty or sub-sector was not covered by the SDA or associated physical intensity counterparty data was not available². By using these two methodologies, Mediobanca has extended the boundaries of the targets to match the sub-sector coverage required by Pillar III as closely as possible.

Sectoral Decarbonization Approach

The Sectoral Decarbonization Approach (SDA) is a 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. For the sectors covered in this analysis, the SDA physical intensity metrics chosen were as follows:

AUTOMOTIVE	POWER	AVIATION	CEMENT	OIL & GAS
$\frac{gCO_{2eq}}{vkm}$	$\frac{tCO_{2eq}}{MWh}$	$\frac{tCO_{2eq}}{pkm}$	$\frac{tCO_{2eq}}{ton\ cement}$	$\frac{gCO_{2eq}}{MJ}$
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	Grams of CO ₂ equivalent per MJ of energy supplied

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 version of the SBTi SDA addresses 1.5°C targets for only some of the sectors referred to above. The SBTi power and cement methodology has been replicated for the other sectors, and extended generally to be used as a benchmark in the IEA NZE 2050 scenario, as required by EBA Pillar III Template 3 regulations. The percentage reductions required depend on the sector, the

² In the SDA methodology, the intensity target is set by the reduction of emissions relative to a specific sector physical metric, such as the company's production (e.g., one ton of CO₂e per ton of product produced), while in the economic intensity methodology, the target is set by a constant economic intensity reduction rate.

chosen scenario benchmark, and the time period considered (between baseline and target year).

As far as emission scopes are concerned, this methodology considers only 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;
- ◇ Oil&Gas: Scope 3.

Economic-intensity based method

The method has been 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.

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

Mediobanca has chosen to use revenues, because, according to the EU Technical Expert Group, it allows for more direct comparison of the abilities of the different companies within the sector to decarbonize their activities, compared to EVIC. Furthermore, the use of this denominator is required by SBTi, which prefers revenue as it is more consistent with the definition of GDP used in the scenario benchmark. As a result, this methodology leads to 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 has chosen to include the Scope 1 and 2 emissions in this methodology.

Scenario selection

Both methodologies refer to the International Energy Agency's (IEA) 2022 Net Zero by 2050 scenario. This scenario is in line with the NZBA criteria, is required by EBA Pillar III, and 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. This scenario is also widely used in the banking sector, thus ensuring comparability of targets and disclosures.

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

Using the International Energy Agency's sector 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 sector's total direct emissions in a given year and the total productive activity of the sector in the same year, thus providing a sector 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 over time of the data points provided by the International

Energy Agency.

As far as the GEVA method is concerned, in order to better comply with the requirements of the EBA Pillar III, the economic-intensity based method, has been updated and aligned with the estimated annual reduction of the IEA NZE 2050 scenario: an overall reduction in emissions (gross of CDR contribution) over GDP of around 47.3% by 2030 compared with 2022 levels, which gives a 7.7% cumulative annual reduction. This update was applied to all the GEVA targets set in the previous years and to all the new targets set during this financial year.

DATA QUALITY AND METODOLOGY

S&P Global derives company emissions, revenue and production metrics, when possible, from direct disclosures by the counterparties. This allows it to track counterparties' performance over time and to directly engage with them to update the data in a timely manner, when decarbonization actions are implemented.

The Group recognizes that baseline and targets may vary in time due to updates in Pillar III or NZBA requirements, scenario updates, widening of the scope of analysis or other drivers. If any of these changes occur, disclosure will be given of the changes themselves and the reasons for them, triggering a baseline or target recalculation if necessary.

Target overview

The Group prioritizes the SDA method because it relies on objectives declared directly by counterparties or more robust estimation methodologies. On the contrary, the GEVA method, which is subject to high volatility, uses percentage reductions derived from Group's estimates and compulsorily allocates them to counterparties evaluated under this approach. The Group mainly uses GEVA method for monitoring and increasing coverage of analyzed volumes.

Here follows a representation of the progress of targets already set and the new ones, according to the best methodology available.

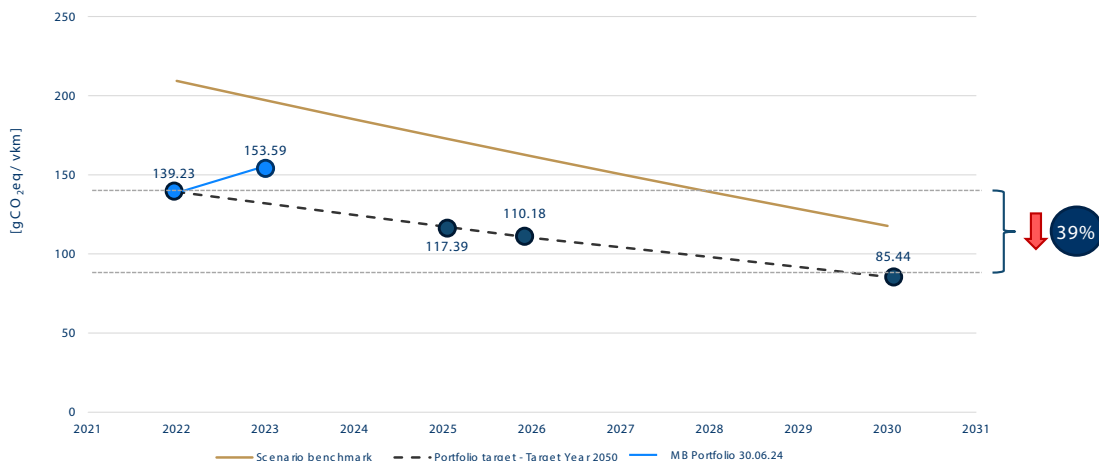
5.1.3 Automotive sector

The portion accounted for by the automotive sector, which is equal to 31% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar III Template 3, amounts to €1.44bn in terms of the Gross Carrying Amount.

The analysis covered a total volume equivalent to 82.5% of the automotive portfolio, with 48.1% examined using the SDA methodology and 34.4% assessed through the economic intensity methodology. It should be noted that a substantial part of the counterparties considered belong to sub-sectors not covered by the SDA methodology (e.g. vehicle components manufacturers).

The graph below shows the IEA NZE 2050 scenario, the SDA portfolio baseline, and the **SDA portfolio targets** for 2026 and 2030 that imply 21% and 39% reductions in emission intensity with respect to the 2022 baseline respectively.

It is worth noting that the Group's baseline emissions intensity is better than the IEA global baseline data, and the defined target reflects higher ambition in terms of target value than both the 2026 and 2030 scenario values.



The sector has **recently suffered a setback on green transition issues**, mainly due to concerns over the economic slowdown that has required many car manufacturers to optimize their operational costs and transition expenses, with many having **revised their industrial targets for production of electric cars and industrial vehicles downwards, as well as their decarbonization targets**. This in part justifies the increase in the reading for 2023, despite the scope of counterparties included in the portfolio remaining substantially unchanged. At the same time, it is worth noting that the **actual figure is still below the scenario trajectory**.

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: incentivizing low-carbon technologies; promoting the use of renewable energy sources in automotive production; and promoting investment in, and adoption of, environmentally friendly solutions such as electric vehicles (EVs) and fuel-efficient technology. Mediobanca is willing to work with automotive counterparties in order to significantly reduce their carbon footprint and align with the Net-Zero 2050 scenario.

- ◇ Promote the reduction of their scope 2 emissions continuing with the purchase of electricity from renewable sources certified through Guarantees of Origins to meet its energy needs;
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to undertake reduction paths and achieve the set targets;
- ◇ Include physical climate risk ranking in the choice of a supplier. Prepare response plans for suppliers most likely impacted by climate change. Evaluate double sourcing of critical suppliers located in area impacted strongly by Climate Change;
- ◇ Promote the Research and Development of new No-ICE technologies to align with the European Regulations and the shifts of the global demand.

The **economic intensity** target requires a 7.7% cumulative annual reduction, translating into an approx. 21,5% by 2025 and an approx. 47% reduction by 2030 with respect to the 2022 baseline. Therefore, the counterparties’ tCO₂eq Emission (Scope 1 + Scope 2)/\$ (revenue) should decrease from the 48.4 baseline to approx. 38 in 2025 and approx. 25.5 in 2030.

5.1.4 Power sector

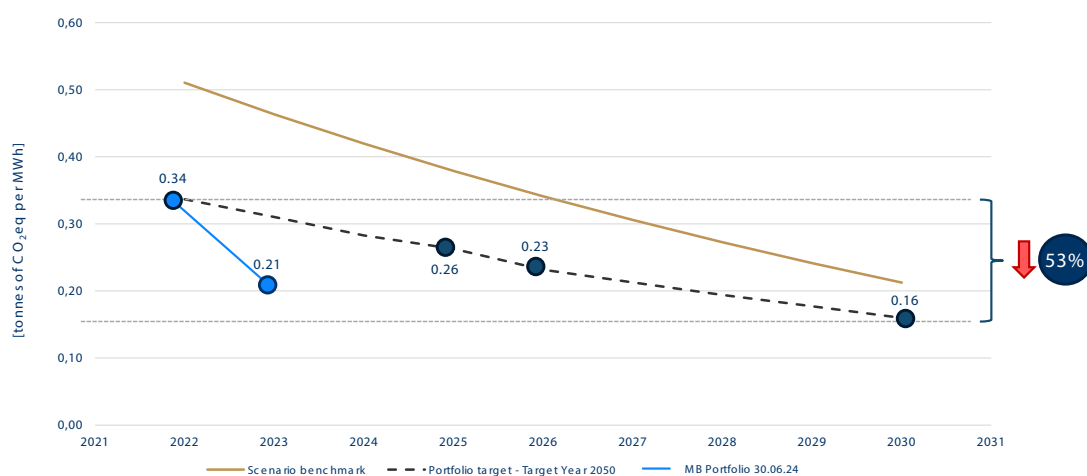
The power sector accounts for 17% of the total investment and lending exposure (vs the 24% of the previous FY) in the sectors granularly defined in EBA Pillar III Template 3. This percentage, in terms

of Gross Carrying Amount, is equal to €793 mln. The total volume covered and analysed using the two methodologies described above is equal to 83.4% of this €1.14bn, with 42.5% analysed by SDA (with respect to 28.5% of the FY 22-23) and 40.8% by the economic intensity methodology. It should be noted that many counterparties considered belong to sub-sectors not covered by the SDA methodology (e.g. companies operating not in generation but in distribution/transmission network infrastructure).

The graph below shows the IEA NZE 2050 scenario, the SDA portfolio baseline, and **SDA portfolio targets for 2026** and 2030, that implies reductions in emissions intensity of 32% and 53% relative to the 2022 reference scenario respectively.

As in the case of the automotive sector, the Group's baseline power sector emission intensity is better than the IEA global baseline data, and the defined target reflects higher ambition in terms of target value than both the 2026 and 2030 scenario values.

SDA METHOD – EMISSION TARGET FOR 2025 and 2030



The actual data for 2023 shows a sharp decline in intensity, mostly linked to a **temporary reduction in our exposure towards this sector, particularly versus certain carbon-intensive counterparties**. While the target has improved beyond short-term expectations, the exposure should normalize over time, in line with the previous trend. In the medium term, the impact of EU regulations could speed up or slow down energy transitions and funding trends for power companies. To achieve net-zero emissions for the power sector by 2050, Mediobanca will continue to support counterparties that plan to increase their renewable energy share and to deploy energy efficiency initiatives, together with an increase in green financial products.

- ◇ Promote energy production from renewable sources to reduce direct emissions and to work towards the European Renewable energy targets;
- ◇ Manage efficiently the assets under management to minimize indirect emissions related to internal energy consumption;
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to develop and increase the resilience of the energy grid to increase the flexibility needed to support a higher percentage of renewable electricity;
- ◇ Develop response plans in case of a major climate events occurring in the areas surrounding the plants disrupting logistic for several days up to a week;
- ◇ Promote the Research and Development to promote low-emissions technologies to align with reduction paths and achieve the set targets.

- ◇ Be aligned with Mediobanca’s ESG responsible investment and “exclusion” policies³:
- ◇ In accordance with the commitment made by the Group in terms of tackling climate change, operations are not permitted for clients operating in the energy production sector in cases where there are power stations supplied from coal and/or oil and gas from unconventional sources (e.g. Shale oil and gas, tar sands, and oil and gas resources located in the Arctic region), if the revenues attributable to the activities referred to under points a) and b) related to such fuels represent, jointly or individually, more than 10% of their total sales.

The **economic intensity** targeted reduction of approx. 21.5% by 2025 and approx. 47% by 2030 relative to the 2022 baseline would translate to the counterparties’ tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 607.4 baseline to approx. 477 in 2025 and approx. 320 in 2030.

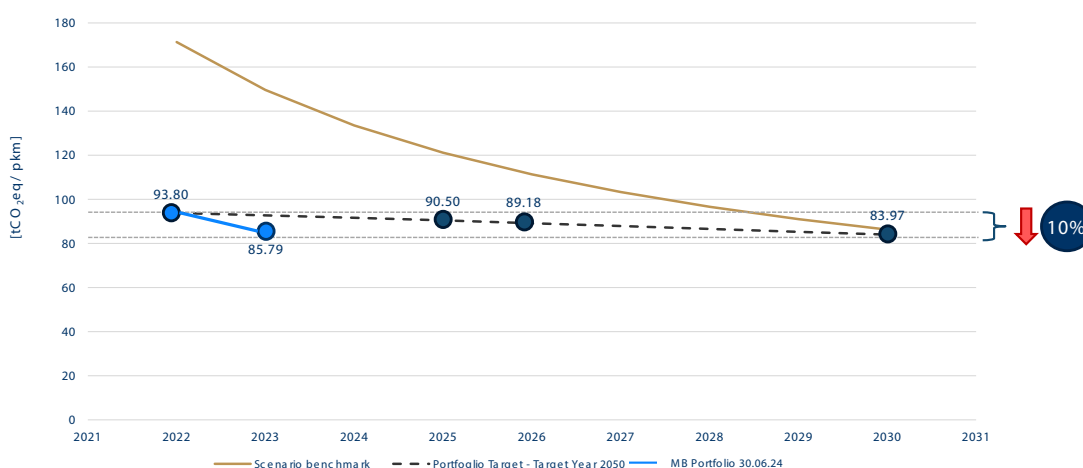
5.1.5 Aviation sector

The portion accounted for by the aviation sector, equal to 6% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar II Template 3, amounts to €261m in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 72.5% of the aviation portfolio, with 6.7% examined using the SDA methodology and 86.6% assessed through the economic intensity methodology since the Group’s portfolio is mainly active in the airport sector, for which the SDA methodology is not available.

The graph below shows the IEA NZE 2050 scenario, the SDA portfolio baseline, and the **SDA portfolio targets** for 2026, that imply a 5% reduction in emission intensity relative to the 2022 baseline and a 10% reduction by 2030. As is the case with the automotive and power sectors, the Group’s baseline emission intensity is better than the IEA global baseline data and the defined target reflects higher ambition in terms of target value than the 2025 scenario value.

SDA METHOD – EMISSION TARGET FOR 2025 and 2030



The number of counterparties covered by the SDA methodology is currently very limited, and these few airline carriers have set net-zero targets. This explains the current good positioning of the 2023 data reported.

3. Further information available in the Group ESG Policy

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 in order to reduce emissions. The Group will encourage the transition to renewable energy sources for airport operations and ground activities.

- ◇ Promote the reduction of their scope 2 emissions continuing with the purchase of electricity from renewable sources certified through Guarantees of Origins to meet its energy needs;
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to undertake reduction paths and achieve the set targets, by promoting the availability and use of Sustainable Aviation Fuels (SAF) or Synthetic Aviation Fuel (e-fuels);
- ◇ Have implemented a strategy to improve air traffic management and other operations at the airport that will provide additional opportunities to reduce energy consumption;
- ◇ Promote the Research and Development of new low emissions technologies to align with the European Regulations and the shifts of the global demand, such as the obligation that all fuel made available to aircraft operators at EU airports contains a minimum share of SAF from 2025, a minimum share of synthetic fuels from 2030, with both shares increasing progressively until 2050

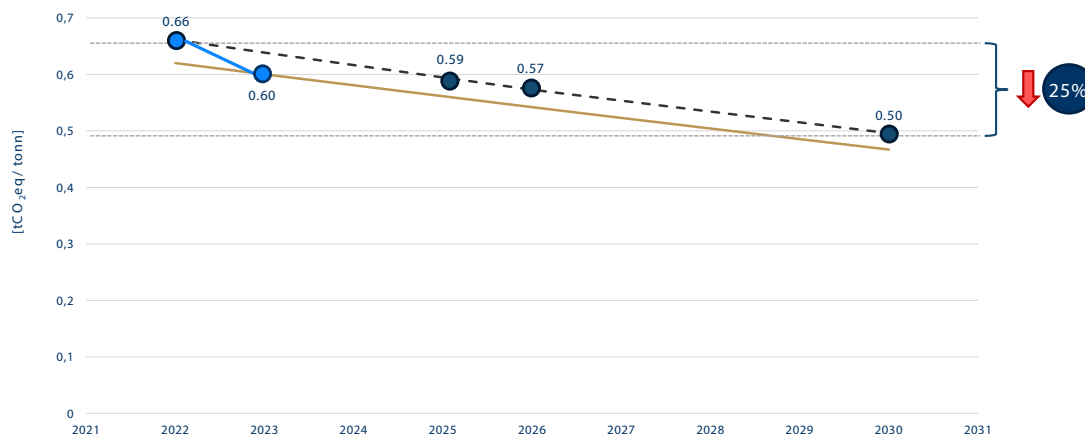
The **economic intensity** targeted reduction of approx. 21.5% by 2025 and approx. 47% by 2030 would translate to the aviation counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 69.7 baseline to approx. 57.8 in 2025 and 36.7 in 2030.

5.1.6 Cement sector

The portion accounted for by the cement sector, corresponding to approximately 2% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar III Template 3, amounts to €91mIn in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 94.7% of the cement portfolio, with a lower share of counterparties examined using the SDA methodology with respect to the previous FY (33.2% vs 48.5% in 22-23). Conversely 61.5% of the exposure has assessed through the economic intensity methodology. This reflect the exit of a counterparty monitored with SDA, in parallel with one new entry in portfolio without available data.

The graph below shows the IEA NZE 2050 scenario, the SDA portfolio baseline, and the **SDA portfolio targets** for 2026 and 2030, that implies a 16.7% and 25% reduction in emission intensity relative to the 2022 baseline respectively.



The target's trajectory remains above the scenario, which is due to the **sector's difficulties in reducing its impact** in the medium term, given the **lack of affordable low-carbon technology solutions**. There is a slight decrease in the reported intensity values for 2023, due to the exit of one counterparty covered by SDA methodology with above-average intensity from the portfolio. Mediobanca is currently backing this crucial sector, favoring counterparties with better disclosure and clear long-term net-zero targets.

To fulfil 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 in, and adoption of, 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 their environmental impacts by applying different initiatives, such as:

- ◇ Promote the reduction of their scope 2 emissions continuing with the purchase of electricity from renewable sources certified through Guarantees of Origins to meet its energy needs;
- ◇ Manage efficiently the assets under management to minimize emissions related to internal energy consumption, by promoting the availability and use of Hydrogen in the production processes instead of fossil fuels;
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to undertake reduction paths and achieve the set targets, by promoting the construction of energy efficient buildings to which the cement sector can significantly contribute;
- ◇ Promote the Research and Development of new low emissions technologies to align with the European Regulations and the shifts of the global demand, such as the promotion of Carbon Capture and Usage, techniques to lower the percentage of clinker in the product, or technologies to reduce the amount of cement needed during the construction phase.

The **economic intensity** targeted reduction of approx. 21.5% by 2025 and approx. 47% by 2030, would translate to the cement counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 214 baseline to approx. 168 in 2025 and approx. 112.4 in 2030.

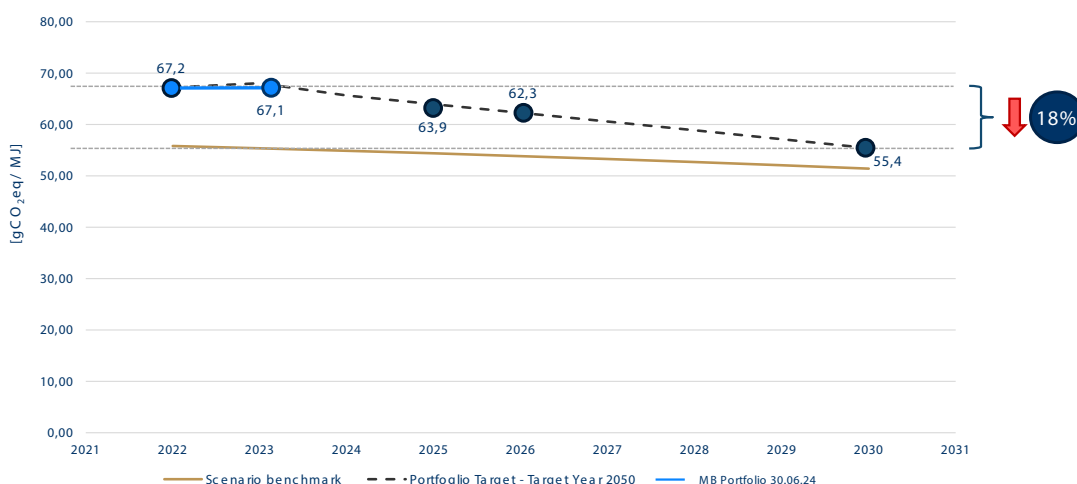
5.1.7 Oil & Gas sector

The Oil & Gas sector accounts for 17% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar III Template 3. This percentage, in terms of Gross Carrying Amount, is equal to €768 mln. The total volume covered and analyzed using the two methodologies described above is equal to 92.7%, with 32.5% analyzed by SDA and 60.3% by the economic intensity methodology. It should be noted that many counterparties considered belong to sub-sectors not covered by the SDA methodology (e.g. companies operating in oil or gas transmission network infrastructure), nevertheless the two main counterparties that effectively operate in the O&G production process are covered by SDA approach.

This is the only new sector covered by the SDA method, therefore the Group has set this target with the same baseline as the other SDA targets to ensure better comparability.

The graph below shows the IEA NZE 2050 scenario, the SDA portfolio baseline, and SDA portfolio targets for 2026 and 2030, that implies reductions in emissions intensity of 5% and 18% relative to the 2022 reference scenario respectively. It is worth noting that the Group's baseline emissions intensity is above the IEA global baseline data.

SDA METHOD – EMISSION TARGET FOR 2025 and 2030



The Group's baseline emissions intensity exceeds the global baseline value. Nonetheless, the proximity of the 2030 target to the IEA scenario shows that the **counterparties' targets included in the SDA analysis are more ambitious in the short and medium term than the 2030 scenario values.**

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.

To fulfil the Bank's vision of attaining net-zero financing for the O&G sector by 2050 as part of the decarbonization plan, a range of strategic measures will be strengthened, such as:

- ◇ Manage efficiently the assets under management to minimize indirect emissions related to internal energy consumption;
- ◇ Promote the Research and Development to promote CCUS technologies to align the company with the CO₂ reduction paths and to achieve the target emissions.

- ◇ Be aligned with Mediobanca's ESG responsible investment and "exclusion" policies :
- ◇ The Group does not provide financial products and services specifically related to projects to explore for or produce unconventional oil and gas resources;
- ◇ Further restrictions are applied to counterparties operating in oil and gas (processing, refining, storage and transport of oil and gas), based on which the Group does not finance and does not invest in companies which generate more than 10% of their turnover from unconventional oil and gas. This restriction also applies to the production of Liquefied Natural Gas (LNG) and to management of LNG terminals and pipelines used to transport oil and gas.

The **economic intensity** targeted reduction of approx. 21.3% by 2026 and approx. 42.8% by 2030, would translate to the O&G counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 292 baseline to approx. 230 in 2026 and approx. 167 in 2030.

5.1.8 Chemical sector

The portion accounted for by the Chemical sector, equal to 24% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar II Template 3, amounts to €1,01bn in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 88.5% of the Chemical portfolio, using only the economic intensity methodology.

The Group will encourage the transition to more sustainable product based on renewable sources and more efficient operations and initiatives, such as:

- ◇ Promote the reduction of their scope 2 emissions continuing with the purchase of electricity from renewable sources certified through Guarantees of Origins to meet its energy needs;
- ◇ Manage efficiently the assets under management to increase the energy efficiency, both in form of electricity and heat, within the plants through the Research and Development to implement the electrification of the sector
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to promote the recycling of plastic materials throughout their lifecycle;
- ◇ Develop response plans in case of a major climate events occurring in the areas surrounding the chemicals plants that may disrupt logistic for several days up to a week, as well to prevent accidental spillage of chemicals products in the environment.

The **economic intensity** targeted reduction of approx. 21.3% by 2026 and approx. 42.8% by 2030, would translate to the Chemical counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 74 baseline to approx. 58.2 in 2026 and approx. 42.3 in 2030.

5.1.9 Shipping sector

The portion accounted for by the Shipping sector, near to 2% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar II Template 3, amounts to €76 mln in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 58.0% of the Shipping portfolio, using only the economic intensity methodology since necessary data to develop the SDA method were not available for all counterparties in the Group's portfolio: generally small amounts financing a SMEs.

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:

- ◇ Manage efficiently the assets under management to minimize emissions, in line with the International Maritime Organization (IMO) requirements;
- ◇ Developing an engagement strategy along the Supply chain and strategic partners in order to undertake reduction paths and achieve the set targets, by promoting the availability and use of alternative fuels;
- ◇ Develop response plans in case of a major climate events that may cause operational disruptions from extreme weather events, causing costly downtime, in ports and affecting the supply chain as well as trade routes.
- ◇ Promote the Research and Development of new low emissions technologies to align with the European Regulations and the shifts of the global demand, such as the promotion and usage of bioenergy, hydrogen and hydrogen-based fuels as main energy source for the vessels.

The **economic intensity** targeted reduction of approx. 21.3% by 2026 and approx. 42.8% by 2030, would translate to the Shipping counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 21.3 baseline to approx. 16.8 in 2026 and approx. 12.2 in 2030.

5.1.10 Iron & Steel sector

The portion accounted for by the Iron & Steel sector, near to 2% of the total investment and lending exposure in the sectors granularly defined in EBA Pillar II Template 3, amounts to €92 mln in terms of Gross Carrying Amount.

The analysis covered a total volume equivalent to 26.6% of the Iron & Steel portfolio, using only the economic intensity methodology since necessary data to develop the SDA method were not available for all counterparties in the Group's portfolio: generally small amounts financing a SMEs.

To achieve the Bank's objective of making its financing for the Iron & Steel sector net-zero by 2050 as part of the decarbonization plan, the Group should continue to implement various strategies, such as:

- ◇ Promote the reduction of their scope 2 emissions continuing with the purchase of electricity from renewable sources certified through Guarantees of Origins to meet its energy needs;
- ◇ Manage efficiently the production plants to minimize emissions related to internal energy consumption, by promoting the availability and use of Hydrogen or other renewable energy sources in the production processes;
- ◇ Develop response plans in case of a major climate events occurring in the areas surrounding the Iron & Steel plants disrupting logistic for several days up to a week;
- ◇ Promote the Research and Development of new low emissions technologies to align with the European Regulations and the shifts of the global demand, such as the promotion of Carbon Capture and Usage, the substitution of conventional Blas Furnace – Basic Oxygen Furnace with Hydrogen-based steelmaking.

The **economic intensity** targeted reduction of approx. 21.3% by 2026 and approx. 42.8% by 2030, would translate to the Iron & Steel counterparties' tCO₂eq Emission (Scope 1+ Scope 2)/\$ (revenue) decreasing from the approx. 172 baseline to approx. 135.3 in 2026 and approx. 98.3 in 2030.

5.1.11 Portfolio-wide targets

Referring to Mediobanca's proprietary lending and investment portfolio, the Group has calculated emissions based on portfolio data as at 31 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.

For the base-year, the total GHG emissions (tCO₂e) considered in the target were approx.. 7 MtCO₂e emissions related to a portfolio Gross Carrying Amount as at 31 December 2022 of €14,609m.

By dividing the GHG emissions considered by Mediobanca's corresponding exposure, it is possible to calculate the baseline portfolio's emission intensity, which is equal to 482 tCO₂e/€m.

Portfolio Emission Intensity is therefore defined as:

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

Starting with this emission intensity baseline value, the strategic decarbonization plan aims to **cut emissions intensity by 18% by 2026 and 35% by 2030**, when Mediobanca also plans to completely end its involvement in the coal industry (see section 3.2.2.3 for details).⁴

During the financial year a change in intensity calculation has been applied: Due to potential volatility that could result from the gradual inclusion of category 11 of Scope 3 "Use of sold product" in the counterparties' disclosure, the Group decided to exclude this impact from the calculation of the financed emissions related to the perimeter under analysis. This exclusion has been made **only for the sectors enabling the energy transition** (i.e. "enabling" ex Regulation EU 2020/852 of the Taxonomy), **in order not to penalize counterparts that contribute to the objectives of combating climate change**. However, the exclusion was not applied to sectors targeted by the Net Zero Banking Alliance.

As of 30.06.2024 the **emission intensity reduction at 30.06.24 is approximately -10% compared to the baseline**. It is worth to underline that the portfolio has been affected by a temporary lightening due to market trends. While the target has improved beyond short-term expectations, the portfolio exposure should normalize in the next months, ensuring the achievement of the 2026 target.

5.1.12 Asset management targets

As for the Group's asset managers, 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: to reduce its carbon emission intensity by 33% by 2025 and by 50% by 2030. Some 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 working tirelessly on developing innovative solutions and integrating them into its investment processes. RAM AI favours companies that have good environmental, social and governance practices;

4. The above data refers to the 2023-26 Strategic Plan.

- ◇ Engagement: RAM AI believes that engagement is an important and effective way of nudging companies in the direction of Net-Zero. 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.

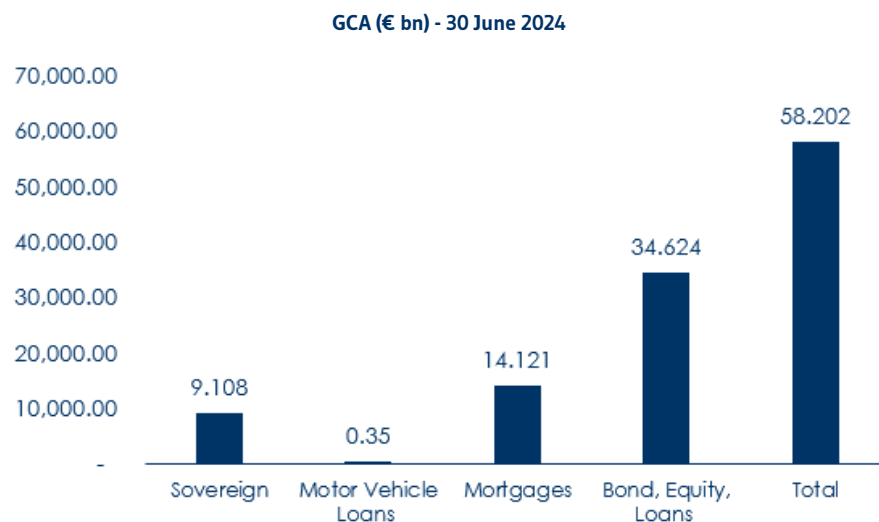
5.2 Financed emissions

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

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

In 2023 and 2024, other exercises were conducted to calculate the financed emissions, extending the reporting boundary to include more Group legal entities, **covering almost the whole Group on-balance banking book exposure.**

The exposures of Mediobanca S.p.A, Mediobanca International, CMB Monaco, Mediobanca Premier S.p.A, Compass Banca S.p.A, MBFACTA S.p.A, SelmaBipiemme Leasing S.p.A. as at 30 June 2024 in the following assets classes have been analysed, for a **total outstanding amount of €58.2bn**, which includes exposures to Corporates, Households and Sovereign, split as follows:



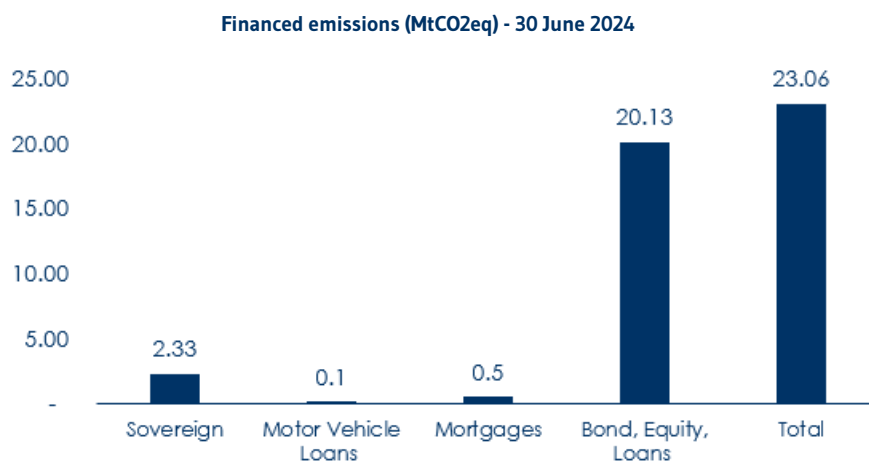
The PCAF methodology is used for greenhouse gas accounting, as recommended by the ECB and TCFD, and the Group is presenting the emissions calculations using it for all the applicable categories. Following the guidelines and scope of the current PCAF standard, general purpose loans to households, loans granted for building construction purposes and loans to local authorities were excluded from the calculation.

Mediobanca has quantified the emissions related to the Group portfolio as at 30 June 2024.

It is worth to underline that the Group reported in its TCFD Repot 2022-23 the cumulated calculation of the whole portfolio as of 31.12.22⁵.

Comparing to the previous reporting, while the GCA exposures have been substantially unchanged (€55.6bn compared to €58.2bn as of 30.06.24), the total financed emissions significantly increased from 12.69 to 23.06 MtCO₂eq. This change is **mainly attributable to the increase in financed emissions in Bond, Equity and Loans asset classes** (9.4 MtCO₂eq compared to 20.1 MtCO₂eq as of 30.06.24). For further details and a sector split, reference is made to section 5.2.2.1.

This graph below shows the GHG financed emissions portfolio breakdown:

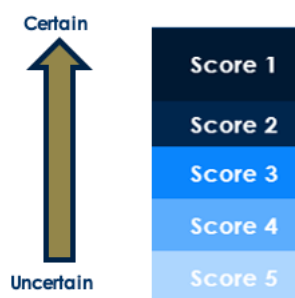


While the sovereign assets are relatively steady in terms of absolute emissions, mortgages and motor-vehicle emissions together make up 2.6% of the total portfolio financed emissions as at 30 June 2024. After this second exercise it is confirmed that these two categories have a low relevance to the Group's decarbonization strategy.

5.2.1 PCAF Standard

The PCAF provides detailed methodological guidance to measure and disclose the 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", and "Project finance"; the latter category is not applicable given the absence of such exposures in Mediobanca Group's portfolio.

The PCAF provides guidelines to ensure that institution's financed emissions are accurately tracked and reported. These guidelines emphasize the importance of data accuracy, thoroughness, 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 party, followed by 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 based on economic data (e.g. revenues) as 4, and emissions based on proxy data as 5.



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. The 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. Against this backdrop, Mediobanca aims to continually enhance the quality of its data over time.

The Group also recognizes the progressive nature of the emissions data and methods, which may be subject to further refinement as a result of Standard updates, data quality improvements, changes in scope, or other factors.

5.2.2 Equity, bonds and loans

The calculation was carried out based on the portfolio at 30 June 2024, and also compared to the values at 30.06.23 (available from the previous reporting only for this category), to ensure more accurate monitoring of changes in emissions over time.

The calculation comprises both the Scope 1 and 2 emissions of financial counterparties, and the Scope 1, 2 and 3 of industrial counterparties. The financial sector is not yet mature in terms of calculating financed Scope 3 emissions, even though these represent by far the majority of the sector's emissions: disclosed figures, when present, often represent only limited parts of portfolios.

Since the sector constitutes a far from negligible part of Mediobanca's portfolio under analysis on this occasion, in order not to provide partial figures that are highly likely to change, the financial sector has been excluded from the counterparty Scope 3 calculation. In particular, in line with the PCAF Standard, which does not currently require counterparty Scope 3 emissions to be disclosed for all counterparty sectors, the industries excluded from the Scope 3 analysis are those covered by NACE Rev. 2 two-digit codes 64 and 65.

5.2.2.1 Results

The Gross carrying amount for the categories “**Listed equity and corporate bonds**” and “**Business loans and unlisted equity**” totalled **€34.62 bn** as at **30 June 2024**, approx. **59.5%** of the Group’s total on-balance banking book financial portfolio exposure, and includes the following Group legal entities’ exposures: Mediobanca S.p.A and Mediobanca International, CMB Monaco, Mediobanca Premier S.p.A, Compass Banca S.p.A, MBFACTA S.p.A, SelmaBipiemme Leasing S.p.A..

Approximately the 82% of the above-mentioned volumes is made up of business loans (both to Non-Financial and Financial corporates). The remaining part consists for the 12% of listed equity and for the remaining 6% of bonds.

The relevant deviation compared to December 2022 and June 2023 is mainly due to the increase in scope 3 emissions for a limited number of counterparties. During the last financial years, in fact, these counterparties have **extended the scope 3 calculation to category 11 – Use of sold products**⁶.

Part of the difference is also due to the override of the NACE code conducted on some counterparties (especially Holding companies); in fact, a classification logic of economic activity has been adopted to identify a NACE sector as closely aligned as possible with the main type of business activity conducted by the counterparty itself.

The table below shows:

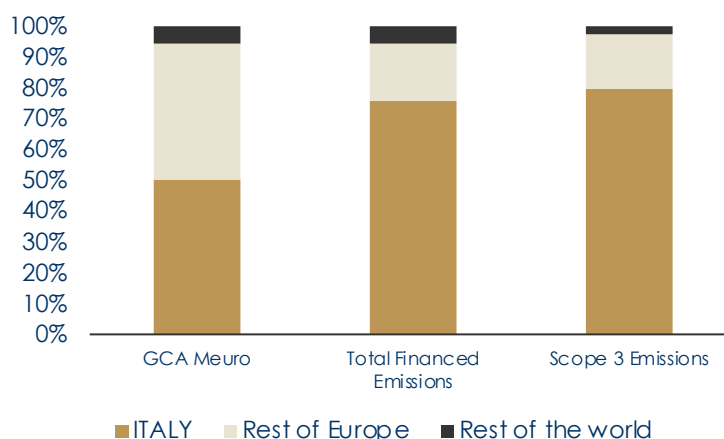
- ◇ Total absolute emissions, sub-divided based on counterparty scope of emission;
- ◇ Economic emission intensity, derived from the ratio between total absolute emissions and the total exposure subject to the emissions calculation; and
- ◇ Total absolute emissions are sub-divided by asset classes.

	TOTAL EMISSIONS [MtCO ₂ eq]	SCOPE 1	SCOPE 2	SCOPE 3
30 June 2023	8.4	2.0	0.4	6.1
30 June 2024	20.13	3.25	0.56	16.32
	EMISSION INTENSITY [tCO ₂ eq/€ m invested/borrowed] ⁷	SCOPE 1	SCOPE 2	SCOPE 3
30 June 2023		62.1	12.9	335.7
30 June 2024		93.78	16.12	471.46
	TOTAL SCOPE 1 AND 2 EMISSIONS [M tCO ₂ eq]	EQUITY	BOND	LOANS
30 June 2023	2.42	0.04	0.14	2.24
30 June 2024	3.81	0.14	0.16	3.50

5. The emissions linked to the “use of sold products” refer to the emissions linked to the consumption of products and energy by the end-users. For some sectors the final product sold could have an energy-intensive content, leading to a massive CO₂ estimates for this category.

6. Emission intensity for Scope 1, 2 and 3 emissions combined cannot be calculated, due to the different scope of calculation for the first two and for the third: calculating the share of total Scope 1, 2 and 3 emissions out of the total GCA for Scope 1 and 2, or the same but out of the total GCA for Scope 3, would provide misleading results.

The figure below illustrates the geographical distribution of exposures and the related funded emissions as far as the equity, debt and loan and advances categories are concerned.



The table below shows the Group's exposure and Scope 1, 2 and 3 emissions broken down by management NACE Rev. 2 sector,⁷ as per the financed emission calculation boundary, that is, the on-balance banking book lending & investment portfolio, expressed in terms of Gross carrying amount. In the table, the sections defined as "Carbon-related" according to the TCFD's "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (October 2021) are highlighted in bold. Any missing NACE sectors mean zero exposure.

Table 3

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	30 June 2024				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]
1	Crop and animal production, hunting and related service activities	0.01	5.66	0.45	3.47	0.02	7.8	0.4	3.3
2	Forestry and logging	0.00	0.12	0.30	0.18	0.00	0.9	0.0	0.4
3	Fishing and aquaculture	0.00	0.05	0.03	0.04	0.00	0.0	0.0	0.0
6	Extraction of crude petroleum and natural gas	0.28	1,236.20	4.25	1,849.02	0.28	195.7	4.5	984.5
8	Other mining and quarrying	0.00	0.55	0.03	0.34	0.01	1.1	0.0	0.6
9	Mining support service activities	0.00	9.58	0.00	0.11	0.00	2.4	0.0	0.6
10	Manufacture of food products	1.31	82.50	27.45	1,716.46	1.21	184.7	149.9	922.8
11	Manufacture of beverages	0.37	0.86	0.27	9.04	0.41	14.6	2.4	70.7
12	Manufacture of tobacco products	0.11	0.17	0.02	2.31	-	-	-	-
13	Manufacture of textiles	0.01	0.20	0.17	1.58	0.01	0.3	0.4	3.6
14	Manufacture of wearing apparel	0.08	0.98	0.67	6.57	0.10	2.1	0.5	15.4
15	Manufacture of leather and related products	0.03	0.79	0.47	4.68	0.03	1.4	0.4	8.9
16	Manufacture of wood and of	0.00	0.10	0.12	0.97	0.01	0.4	0.1	2.4

7. The NACE Rev. 2 classification presented in this section is based on an internal management classification; the Group has chosen to adopt an internal classification aligned with the one used for management purposes, to ensure the economic activity carried out by each counterparty is represented as accurately as possible.

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	30 June 2024				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]
	products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials								
17	Manufacture of paper and paper products	0.17	205.63	7.99	402.51	0.19	15.1	5.9	37.8
18	Printing and reproduction of recorded media	0.01	0.16	0.10	0.79	0.01	0.2	0.0	0.8
19	Manufacture of coke and refined petroleum products	0.05	14.96	1.29	119.28	0.05	8.9	1.3	126.1
20	Manufacture of chemicals and chemical products	0.20	20.91	18.93	83.81	0.29	45.3	19.4	160.1
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.86	5.88	2.80	9.48	0.84	16.9	9.9	251.5
22	Manufacture of rubber and plastic products	0.08	5.01	2.40	24.63	0.10	1.5	3.6	25.8
23	Manufacture of other non-metallic mineral products	0.16	117.08	27.79	34.37	0.18	332.8	25.9	111.7
24	Manufacture of basic metals	0.05	65.40	55.91	69.77	0.05	10.6	1.9	31.9
25	Manufacture of fabricated metal products, except machinery and equipment	0.21	18.97	12.96	71.38	0.23	4.0	3.5	88.3
26	Manufacture of computer, electronic and optical products	0.22	1.52	0.52	41.06	0.14	3.2	1.8	21.1
27	Manufacture of electrical equipment	0.29	3.74	4.25	3,624.26	0.40	8.4	11.2	94.9
28	Manufacture of machinery and equipment n.e.c.	0.72	33.61	53.51	2,665.91	0.71	9.0	10.9	326.2
29	Manufacture of motor vehicles, trailers and semi-trailers	1.34	30.06	24.06	3,804.55	1.76	47.6	44.1	984.6
30	Manufacture of other transport equipment	0.01	1.21	1.71	3.22	0.01	0.6	0.4	2.0
31	Manufacture of furniture	0.00	0.08	0.07	0.70	0.00	0.2	0.1	1.1
32	Other manufacturing	0.30	10.17	6.10	131.11	0.19	7.2	2.4	34.5
33	Repair and installation of machinery and equipment	0.01	0.45	0.13	2.66	0.01	0.2	0.1	2.2
35	Electricity, gas, steam and air conditioning supply	1.23	983.21	11.15	455.48	1.91	616.0	23.1	801.1
36	Water collection, treatment and supply	0.04	19.92	0.14	2.60	0.23	3.7	1.7	20.5
37	Sewerage	0.00	0.10	0.05	0.13	0.00	0.2	0.0	0.1
38	Waste collection, treatment and	0.01	8.47	1.52	7.06	0.04	11.7	0.5	13.2

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	30 June 2024				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]
	disposal activities; materials recovery								
39	Remediation activities and other waste management services	0.00	0.03	0.00	0.05	0.00	0.3	0.0	0.1
41	Construction of buildings	0.06	2.26	0.28	16.05	0.04	2.0	0.1	8.6
42	Civil engineering	0.21	3.12	0.69	29.61	0.12	6.2	1.0	54.7
43	Specialised construction activities	0.03	35.86	0.22	10.28	0.03	4.4	0.2	16.6
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	0.22	29.75	5.47	112.56	0.12	9.2	0.2	13.7
46	Wholesale trade, except of motor vehicles and motorcycles	0.25	63.05	15.99	147.48	0.21	107.0	3.2	65.4
47	Retail trade, except of motor vehicles and motorcycles	0.65	18.69	24.39	93.14	0.73	16.8	1.2	11.4
49	Land transport and transport via pipelines	0.07	4.45	7.61	37.73	0.17	32.5	1.6	100.7
50	Water transport	0.02	15.69	0.85	2.54	0.06	77.3	0.1	16.4
51	Air transport	0.02	34.14	0.11	12.50	0.04	18.8	0.1	6.1
52	Warehousing and support activities for transportation	1.16	6.76	2.07	200.89	1.25	18.1	4.1	121.2
53	Postal and courier activities	0.07	0.39	0.08	3.94	0.07	0.1	0.1	0.2
55	Accommodation	0.05	0.23	0.05	1.87	0.08	1.6	1.3	11.5
56	Food and beverage service activities	0.12	1.22	0.32	14.61	0.25	3.5	2.6	63.5
58	Publishing activities	0.17	0.66	1.80	8.44	0.12	3.8	0.6	11.9
59	Motion picture, video and television programs production, sound recording and music publishing activities	0.06	0.14	0.04	7.57	0.10	1.6	1.6	14.9
60	Programming and broadcasting activities	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
61	Telecommunicatio ns	1.51	22.71	195.69	148.15	1.49	8.0	8.6	79.6
62	Computer programming, consultancy and related activities	0.29	0.83	0.37	4.96	0.15	7.7	0.6	16.9
63	Information service activities	0.05	0.30	0.48	3.10	0.08	0.9	0.2	3.1
64	Financial service activities, except insurance and pension funding	12.41	35.65	13.85		14.42	55.31	38.78	
65	Insurance, reinsurance and pension funding, except compulsory social security	4.51	2.25	3.34		0.84	0.5	1.3	
66	Activities auxiliary to financial	1.40	0.96	1.07	37.41	1.08	1.7	0.1	16.3

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	30 June 2024				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]
	services and insurance activities								
68	Real estate activities	1.33	2.37	3.42	10.73	0.60	2.8	0.4	6.1
69	Legal and accounting activities	0.00	0.03	0.01	0.13	0.04	0.5	0.4	2.8
70	Activities of head offices; management consultancy activities	0.35	9.36	2.30	140.96	0.48	18.4	3.1	110.4
71	Architectural and engineering activities; technical testing and analysis	0.05	37.18	0.33	4.66	0.00	0.2	0.0	0.5
72	Scientific research and development	0.01	0.08	0.12	0.27	0.02	0.7	0.3	2.4
73	Advertising and market research	0.00	0.11	0.03	0.45	0.02	0.3	0.0	0.6
74	Other professional, scientific and technical activities	0.00	0.07	0.03	0.29	0.06	8.4	1.7	7.1
75	Veterinary activities	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
77	Rental and leasing activities	0.54	16.40	1.24	24.21	0.07	2.3	0.3	10.2
78	Employment activities	0.00	0.01	0.01	0.12	0.00	0.0	0.0	0.0
79	Travel agency, tour operator and other reservation service and related activities	0.01	0.23	0.70	1.90	0.00	0.0	0.0	0.1
80	Security and investigation activities	0.00	0.03	0.01	0.15	0.00	0.0	0.0	0.0
81	Services to buildings and landscape activities	0.02	0.92	0.27	4.53	0.03	2.3	0.3	3.4
82	Office administrative, office support and other business support activities	0.22	12.85	3.58	60.83	0.26	10.8	1.6	29.2
84	Public administration and defence; compulsory social security	0.00	0.00	0.00	0.00	-	-	-	-
85	Education	0.00	0.02	0.01	0.09	0.01	0.0	0.1	0.2
86	Human health activities	0.11	1.44	1.79	6.91	0.11	1.0	1.3	20.3
87	Residential care activities	0.04	0.42	0.16	1.42	0.08	0.4	0.5	1.2
88	Social work activities without accommodation	0.00	0.00	0.00	0.01	0.00	0.0	0.0	0.0
90	Creative, arts and entertainment activities	0.00	0.01	0.03	0.08	0.00	0.0	0.0	0.1
91	Libraries, archives, museums and other cultural activities	0.00	0.00	0.00	0.01	0.00	0.0	0.0	0.0
92	Gambling and betting activities	0.34	0.92	0.66	16.89	0.75	22.4	8.6	108.4
93	Sports activities and amusement and recreation activities	0.01	0.09	0.14	0.57	0.03	0.4	0.5	2.9

Sector (Managerial NACE)	Sector description (*carbon-related sectors in bold)	30 June 2024				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]
94	Activities of membership organisations	0.03	0.16	0.74	2.38	0.02	0.3	1.1	5.9
95	Repair of computers and personal and household goods	0.00	0.02	0.00	0.09	0.00	0.0	0.0	0.0
96	Other personal service activities	0.02	0.73	0.12	1.46	0.02	0.3	0.8	3.4
Total		34.62	3,246.91	558.04	16,321.57	33.54	2,003.24	414.82	6,097.17

The data quality categorization described above provides the following overall data quality, calculated as a weighted average of the individual counterparty exposures, as required by the standard:

	AVERAGE DATA QUALITY		
	SCOPE 1	SCOPE 2	SCOPE 3
30 June 2023	3.59	3.59	4.20
30 June 2024	3.14	3.28	3.36

The increase in terms of data quality is attributable to a specific activity that Mediobanca made to improve the coverage of Non-Financial counterparties with “reported data”. In fact, Scope 1 and 2 with a “quality 2” data were available for approx. 48.4% of the exposure at 30 June 2024 compared to the 40% of the portfolio at 30 June 2023; whereas for Scope 3, data was obtained for 51.1% of the exposure subject to calculation rather than 20% in the previous reporting. The Group will continue to monitor data quality, with a view to achieving ongoing improvement.

5.2.3 Sovereign Debt

The calculation was carried out based on the portfolio as at 30 June 2024. Sovereign debt is typically issued by the central government or treasury. Financial institutions should report emissions of sovereign borrowers covering Scope 1, 2 and 3, according to the PCAF Standard:

- ◇ **Scope 1** refers to domestic GHG emissions from sources within the country’s territory, including emissions from land use, land use change, and forestry (LULUCF). 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.

5.2.3.1 Results

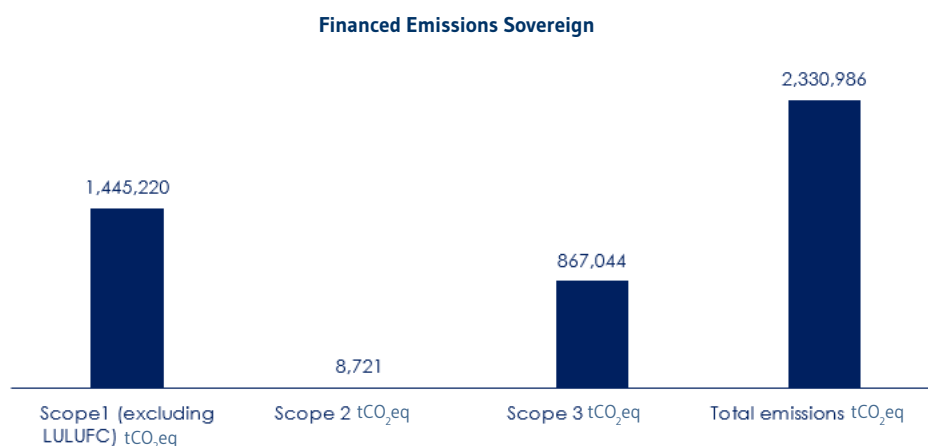
The gross carrying amount for the Sovereign category **amounts to €9.1 bn. approx. 15.6% of the total Group's on-balance banking book financial portfolio exposure**, and includes the following Group legal entities: Mediobanca S.p.A and Mediobanca International, CMB Monaco, Mediobanca Premier S.p.A., Compass Banca S.p.A and SelmaBipiemme Leasing S.p.A..

The coverage of counterparties within the Sovereign category was 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:

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

Therefore, financed sovereign emissions were calculated excluding those related to local authorities⁸, representing the sum of Scopes 1 (excluding LULUCF⁹), 2 and 3, corresponding to 10% of the portfolio emissions as at 30 June 2024.

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



The total emission intensity (tCO₂eq/€m) has decreased approximately 38% (256 with respect to 413 as of 31.12.22¹⁰). There main reason for such deviation is attributable to the points below:

- ◇ Increased exposure volumes (GCA) to this type of counterparty;
- ◇ Reduction in the total amount of associated Financed Emissions, due to an update of the underlying PCAF factors (used to estimate most of the overall share of them).

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 the UNFCCC database, and rated 4 for Scope 2 and 3. The ranking in this case depended on the availability of the most up-to-date data.

8. Financed emission related to local authorities are equal to 2.330.986 tCO₂eq.

9. Specifically, Scope 1 emissions including LULUCF totalled 1,365,468 tCO₂eq.

10. The previous computation was carried out on 31 December 2022 portfolio: the GCA for the Sovereign Debt category amounted to €6.6 bn, and financed sovereign emissions were calculated (excluding those related to local authorities and LULUCF) totalling 2,811,414 tCO₂eq.

5.2.4 Mortgages and commercial real estate

The calculation was carried out based on the portfolio as at 30 June 2024. The mortgages and commercial real estate (CRE) categories fall into the PCAF asset class that comprises on-balance sheet loans provided for specific building purposes. Mortgages are primarily used for the purchase and refinancing of residential properties (including individual homes and small multi-family housing units), CRE loans are granted to corporates and are collateralized by properties used for income-generating activities such as retail, hotels, office spaces, industrial or large multi-family rentals.

The PCAF requires financial institutions to account only for the absolute emissions (Scope 1 and 2) associated with the energy use of the mortgaged properties, such as the energy consumed by the building occupants.

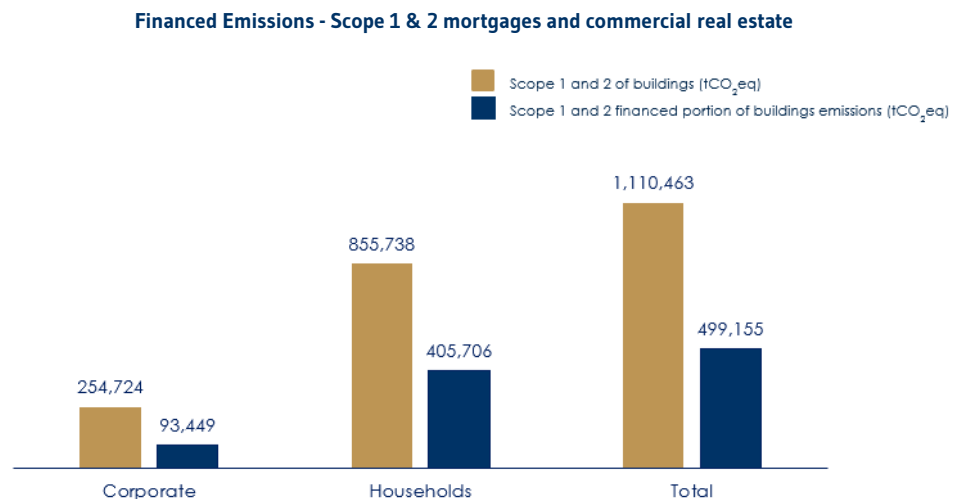
5.2.4.1 Results

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 SelmaBipiemme Leasing S.p.A., CMB Monaco, Mediobanca S.p.A and Mediobanca Premier S.p.A., with the latter that is the main contributor both in terms of volumes and emissions.

Overall, the volume of the Group legal entities included in the grants of these two categories, considering loans to corporates and households and collaterals obtained by taking possession, is equal to €14.1bn (around 24.3% of the total exposure).

The Scope 1 and 2 financed emissions amount to 499,155 tCO₂eq, equal to 2.2% out of total portfolio emissions as at 30 June 2024.

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



The PCAF data quality – weighted average over outstanding amount – is 1.5..

5.2.5 Motor vehicles

The calculation was carried out based on the portfolio as at 30 June 2024. This asset class pertains to loans and credit lines granted to businesses and consumers for the specific purpose of

purchasing motor vehicles as passenger cars, motorcycles, trucks, and buses. Financial institutions typically offer vehicle loans in two ways: consumer credit for individual purchases, or corporate credit for fleet purchases. To address environmental concerns, financial institutions must calculate and report the 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 the PCAF standard, Scope 3 emissions (which involve vehicle production, delivery to buyers, or subsequent disposal) are not considered within GHG accounting by financial institution.

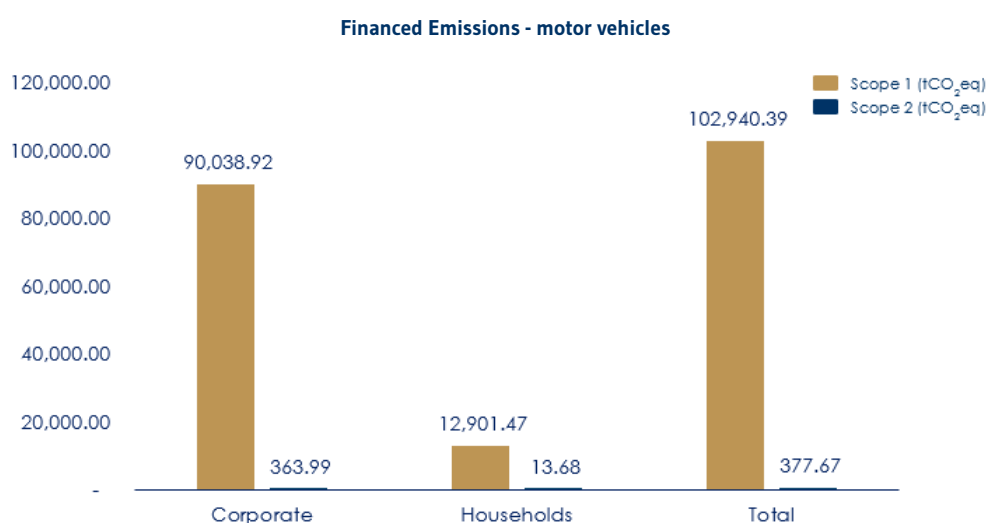
5.2.5.1 Results

The emission calculation process for the motor vehicle category began by collecting all data from the Group legal entities and their counterparties, resulting in a coverage level of almost 100% of the Group's financial portfolio. The Group legal entities involved in evaluating the emissions from financed motor vehicles, based on their portfolio composition, are Compass Banca S.p.A and SelmaBipiemme Leasing S.p.A..

Most of the loans requested were the purchase of corporate fleets, with a smaller portion for household vehicles. Overall, the volume of the two Group legal entities amounted to €349.5m (approx. 0.6% of the total exposure).

The Scope 1 financed emissions amount to 102,940 tCO₂e. while Scope 2 financed emissions amount to 378 tCO₂e, totalling 103,318 tCO₂e or 0.4% of the total portfolio emissions.

The following graph illustrates the two Group Legal Entities Scope 1 and Scope 2 financed emissions. split by use (household or corporate).



The PCAF data quality – weighted average over outstanding amount – is 1.72. It is worth noting that in many cases the Mediobanca Group was able to obtain primary data on emissions per kilometres travelled by vehicles.

5.3 Targets and metrics for direct impacts (own operations)

The Mediobanca Group's energy consumption is largely driven by its use of heating and air-conditioning systems, the operation of its data centers and server rooms, office lighting, and the charging of electric vehicles within its company car fleet. The entire Group is powered by electricity sourced entirely from renewable energy¹¹ for all its named utilities, including the data center. Additionally, Mediobanca has entered into a Power Purchase Agreement (PPA) to stabilize electricity costs and support the country's energy transition by committing to a long-term contract for energy from new solar power stations. Various initiatives to reduce consumption and GHG emissions levels have been implemented in FY 2023-24, for further details please see on section 8.3 of the CNFS 23-24.

Energy consumption within and outside of the organization ¹²				
	UNIT	FY 2023-24	FY 2022-23	FY 2021-22
From heating/electricity generators		23.324.45	25.219.73	29.415.95
From company cars¹⁴		25.584.54	25.852.88	22.863.93
Electricity	GJ ¹³	81.603.12	84.014.55	86.436.12
Heating		1.381.39	731.94	1.615.65
TOTAL ENERGY CONSUMPTION		131.893.49	135.819.1	140.331.65

Direct and indirect CO ₂ ¹⁵ emissions ¹⁶				
	UNIT	FY 2023-24	FY 2022-23	FY 2021-22
Direct emissions (Scope 1)		2.545.14	2.884.73	3.403.18
Indirect emissions (Scope 2) – market-based		56.18	42.89	62.74
Indirect emissions (Scope 2) – location-based	tCO ₂ e	5.471.65	5.534.15	6.503.18
Other indirect emissions (Scope 3)		4.010.14	3.450.72	774.59

In 2023 too, the Mediobanca Group was carbon neutral (Scope 1 and 2 market-based), by offsetting its remaining CO₂ emissions following the domestic mitigation actions undertaken, equivalent to 2,928 tonnes of CO₂ (tCO₂eq). The carbon neutralization project was made possible by acquiring carbon credits to be used in the to finance the Ghani Solar Renewable Power Project which is certified according to VCS-Verra standards.

11. 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".

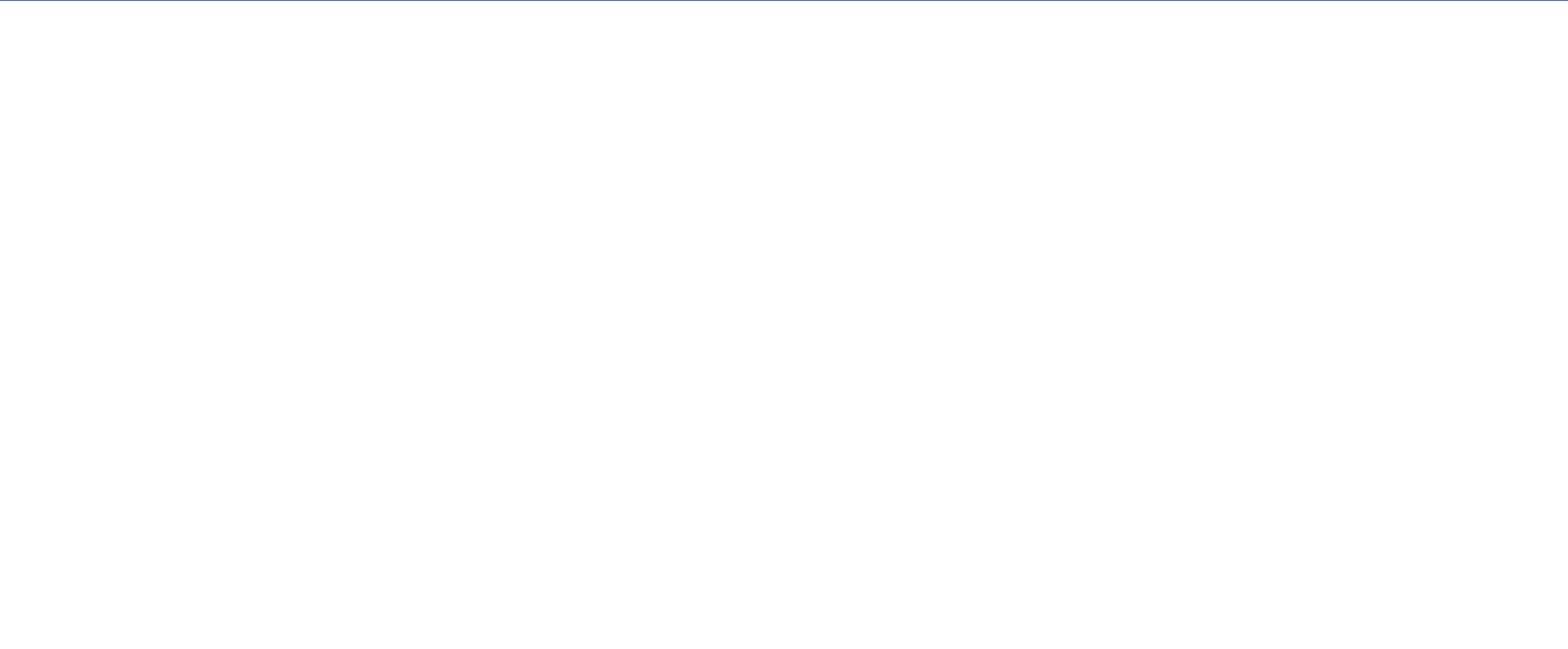
12. For energy consumption, where figures are not available estimates have been used: for natural gas in cases involving shared building expenses of which the precise share cannot be calculated, consumption has been estimated on the basis of the floor space in the building actually occupied, or thousandths 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.

13. Gigajoule.

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

15. The following climate change gases are included in the calculation: CO₂, CH₄, and N₂O.

16. For direct emissions (Scope 1), indirect emissions (Scope 2) and company cars (Scope 3), we have 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, we have used the emissions for each individual route published by the travel agencies. Where these are unavailable, we have 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.



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.

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
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	Land Use, Land Use Change and Forestry

ACRONYM	DESCRIPTION														
	<table border="1"> <thead> <tr> <th>CPRS</th> <th>NACE LETTER</th> </tr> </thead> <tbody> <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> </tbody> </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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Agriculture	A - Agriculture, forestry and fishing														
NFRD	Non Financial Reporting Directive														
NZAMI	Net Zero Asset Managers Initiative														
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														

ACRONYM	DESCRIPTION
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

6.3 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.
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.

	DESCRIPTION
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.
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.

	DESCRIPTION
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 substantial 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.
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.

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

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

Contact details

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