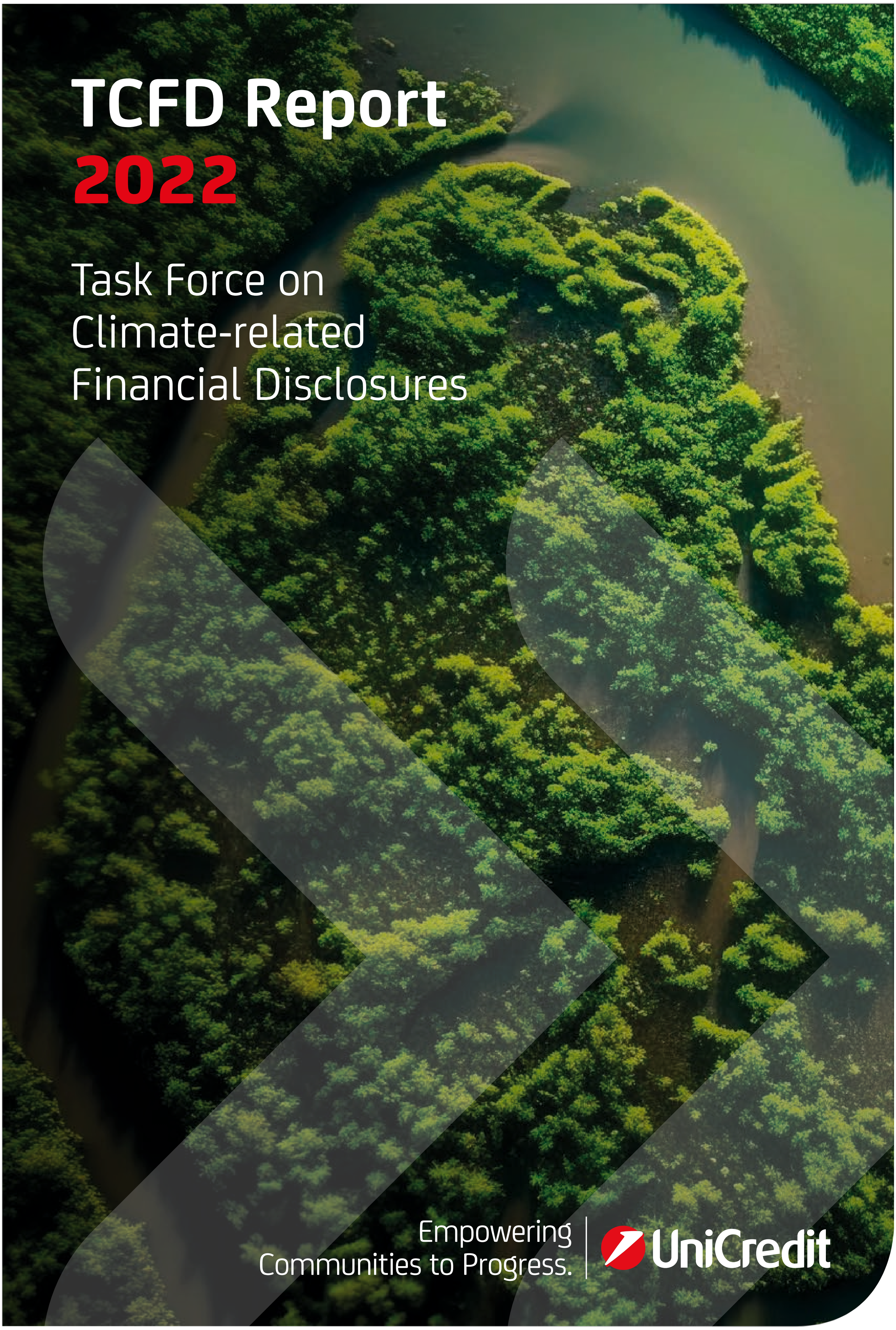


TCFD Report 2022

Task Force on Climate-related Financial Disclosures

Empowering
Communities to Progress.

UniCredit

Index

Letter from the Chief Executive Officer

The climate emergency is the greatest challenge of our time. Together, Europe and the world face the immense task of preventing irreversible damage to nature, biodiversity loss and the consequent destabilising of societies worldwide.

Europe must confront this existential threat at the same time as another great crisis: the Ukraine war. As a result of this conflict, there have been migrant emergencies, energy supplies have been squeezed, global commodities and food prices have increased, meaning that - inevitably - green plans have been derailed.

The challenge before us is great, but it is one we face together. Progress is possible when our institutions answer the call to fight for our world.

UniCredit has always been committed to a fair and just transition. We recognise that the longer-term global threat of climate change, with its impact on nature, is ever present and ever more urgent. We only need to look at the devastating effects of the floods in Emilia Romagna, the fires in Canada, or the experience of this summer, with record-breaking temperatures in much of Europe.

As a bank, we are committed to shaping a future for our clients and communities that is fairer, greener and more sustainable. We will help them to navigate the immediate challenges they face as citizens of Europe, while also providing them with the tools, support and knowledge they need to support their sustainability journey.

We are determined to help our clients succeed in a rapidly changing energy landscape. We are adopting a Natural Capital Framework and delivering sustainable finance solutions to achieve this, ensuring that the principles of ESG are embedded into our business model, our processes and our UniCredit Unlocked strategy.

We want to show the world that UniCredit takes responsibility for our planet and its future, and our membership of the Net-Zero Banking Alliance demonstrates this. It is all too easy for institutions to say the right things without delivering real actions. Our commitment to sustainability is in everything we do. As testament to our progress, in 2022 we achieved the goal of deriving 87% of electricity across the Group from renewable sources.

UniCredit operates on the principle that sustainable finance is about putting people and the planet at the heart of every decision. This is why our social impact financing matches our support of the green transition in Europe.

It is about finding the right balance between the E and the S. If we are to truly change the world that we live in for the better, as we should, we need to bring society, those often times forgotten, the fragile of society with us.

We must make decisions that take account of the impact that the outcome will have on those sections of society. This requires balancing the E and the S. It means taking decisions in the wider context, and sometimes being able to flex in the near term, to drive a more positive outcome for all parties in the longer. It means driving the right outcomes not only for the world we live, but all for those that live in it.

So for every decision we make with a view to being more environmentally friendly, we ensure that we are also serving our social agenda with initiatives in support of our communities, the individuals and families within them, and their businesses. For example, our latest tranche of UniCredit per l'Italia funding put €10 billion into supporting Italian families and businesses, providing them with disposable income to help their communities grow, or the help we provided to both our clients and our employees in the face of the devastating floods in Italy earlier this year.

UniCredit has a defined Purpose: to empower communities to progress. We give our clients the resources they need to succeed in the short term, but we are determined to be there for them in the long term as well. This means taking responsibility for the wellbeing of our communities and of the world we share, with ESG principles guiding all of our decisions and actions.

In doing so, we will help our clients achieve sustainable growth which benefits our continent as a whole. This is what it means for UniCredit to be the bank for Europe's future.

ANDREA ORCEL
CHIEF EXECUTIVE OFFICER

Message from Head of Group Strategy & ESG

The world is in a critical decade for climate and nature actions. As a European bank, we have a crucial role to play, providing the financing and economic evolution required to tackle climate change and biodiversity loss. We should see it as an exciting challenge to help our clients and our communities take on this enormous - but not insurmountable - task.

The global community is committed to action on climate change. At COP27, held in November last year, countries reaffirmed their pledge to limit global temperature rise to 1.5°C above pre-industrial levels. That means the global economy must "mitigate" climate change - in other words, we must reduce or prevent the emission of greenhouse gases to get us where the scientific community says we need to be by 2030.

A month later, during the UN Biodiversity Conference, representatives adopted the Kunming-Montreal Global Biodiversity Framework. This historic framework sets out an ambitious pathway to reach the global vision of a world living in harmony with nature by 2050. Each signatory country must set national targets to meet the framework’s goals.

Finance is at the heart of these international strategies to combat climate change and biodiversity loss. Mitigation, adaptation, loss and damage, climate technology - all of this requires sufficient funds to yield the results our society needs.

Our clients will need our support in order to reduce their environmental impact. For some companies, emissions will in fact increase before they can fall, so strategies that were designed to see a linear and constant decrease in financed emissions are likely to be untenable. That means we need to think through more complex decarbonization paths for companies and provide them with right advice and incentives. At the same time, the integration of biodiversity impacts into finance needs to increase.

We must continue to develop a detailed understanding of our clients' environment strategies and work closely with them on an orderly and gradual path of decarbonization and reduction of biodiversity loss.

We publish our 2022 TCFD report in this complex context, with our bank's strong determination and ability to support a just and fair transition.

It is more important than ever that we see the possibilities in this transition. The required economic transformation will not only create immediate commercial opportunities but also open up the prospect of a fundamentally transformed global economy with lower energy costs being just one of numerous benefits, including improved health outcomes and enhanced conservation of natural capital. These are incredibly positive outcomes for us to aim for.

Financing the transition is completely aligned with UniCredit's purpose of empowering communities to progress. Our ESG strategy is designed with the purpose of helping us see past the immediate bottom line and short-term financial goals. UniCredit's unparalleled positioning across Europe will enable us to play a critical role in our whole continent's transition to a more sustainable future. We do not want to merely support the green transition. We want to lead it.

We are committed **to reach the Net Zero goal** on financed emissions by 2050. We recently published our targets on the first carbon intensive sectors, as Oil & Gas, Power Generation and Automotive, calculated according the International Energy Agency (IEA) Net Zero 2050 pathway as the benchmark scenario.

We will ensure tangible progress with dedicated initiatives focusing on:

- Strengthening advisory services for corporates in high emitting sectors
- Significantly boosting our sustainable lending (green loans and sustainability linked loans) to support our clients in their journey to decarbonise their operations and diversify away from carbon intensive sectors
- Support clients in the development and scaling up of innovative climate solutions
- Targeted partnerships with companies specialised in sustainability for specific sectors.

We signed the Finance for Biodiversity pledge as the first Italian bank, we are pro-active participants to UNEP FI working groups on Biodiversity target setting and we became a member of the Ellen MacArthur Foundation, an international NGO committed to promoting the circular economy. These actions are complemented by our sector policies, including for Oil & Gas and Coal.

We undoubtedly have a huge responsibility in supporting clients with their own business transformation and guiding financing in the right direction.

We already knew that this transition would not be an overnight process. We knew it would be complex, involving challenges and compromises between climate change and societal developments to be addressed in a holistic framework by institutions, individuals, governments and regulators alike.

We will continue to play our part as the bank for Europe's future - a future where environment and economy are secure.

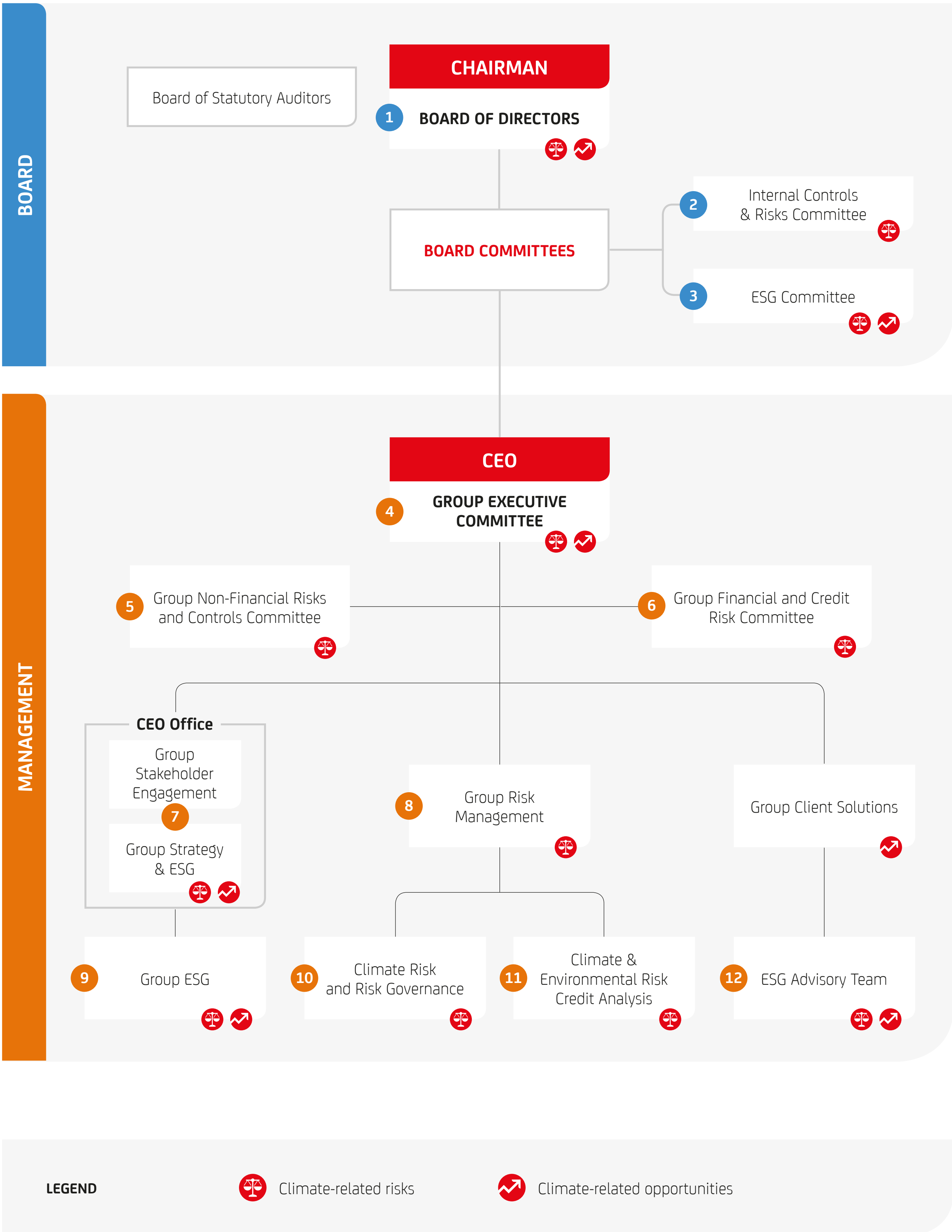
FIONA MELROSE
HEAD OF GROUP STRATEGY & ESG

Table of contents

In 2017, the **TCFD** released **climate-related financial disclosure recommendations** designed to help companies provide better information to **support informed capital allocation**. The disclosure recommendations are structured around **four thematic areas** that represent core elements of how companies operate: **governance, strategy, risk management, and metrics and targets.**

Governance

GOVERNANCE OF CLIMATE-RELATED RISKS AND OPPORTUNITIES



Governance of the organisation in relation to climate-related risks and opportunities

In order to reach the objective of further embedding climate-related criteria in the Group strategy, UniCredit's ESG governance has undergone a significant evolution over the past years. The changes concern both the Board and the managerial levels of its governance.

CORPORATE BODIES OVERSIGHT

1 The UniCredit **Board of Directors** defines the overall strategy of the Bank, of which the Group's ESG Strategy and its associated KPIs are an important pillar, and oversees its implementation over time. The Board approves the bank's Risk Appetite Framework (RAF) which establishes the desired risk profile vis-à-vis its short and long-term strategic objectives and business plan. For monitoring purposes, dedicated Climate Risk KPIs have been included in the Risk Appetite Framework, enabling the Bank to oversee the evolution of transition and physical risks it is exposed to.

COMPETENCIES OF THE BOARD MEMBERS

75%

of the Directors in office (i.e., 9 out of 12) have
expertise in Sustainability (ESG)

The Chair of the ESG Committee is
Financial Sector Hub Leader for the Climate Governance Initiative

2 The **Internal Controls & Risks Committee (IC&RC)** supports the Board of Directors in risk management and control-related issues: in defining and approving strategic guidelines and risk management policies with specific reference to risk appetite and risk tolerance, as well as in verifying that risk strategies, management policies and the Risk Appetite Framework are correctly implemented. Its work encompasses also Climate and Environmental risks which are addressed jointly with the ESG Committee and on which it is regularly kept updated by Group Risk Management.

3 The **ESG Committee (ESGC)** supports the Board of Directors in fulfilling its responsibilities with respect to the ESG components integral to the Group's business strategy and sustainability over time.

The ESG Committee provides opinions and supports the other Board Committees to ensure the alignment of the Group's policies to UniCredit's ESG principles and objectives.

The Committee also oversees the ESG and sustainability-related developments also considering international guidelines and principles and market developments, monitoring the positioning of the Group with respect to national and international best practices in the ESG field.

The **Board of Statutory Auditors** exercises oversight of ESG governance and related topics.

CORPORATE BODIES ACTIVITIES ON CLIMATE-RELATED RISKS AND OPPORTUNITIES [A]

ESG COMMITTEE

15
Meetings in which climate-related issues were discussed

14
Items discussed [B]

INTERNAL CONTROLS & RISKS COMMITTEE (IC&RC)

20
Meetings in which climate-related issues were discussed

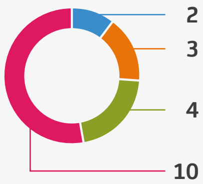
10
Items discussed [B]

BOARD OF DIRECTORS

15
Meetings in which climate-related issues were discussed

4
Main thematic areas of work

19
Items discussed [B]



- Policies on controversial sectors and Commitments
- Regulatory and Voluntary ESG Disclosure
- ESG Strategy & Targets
- ESG Risk & Compliance

- Update on Policies on controversial sectors
- Controversial sectors policy review and approach towards the geopolitical crisis
- Task Force on Climate-Related Financial Disclosure Report
- Integrated Report
- Net Zero commitment: approach and plan
- Remuneration policies
- ECB Climate Stress Test and Thematic Review on climate and environmental risks
- Risk Appetite Framework: climate-related KPIs

A. Activities carried out from January 2022 to May 2023.
B. Some items were discussed in multiple meetings.

MANAGEMENT ROLE

At management level, dedicated committees and specialised functions ensure the implementation of the Group's strategy while effectively managing climate-related risks in accordance with the RAF agreed upon. They also capitalise on the business opportunities that emerge from the transition to a low-carbon economy.

4 The **Group Executive Committee (GEC)** is the Group's most senior executive committee and is chaired by the CEO. As part of its mission, it establishes the comprehensive ESG strategy. It also ensures the efficient steering, coordination and control of the Group's business operations, while ensuring alignment between the parent company and various businesses and geographic regions on strategic matters such as ESG issues, including the formulation of strategies and initiatives related to climate, setting targets and guidelines at the Group level.

7 The **Group Strategy & ESG** and the **Group Stakeholder Engagement** functions work together as a **CEO Office**, handling all important initiatives for the CEO. These initiatives include strategy development, M&A, the integration of ESG criteria into our business operations, stakeholder management and dealing with regulatory affairs.

9 The **Group ESG** function, part of Group Strategy & ESG, steers the definition and implementation of the Group's ESG strategy. It ensures the ESG framework is consistent with the Group's principles and Purpose and with relevant international standards and practices. The function's activities are divided into three offices - ESG Strategy and Implementation; ESG Service Excellence; ESG Metrics, Policies and Disclosure. The last of these is responsible for preparing the Group's Integrated Report and ensuring coordination in the implementation of the Principles for Responsible Banking - UNEP FI. Group ESG, in collaboration with all relevant functions of the Bank, is involved in the Net Zero Governance and is in charge of the production of UniCredit's climate-related financial reporting in accordance with the TCFD Recommendations.

12 On the opportunity side, the **ESG Advisory Team** (part of Group Client Solutions) is a multi-disciplinary solutions team focused on enabling clients to create long-term stakeholder value by integrating sustainability into their strategic decisions by:

- providing independent first-class advisory services aimed at building resilience and adaptability to climate change while exploiting transition opportunities;
- assessing the impact of applicable regulations, sustainable

finance market principles and practices, market trends and stakeholders' expectations on clients' business models;

- steering the communication on strategy between the company and the investors, advising on ESG Ratings and reporting;
- identifying the most suitable solutions based on the defined strategic positioning.

To support customers in seizing opportunities arising from the ecological transition, dedicated teams have been established in all major countries where the Group operates. These teams are responsible for developing and offering new ESG-related products and services for both corporate and individual clients, in line with the Group's targets and ambitions.

CLIMATE RISK MANAGEMENT

Within the Risk Management function of the bank, the management of Climate and Environmental (C&E) Risk has become increasingly significant and strategically important, undergoing a substantial transformation in recent years. It is embedded across the three main risk management pillars, credit, financial and non-financial risks, with the aim of identifying, measuring, monitoring and managing C&E risk impacts at central and local levels.

The following are the main structures directly involved in Climate Risk management:

4 The **Group Executive Committee (GEC)**, in addition to its role in steering the overall business of the Bank (see previous page), in the dedicated Risk Sessions, the Committee supports the CEO in coordinating and monitoring all categories of risks and approves strategic risk topics including ESG-related matters, thus granting a dedicated focus on Climate and Environmental risks.

5 The **Group Non-Financial Risks and Controls Committee (GNFRC)** supports the CEO in steering and monitoring non-financial risks. For example, it approves governance policies and guidelines for the management of reputational risk regarding sensitive sectors.

6 The **Group Financial and Credit Risk Committee** defines strategies, policies, operational limits and methodologies for Credit risk, Market risks and Financial risks.

8 10 11 The **Group Risk Management** function supports the CEO in defining the Group Risk Appetite proposal, to be shared with the Group Executive Committee and Internal Controls & Risks Committee and submitted for approval to the Board of Directors. This process occurs in coordination and in alignment with the yearly budget plan. The function ensures the overall climate risk framework definition at Group level and supports local implementation. Within the various risk areas, dedicated employees and functions have been devoted to the integration of climate topics within risk management activities and the effective dissemination of the relative knowledge. Such functions include **Climate Risk and Risk Governance** which oversees climate-related and environmental risks, and **Climate & Environmental Credit Analysis** which manages the integration of climate and environmental factors within the credit risk cycle.

Training

Several training initiatives focused on ESG and climate change-related risks and opportunities have been put in place at all levels of the Bank to address various needs.[1]

A selection of training initiatives with a focus on climate-related risks and opportunities are reported below.

TRAINING INITIATIVES FROM JANUARY 2022 - MAY 2023

NAME OF THE INITIATIVE	TARGET	CLIMATE-RELATED TOPICS
Board of Directors Training	Board members	UniCredit's response to climate risk and credit implications
ESG Committee Training	ESG Committee members Also Internal Controls & Risks Committee members for the 4th session	Four sessions on: • Mobilising climate capital to finance the transition required to meet the Paris Agreement goals • Deep dive into the Net Zero perimeter definition, methodology and scenario benchmark • Circular Economy and Valuing Natural Capital: trends and relevance for the banking sector • Climate & Environmental risk regulatory context and market practices [2]
ESG Programme (in partnership with PoliMi Graduate School of Management)	Group Executives	Among the topics covered: • ESG Risks and Impacts: Focus on Climate change • The Economic Impact of Climate Change for Companies and Banks • Climate Risk Assessment Strategies • Climate Risk Management
ESG Fundamentals	All Group colleagues	Among the topics covered: • Introduction to Climate Change (from the Paris Agreement to COP 26) and to Climate Risk and Unicredit's response
Climate & Environmental Risk Assessment Training	• Global Account Managers • Senior Relationship Managers • Relationship Managers • Group Senior Risk Managers • Group Credit Transactions • Employees of other corporate structures involved in filling in the Environmental Questionnaire in credit procedure	Among the topics covered: • Climate and Environmental Transition Risk Assessment: Questionnaire and Guidelines • Climate and Environmental Transition Risk Assessment: Transition Risk Scoring Model and Environmental Report • Credit Process: Integrating Environmental Considerations into Credit Decision Making
EU Taxonomy	Business colleagues	Training on the regulatory requirements of the EU Taxonomy and the consequent impacts on our business
ESG Corporate Advisoring Certification (in partnership with PoliMi Graduate School of Management)	Business colleagues in the corporate area	Training course realised with the aim of providing the necessary tools to support the commercial network during the ESG deal processing phase. Among the topics included in the course: • Climate Change • Energy and Circular Transition

1. For more information refer to the 2022 Integrated Report, Human Capital chapter.
2. Held jointly with IC&RC.

CLIMATE RISK TRAINING DEDICATED TO THE RISK MANAGEMENT FUNCTION

In addition to the aforementioned training framework, a dedicated climate-risk **learning offer** has been specifically designed for the Risk Management function and will be fully rolled out in the coming months.

The training offer, devoted to enhancing competences regarding climate risk, is customized according to role and, in particular, to the involvement of employees in climate risk related activities.
The training is structured in 3 levels:

- for all **Risk Management employees**, the learning offer is aimed at providing the fundamentals on climate risk and it covers a broad range of topics, including ESG Strategies, Social and Governance matters, environmental and social products and initiatives, ESG strategic commitments and Impact Measurement model;
- for **Risk Management employees** partially or fully dedicated to climate risk-related activities, a specific learning offer has been designed to upskill their competencies according to market development: in particular, a training course on 'Climate Risks Governance and Management' providing an overview of climate risk and the risk management framework (identification of the threshold of KRIs, inclusion within the ICAAP and focus on the expectations of the ECB), and a course focused on 'Climate Risks in the Banking Sector' providing an overview of how the banking sector is moving towards the integration of C&E elements;
- for **Climate Risk Experts**, a specialist in-class training path on climate risk topics has been designed, including climate risk governance and strategy implementation with deep dives on each topic.

Remuneration

Our Remuneration Policy has been developed to support the achievement of the *UniCredit Unlocked* strategic plan in which the ESG strategy of the Group plays a crucial role.[3]

Comprehensive scorecards have been formulated for the CEO and top management, which include financial and ESG targets aligned with the strategic plan.

The inclusion of these KPIs fosters the alignment of management's interests with those of shareholders.

The overall 2023 variable remuneration for Executives with Strategic Responsibilities will depend on the degree of achievement of the short-term performance scorecard. For selected individuals, **60% of the bonus** will be deferred and subject to additional long-term performance conditions, defined at Group level and covering the three years following the 2023 annual performance (i.e. from 2024 to 2026).

Amongst the long-term performance conditions, Sustainability (non-financial section of the scorecard), including climate-related KPIs, has a **20% weight of the overall long-term scorecard.**

3. Refer to the 2023 Group Remuneration Policy and Report available in the Governance section of our website (www.unicreditgroup.eu) for more information.

LONG-TERM PERFORMANCE CONDITIONS

	LEVER AND KPIS	2024-26 TARGET
80% PROFITABILITY	**RoTE WITH CET1 @13%**	Avg 2024-2026 vs. midterm Cost of Equity (11%) [A]
20% NON-FINANCIAL (SUSTAINABILITY)	• **ESG volumes** • **DE&I ambitions** • **Climate risk**	Support clients' green and social transition, embedding sustainability in the UniCredit culture. **Qualitative assessment** based on specific evidence from current and future ESG and DE&I strategy. Current strategy foresees: • **ESG volumes:** €140bn by 2024 on E volumes (Environmental lending, ESG investment products, sustainable bonds) and €10bn by 2024 on S volumes (social lending) and successive updates; • **DE&I ambitions:** including a reduction in the gender pay gap (through an investment of €100m in the course of the strategic plan) and gender parity ambition across the organisational levels; • **Net Zero commitments:** progress vs. Net Zero 2030 target on the three most carbon-intensive sectors (Oil & Gas, Power Generation and Automotive)

A. RoTE calculated as per current methodology (2023). In case of methodological changes or material change of the macro-economic scenario (e.g. more than 100 bps in interest rate vs, budget assumptions), the Board retains the faculty to mechanically recast LT targets according to the updated scenario.

Based on the feedback received from shareholders, the Sustainability goal has been shifted from a short-term to a long-term perspective compared to last year. Furthermore, it has been enriched with a specific focus on climate risk through Net Zero commitments. The goal is primarily aimed at supporting clients in their green and social transition, while also embedding sustainability and diversity, equity and inclusion (DE&I) ambitions into the UniCredit culture.

Based on specific evidence derived from both current and future ESG and DE&I strategies, the above-mentioned goal is qualitatively assessed through a 5-point rating scale.[4]

The current strategy foresees:

- **"E" Volumes** (environmental lending, ESG investment products, sustainable bonds), keeping the pace vs. the *UniCredit Unlocked* target (€140bn by 2024), and successive updates;
- **Social lending**, being on track vs. the *UniCredit Unlocked* target (€10bn by 2024) and successive updates;
- **DE&I Ambitions**, including a reduction in the gender pay gap (through an investment of €100m in the course of the strategic plan) and the gender parity ambition across the organisational levels;
- **Climate risk**, in terms of progress towards Net Zero commitments on the three most carbon intensive sectors within the portfolio which include Oil & Gas, Power Generation and Automotive sectors.[5]

In order to align the Group's management structure and reinforce managerial commitment to our ESG strategy, these objectives are cascaded throughout the reporting line of the CEO and extend to all levels below. This includes the entire Group Material Risk Taker (GMRT) population (i.e. those categories of staff whose professional activities have a material impact on an institution's risk profile).

All GMRT scorecards for the assessment of short-term performance include at least one ESG goal. The ESG goals can be selected among a cluster of ESG KPIs included in the KPI Bluebook, a catalogue of performance indicators annually certified by the relevant key functions within the Group. Among the ESG KPIs defined in the Bluebook are ESG Strategy and Net Zero.

4. Refer to the 2023 Group Remuneration Policy and Report available in the Governance section of our website (www.unicreditgroup.eu) for more information.
5. Refer to the Strategy section for more information.

Strategy

Our environmental and climate strategy

Embedding sustainability in everything we do is one of the five strategic imperatives of **UniCredit Unlocked**, a plan that leverages on our solid foundations to unlock the potential of our Group, paving the way for the future of our bank and of all our stakeholders, while ensuring that we always lead by example and fulfil our Purpose of empowering communities to progress.

In line with our strategic approach, we **aspire to be at the forefront of Natural Capital preservation** by integrating biodiversity considerations into our business operations, in addition to climate-related initiatives.

Our approach is based on the **double materiality concept** which considers both an inside-out and an outside-in perspective. We recognise that our activities can **have both positive and negative impacts on natural resources and the environment**. By taking this into account, we are able to prevent negative ones that can harm the planet and communities while also influencing the market towards the necessary transition to more sustainable practices.

OUR DOUBLE MATERIALITY APPROACH

Manage the **impacts** that our operations and lending have on the environment.

INDIRECT IMPACTS

Accompany our clients in their green transition path by:

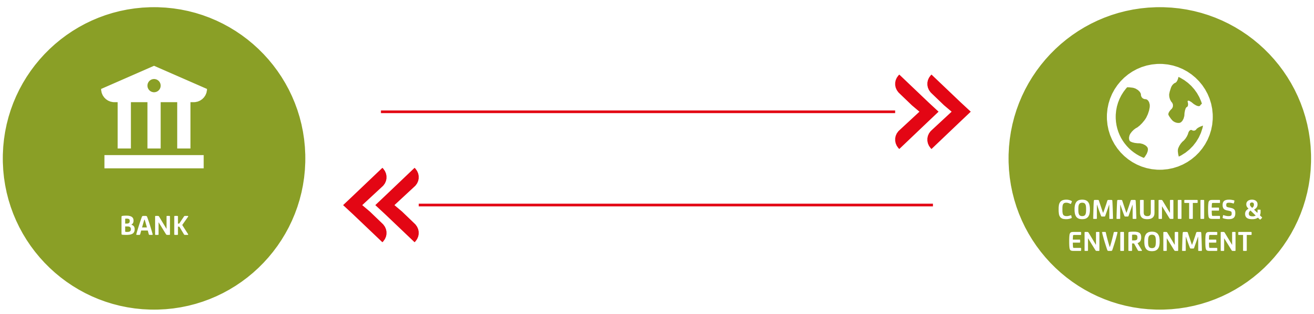
- Assessing and monitoring our portfolio exposure towards most nature-related sectors
- Identifying and evaluating the impacts on nature
- Adopting a sector policy framework
- Defining the journey towards Net Zero on portfolio emissions

DIRECT IMPACTS

Reduce our environmental footprint by:

- Steering our behaviour towards Net Zero on own emissions
- Procuring electricity from renewable sources
- Improving energy and space efficency
- Fostering circular economy

INSIDE-OUT PERSPECTIVE



OUTSIDE-IN PERSPECTIVE

Prepare to measure the **business consequences** of ecological stress and the associated socio-economic transition and take advantage of emerging **opportunities** by:

- Executing our Group strategy
- Correctly managing climate and environmental risks, in line with the agreed Risk Appetite Framework (RAF) and the ECB climate stress test requirement

DEEP-DIVE

Own Emissions | **Financed Emissions**

UniCredit joins NZBA

- **October 2021**
- **January 2023** » Disclosing first set of sectoral targets
- **October 2024** » Deadline for further sector targets submission
- Net Zero target for own emissions by 2023 « **2030** » First targets deadline; intermediate targets to be updated every five years
- **2050** » Net Zero goal for lending and investment portfolio

OUR PATH TOWARDS NET ZERO

In October 2021 we joined the Net Zero Banking Alliance (NZBA) targeting **Net Zero emissions** on our **own emissions by 2030** and on **our financing portfolio by 2050**.

With regard to our own emissions, UniCredit has been making tangible and consistent progress to **cut** its own **greenhouse gas emissions** over recent years. For instance, we have progressively procured our electricity from renewable sources and improved the energy **efficiency of our premises and data centres**.

With regard to financed emissions, we have set **Net Zero 2030 interim targets** for three key sectors, **Oil & Gas, Power Generation** and **Automotive**. These targets were communicated to the market in January 2023.
We are currently in the process of developing the **Group's transition plan** and **emission baseline monitoring** for the three priority sectors. In line with NZBA requirements, we will provide the first update by April 2024.
In the coming months we will **establish Net Zero 2030 interim targets for other sectors**, including the **Steel sector**, in alignment with the methodology and timeline outlined in the of Sustainable Steel Principles, of which UniCredit is a founder.
In the second round of target setting for the NZBA carbon-intensive sectors[A], the small and low-material sectors will not initially be considered. However, we will continue to monitor them to ensure our approach remains adaptable for future adjustments, if necessary.
Capital markets financing, not included in our current targets due to low materiality, will be analysed in a subsequent phase together with facilitated emissions on capital markets once a more established methodology for the latter is in place.

A full picture of our Net Zero targets and achievements is described in the Metrics and Targets section.

A. Carbon-intensive sectors for NZBA include: agriculture, aluminium, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport (with automotive, shipping and aviation as most relevant sub-sectors). Sector-level targets shall be set for all, or a substantial majority of, the carbon-intensive sectors, where data and methodologies allow.

DEEP-DIVE

OUR COMMITMENT TO BIODIVERSITY

At UniCredit we recognise that **climate change and biodiversity are interconnected** and can both negatively and positively influence each other. On one hand, climate change contributes to the loss of biodiversity. On the other hand, preserving and restoring biodiversity can serve as a significant effort towards mitigating and adapting to climate change.

In December 2021 we joined the **Finance for Biodiversity Pledge**, demonstrating our commitment to taking ambitious action on biodiversity to reverse nature loss in this decade.
Furthermore, we are actively engaged in the **Principles for Responsible Banking (PRB) Biodiversity community**, a capacity-building programme aimed at fostering awareness of the importance of biodiversity and its impact on ecosystem services, as well as recognising biodiversity loss as a risk to both businesses and the financial sector.

We are dedicated and fully committed to:

- Designing a meaningful approach to manage Natural Capital assets;
- Assessing the materiality of environmental risks, extending beyond climate considerations, in line with EU Taxonomy objectives;
- Raising awareness and enhancing understanding of biodiversity and nature, both internally and externally, by participating in several working groups within the Pledge and UNEP - FI to exert influence and drive proactive engagement in these areas;
- Evaluating sources, methodologies and frameworks to effectively address the key challenges related to biodiversity and nature, for instance the Taskforce on Nature-related Financial Disclosure (TNFD) and the Global Biodiversity Framework (GBF);
- Following and participating in discussions at European level on regulatory frameworks (e.g. on deforestation, agriculture).

Climate-related risks and opportunities

UniCredit's climate strategy is founded on the **identification and awareness of all the climate-related risks and opportunities** that the Bank may encounter.

Regarding climate-related risks, including both **transition and physical risks**[6], UniCredit identifies, analyses and assesses them with the aim of incorporating them into the Bank's comprehensive risk management framework.

The table below provides an overview of each identified climate-related risk, its potential impacts, the corresponding time horizons (short, medium and long-term) and the actions undertaken to monitor and mitigate these risks.

In order to properly assess the potential impacts of climate-related risks for the Group, we run climate scenario analysis and stress testing.

A full description of these processes is available in the Risk Management section.

6. For a full definition of physical and transition risks, please refer to the Risk Management section.

<table>
<tr><th>POTENTIAL CLIMATE-RELATED RISKS</th><th>TIME HORIZON</th><th>MAIN POTENTIAL IMPACTS</th><th>SPECIFIC ACTIONS</th><th>OVERARCHING ACTIONS</th></tr>
<tr><td>Transition risks
Changes in or introduction of public policies and / or environmental regulations</td><td>Short and medium/long-term</td><td>• Reduction of business for corporate clients with potential drawbacks on creditworthiness / solvency
• Financial implications arising from environmental / ESG regulations and GHG emission limits and/or taxes applied to clients operating in specific economic sectors
• Reduction of Group profits deriving from concentration on sectors more sensitive to climate-related risks</td><td rowspan="3">• Inclusion of ESG risks considering both counterparty scoring (including the use of an internally developed questionnaire) and energy performance certificates (EPC) and when assessing credit applications
• Enhancement of Market and Liquidity risk framework to incorporate the assessment, monitoring and control of ESG risks
• Integration of industry steering signals within the Credit Risk Strategies framework, based on relevant Climate & Environmental (C&E) factors</td><td rowspan="4">• Definition of data governance processes and related IT investments to integrate ESG risk into the risk management framework
• Participation in international working groups and commitments related to climate, such as the Net Zero Banking Alliance, stakeholder engagement initiatives and active collaboration with policy makers
• Risk identification process[7] and materiality assessment, including stress tests, to evaluate the significance of climate-related risks in the short, medium and long-term horizons
• Inclusion of specific KPIs related to transition and physical risks within the Risk Appetite framework. The risk appetite is then cascaded to more granular levels via risk strategies and policies
• Promoting a sustainable culture within the organisation by developing ESG training courses and workshops</td></tr>
<tr><td>Transition risks
Technological changes</td><td>Short and medium/long-term</td><td>• Increase in costs for corporate clients with potential drawbacks on creditworthiness / solvency</td></tr>
<tr><td>Transition risks
Changes in customer / consumer preferences</td><td>Short and medium/long-term</td><td>• Reduction of business for corporate clients with potential drawbacks on creditworthiness / solvency
• Potential changes to the offering of products and services to clients</td></tr>
<tr><td>Transition risks
Changes in customer or community perceptions</td><td>Short and medium/long-term</td><td>• Reputational impacts or negative perceptions from the community or Stakeholders due to inadequate management of climate-related risks</td><td>• Environmental sector policies and their subsequent implementation
• A Reputational Risk assessment to evaluate the positioning of clients and specific projects in relation to climate-related topics</td></tr>
</table>

7. More details on the risk identification process and materiality assessment are reported in the Risk Management section.

POTENTIAL CLIMATE-RELATED RISKS	TIME HORIZON	MAIN POTENTIAL IMPACTS	SPECIFIC ACTIONS	OVERARCHING ACTIONS
Physical risks **Acute** Extreme weather events such as floods, droughts, heavy rainfalls, heatwaves, fires and hail) **Chronic** Chronic weather events such as variations in average temperatures and sea level rise	Short and medium/long-term	• Financial implications resulting from corporate / retail clients being damaged by extreme weather events, potentially impacting their creditworthiness / solvency • Potential damage to the Bank's infrastructure and the potential disruption of activities • Increase in energy supply costs due to higher heat / electricity demand • Potential fires, driven by rising temperatures, affecting areas in proximity to the Bank's buildings • Potential impact of sea level rise on buildings located near the sea • Reduced productivity due to higher temperatures	• Inclusion of ESG risks considering counterparty scoring • Monitoring of physical risks both on counterparties within our portfolio and individual collaterals	• Definition of data governance processes and related IT investments to integrate ESG risk into the risk management framework • Participation in international working groups and commitments related to climate, such as the Net Zero Banking Alliance, stakeholder engagement initiatives and active collaboration with policy makers • Risk identification process[5] and materiality assessment, including stress tests, to evaluate the significance of climate-related risks in the short, medium and long-term horizons • Inclusion of specific KPIs related to transition and physical risks within the Risk Appetite framework. The risk appetite is then cascaded to more granular levels via risk strategies and policies • Promoting a sustainable culture within the organisation by developing ESG training courses and workshops • Signing (2022) of the Finance for Biodiversity Pledge (FfB) and participation as member to the working table on Biodiversity of the UNEP FI

UniCredit has identified several potential **opportunities arising from the transition** to a low-carbon economy that impact on both on Group business and operations. These opportunities are described in the table below:

SEGMENT	OPPORTUNITY	TIME HORIZON
Business - Individual Solutions	Enlarge our environmental retail product offering in the areas of renewable energy lending and energy efficiency lending, in alignment with the most recent European regulations	Medium-term
	Keep our investment product strategy aligned with the latest regulations so that we can best meet our customers' sustainability appetite	Medium-term
Business - Corporate Solutions	Develop adequate tools to identify the ESG profile of corporate clients and provide them with the best solutions for a just and fair green transition	Short-term
	Advise clients to take advantage of strategic initiatives and subsidised finance options to facilitate the achievement of their decarbonisation goals	Short-term
	Further expand our products and services offering to support our clients in improving their sustainability profile	Medium-term
	Continue to focus on providing advisory and debt arranging in the main energy perimeters transition sectors to support our clients' energy transition journey	Medium-term
Operations	Reduce the environmental impact of our buildings and IT assets (offices, branches, data centres) by leveraging electricity from renewable sources and optimising energy and space efficiency	Short-term

Risk Management

UniCredit recognises Climate & Environmental Risk factors as crucial elements in safeguarding its clients' portfolios and assets from climate-related risks. To achieve this goal, UniCredit is integrating climate and environmental factors into its risk management processes and procedures. Climate Risk management encompasses the identification, measurement, and monitoring of these risks as well as the implementation of mitigation measures. We actively engage and support corporate clients in transitioning to a lower carbon business model, fully exploiting green business opportunities. Furthermore, we aim to assist our clients in achieving a just transition, ensuring fairness throughout the process.

Integration of climate risk management in the risk framework of the Group

UniCredit conducts an annual risk identification process which is a comprehensive framework to proactively identify all potential risks the Group may encounter. The primary outcome of this activity is UniCredit's risk inventory, which comprises a comprehensive list of the quantitative and qualitative risks to which the Group is or may be exposed. The risk identification process enables UniCredit to assess which risks are, or are likely to be material considering their exposures. Material risks are determined annually using a quantitative approach that involves assessing the risk level against the materiality threshold.

In line with the European Banking Authority's (EBA) [8] and the European Central Bank's (ECB) [9] expectations, UniCredit's risk identification process covers ESG risk dimensions, assessed through the lenses of physical and transition risk drivers, considering that these could positively or negatively affect the risk types already incorporated in UniCredit's risk management framework.

Environmental, Social & Governance (ESG) risks pertain to any adverse financial consequences that may arise for the Group due to the existing or prospective impacts of ESG factors on its counterparties or invested assets:

- Climate and Environmental (C&E) factors are related to the quality and functioning of the natural environment and its systems and include factors such as climate change, biodiversity, energy consumption, pollution and waste management.
- Social and Governance factors, for which the Group assigned an impact on reputational risk, revolve around the rights, well-being and interests of individuals and communities and include governance arrangements for the environmental and social factors in the policies and procedures of counterparties.

In coherence with the "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017), climate-related risks can be divided into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change, described in detail below.

Transition Risks refer to the risks arising from the transition to a lower-carbon economy, which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, pace and focus of these changes, transition risks can pose different levels of financial and reputational risk for organisations.

- **Policy and Legal Risks** stemming from continuously evolving policy actions, attempting to either constrain actions that contribute to the adverse effects of climate change or seeking to promote adaptation to climate change, and from litigation or legal risks;
- **Technology Risk** stemming from technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system and that can have a significant impact on organisations to the extent that new technology replaces old systems and disrupts some parts of the existing economic system;
- **Market Risk** stemming from the potential shifts in supply and demand for certain commodities, products and services;

8. EBA Report on management and supervision of ESG risks for credit institutions and investment firms (June 2021)
9. ECB Guide on Climate-related and Environmental risks (November 2020)

- **Reputational risks** stemming from changing client or community perceptions of the organisation's contribution to or detraction from the transition to a lower-carbon economy.

Physical risks refer to the risks related to the physical impact of climate change. These types of risk can be event driven (acute) or long-term shifts (chronic) in climate patterns and, as such, their effects can be felt both in the short and medium/long-term horizon.

- **Acute physical risks** are event-driven, including increased severity of extreme weather events (e.g. droughts, floods, etc.);
- **Chronic Risks** refer to longer-term shifts in climate patterns (e.g. sustained higher temperatures).

The connections between climate risk drivers and the risks faced by banks are referred to as transmission channels.

The likelihood and magnitude of the impact of climate risk drivers can be affected by a number of additional variables. These include: the geographic location of the bank, the assets or exposures involved, the interactions and interdependencies between transmission channels and climate risk drivers that can amplify impacts and mitigating measures that can reduce or offset impacts.

Understanding these transmission channels is crucial for assessing the impact of climate risk drivers in UniCredit's risk management framework. The figure below illustrates the climate-related risk drivers, relevant transmission channels and risk types that may be affected.

CLIMATE-RELATED RISK DRIVERS

Physical risk drivers
- Acute
- Chronic

Transition to low carbon Economy risk drivers
- Policy changes
- Technological changes
- Behavioural / consumer preferences changes
- Client or community perception changes

TRANSMISSION CHANNELS

- Carbon price / carbon tax
- New climate-related regulations
- Stranded assets
- Damages to property
- Shifts in prices and asset values
- Increased volatility of asset prices
- Lower asset performance
- Operational disruption
- Productivity changes
- Losses of business opportunity
- Dispute, claims
- Interest rates level
- Changes in individuals' habits
- Changes in clients' expectations
- Political decisions
- Energy Performance Certificates
- Insurance availability/affordability/pricing

RISK TYPES POTENTIALLY IMPACTED

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Reputational Risk
- Business Risk
- Real Estate Risk
- Inter-risk diversification

Assessment of potential impacts of climate risks through climate scenario analyses and stress testing

With particular reference to the identification and monitoring of climate-related risks, an annual materiality analysis aimed at assessing the relevance of climate-related risk drivers with respect to the various risk families considered and their potential impact for the Group is carried out under the normative and economic perspectives for both the short-term and medium/long-term horizons. The analysis envisages the full coverage of risk types and the integration of forward-looking elements and is used to identify how the risk types (e.g. Credit Risk, Market Risk, etc.) are impacted by transition and physical risks for the considered time horizons, as well as an assessment of the capital adequacy to check the Group resilience for the medium/long-term horizon. The result of the short-term assessment over the twelve-month time horizon is also adopted in the context of the materiality assessment process prescribed by the internal risk identification process.

To perform these analyses, UniCredit selected a set of climate scenarios to assess and quantify potential vulnerabilities through analyses in stressed conditions for the short and medium/long-term horizons.

The climate scenarios considered are based on NGFS assumptions to ensure consistency with scientific climate change pathways to properly assess the impact of physical and transition risk drivers.

BASELINE

Central scenario.

Narrative: Projection of commitment and measures currently adopted by different countries. Climate assumptions aligned with the IEA's Stated Policies Scenario

DELAYED TRANSITION

Transition risk stressed scenario.

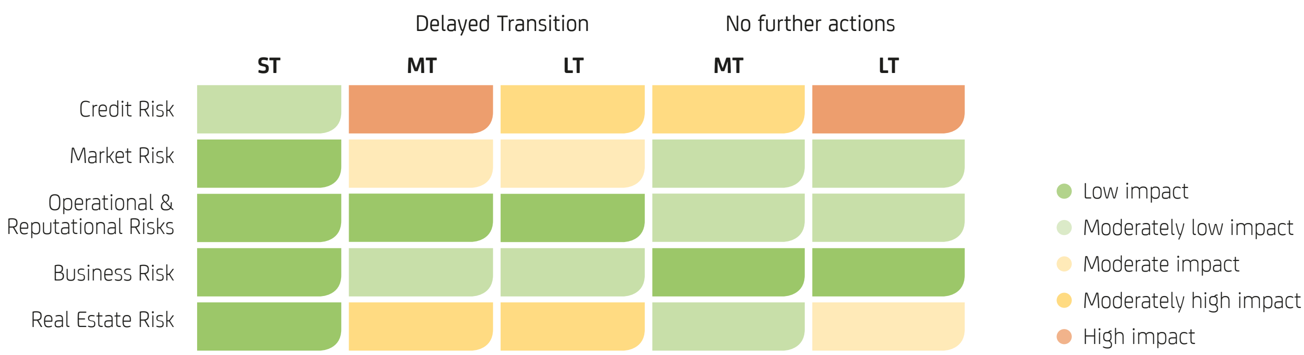
Narrative: Governments are not ramping up efforts to limit global warming by 2030. Therefore, a more stringent policy is required to achieve similar climate outcomes by 2050, resulting in greater economic impacts. Aggressive and uncertain carbon taxation policies cause substantial inflationary pressures, stranded assets and financial instability. Government carbon tax revenues are sufficient to cover the fiscal costs of the transition.

NO FURTHER ACTION

Physical risk stressed scenario.

Narrative: Expanding fossil fuel demand and government failure to meet stated Nationally Determined Contribution (NDC) commitments lead to higher emissions than in the baseline.

The following heatmap depicts the results of the 2022 climate-related risks materiality assessment for the short and medium/long-term horizons. The pure climate risk impact is estimated considering the deviation of the stressed climate scenarios from the baseline, whereas physical risk is the main driver of the No Further Action scenario and transition risk is the main driver of the Delayed Transition scenario.



MT = 2030-2040

LT = 2050

The short-term (ST) column refers to the impact for each risk type considering the maximum deviation between the two stressed climate scenarios. Credit risk is the most impacted risk, with physical risk as main driver. The same exercise is carried out in the medium/long-term horizon to isolate transition and physical risk drivers. Credit Risk is the most impacted component and reaches its peak in Long-Term (LT) under the No Further Action scenario, mainly due to chronic and acute physical risk. Moderate/moderately high impacts are estimated also for Real Estate Risk and Market Risk driven by transition risk, reaching their peak in Medium-Term (MT) under the Delayed Transition scenario after the delayed start of the transition.

The outcomes of the 2022 short-term materiality assessment performed within the standard Internal Capital Adequacy Assessment Process (ICAAP) framework, complemented by further concentration analyses and stress scenarios, suggest a limited impact of climate-related risk drivers. Similarly, the first outcome of the liquidity impact of climate-related risks reveals a limited materiality of the exposures to these risks also in Internal Liquidity Adequacy Assessment Process (ILAAP).

According to the long-term assessment, the capital position of the Group is adequate considering the potential impact of climate-related risks also on a longer time horizon.

Risk Appetite Framework

UniCredit's Risk Appetite provides an integrated view of business and risk strategy ensuring strategic plan execution within the risk capacity a bank is willing to assume. It establishes the Group's desired risk profile, driving short-term and long-term strategic objectives, and is supervised by the UniCredit Board of Directors.

The Risk Appetite Framework (RAF) is composed of three key elements:

- Risk Appetite Statement (RAS) - provides a strategic view of and guidance on the target risk profile and is expressed via qualitative statements
- Risk Appetite Dashboard - quantitative KPIs with related targets and risk tolerance thresholds for proactive risk steering
- Risk Strategies - ensure the cascading of the Risk Appetite to more granular levels via operative indicators, limits and controls

Since 2020, dedicated Risk Appetite Statements are drawn up regarding C&E risks, including the definition of UniCredit's commitment to assist its clients in a just and fair transition and the continuous integration of C&E risks within the Risk Management framework.

Dedicated quantitative C&E risk-related KPIs have been included in the Risk Appetite Dashboard since 2022, addressing both transitional and physical C&E risks. These KPIs are regularly monitored and reported in the RAF reports. After one full year of monitoring, as of 2023, these KPIs were also equipped with risk tolerance thresholds.

1. **High Transition risk exposure KPI**: aimed at measuring the Bank's exposure against largest counterparties that appear more vulnerable along the transition path towards a lower-carbon economy, based on information retrieved through Climate and Environmental Questionnaire (see dedicated section below).
2. **Fossil fuel-related exposure KPI** - focused on a perimeter comprising counterparties in certain classes as set out in UniCredit's Oil & Gas and Coal policies.
3. **Physical risk KPI**: designed to measure potential damages that extreme climate-related acute physical risks events could cause to the Bank's collateral portfolio. The KPI is monitored at Group Level and as of 2023 is cascaded to certain major Legal Entities.

Being an integral part of the Group Risk Appetite monitoring process, C&E KPIs are subject to an **escalation process** (in the case of risk tolerance threshold breaches) with related corrective/mitigation actions to be defined, when needed. The Group Board of Directors is informed of the breach and remedy actions (if any) on a quarterly basis in the periodical information sharing process.

Credit Risk

TRANSITION RISK IN THE CREDIT PORTFOLIO - FOCUS ON INDUSTRY VIEW AND ASSESSMENT AT COUNTERPARTY LEVEL

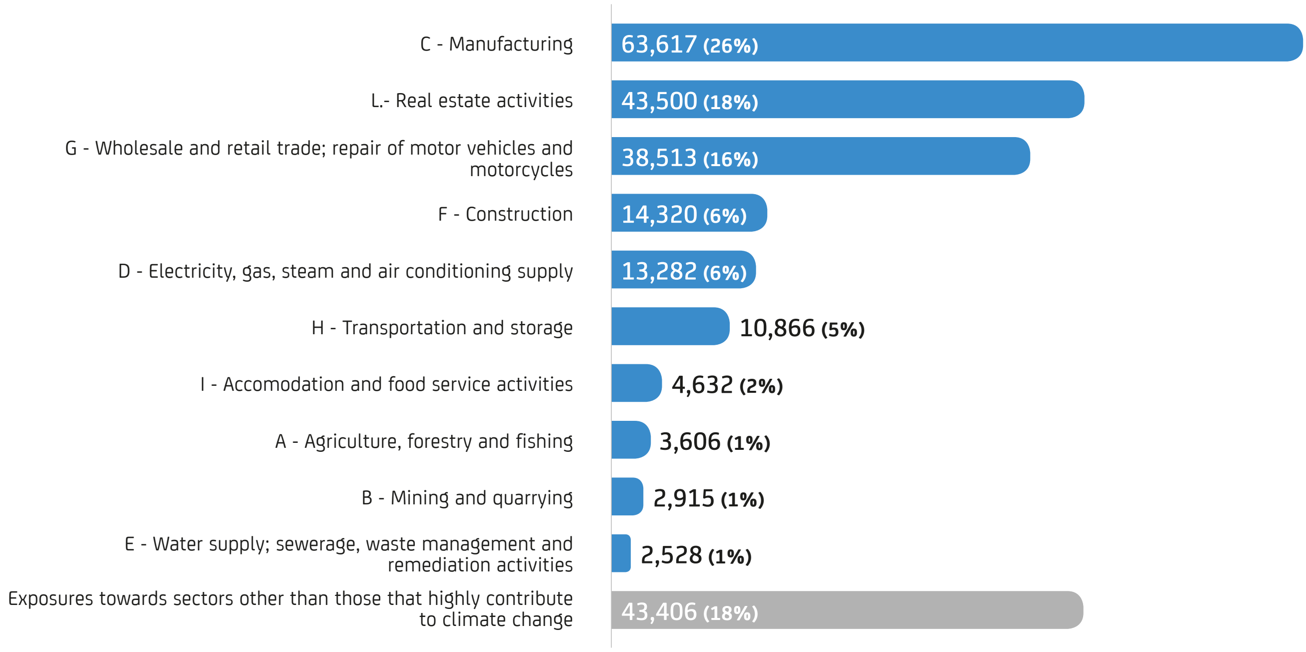
UniCredit has been working on the identification, measurement, monitoring and mitigation of transition risk. The transition risk of the portfolio is measured with different metrics, also including the distribution of the credit portfolio by industry

The corporate portfolio (Non-Financial corporate exposure, as defined by FINREP), has a Gross Carrying Amount (GCA) of €241bn. Around the 20% of GCA is represented by sectors (e.g. Financial and insurance activities, Information and communication, Professional, scientific and technical activities, Activities of extraterritorial organizations and bodies) that, consistently with the regulatory taxonomy, don't highly contribute to climate change.

The rest of the portfolio is very diversified across industries; the most relevant sectors are: Manufacturing, 26% of GCA, Real Estate 18%, and Wholesale and retail trade 16%. Concentration is carefully assessed also at geographical and single client level.

DISTRIBUTION OF NON FINANCIAL CORPORATE GROSS CARRYING AMOUNT (GCA) BY SECTOR [A]

GCA (€/MILLION) AND SECTOR INCIDENCE (%)



A. The percentages shown in the graph refer to the incidence of sector exposure to total NFC portfolio exposure.

Among these industries, exposure to the NACE sectors showing higher GHG Intensity [10] accounts for 17%. Exposures are broadly diversified across sectors, with a relatively higher concentration in electricity and gas supply and base metal production. The same considerations can be made in terms of gross fee and commission income percentage.

DISTRIBUTION OF NON FINANCIAL CORPORATE GCA, GROSS FEE AND COMMISSION INCOME AND GROSS INTEREST INCOME BY HIGHER GHG INTENSITY SECTORS

SECTOR INCINDENCE (%)

NACE sector	Short sector description	% GCA	% Gross fee and commission income	% Gross interest income
A01	Agriculture	1%	1%	2%
B05-B09 [A]	Mining	1%	0%	1%
C19	Petroleum	1%	2%	0%
C20	Chemicals	2%	2%	2%
C23	Non-metallic minerals	1%	1%	1%
C24-C25 [B]	Metals	4%	6%	5%
D35	Electricity & Gas	6%	3%	6%
H50	Water transport	1%	0%	1%
Tot (on total NFC portfolio)		**17%**	**14%**	**19%**

A. Mining includes the mining of coal and lignite, extraction of crude petroleum and natural gas, mining of metal ores, other mining and quarrying and mining support service activities
B. Metal includes the manufacture of basic metals and manufacture of fabricated metal products, except machinery and equipment

10. (> 1000 tCO_2 e/m €) based on the ECB climate stress test.

A comprehensive approach has been developed to assess and manage transition risk; the Risk Management framework defined is fully consistent with the RAF and is based on 3 pillars:

- Specific **Reputation Risk Policies** set-up (*see dedicated section within Non-Financial Risks*)
- Dedicated **Industry steering signals**, based on relevant C&E factors included in **the Credit Risk Strategies** framework
- **Assessment at single client level**, leveraging a dedicated **C&E questionnaire**

In particular, **Credit Risk Strategies**, reviewed at least once a year, are an important tool for ensuring inclusion of the relevant C&E factors in the overall credit risk strategy. **Industry steering signals** (underweight, neutral, overweight) and **related industry limits** embed all relevant C&E factors, leveraging a heatmap based on transition risk scores by economic activity. Further principles are also integrated within **qualitative guidelines for the business to assess and mitigate the risks for each specific industry**. The cascading to the legal entities of the Group, together with the monitoring and escalation processes at local and holding level, steer different credit portfolios in alignment with the RAF.

To determine the extent to which the Bank's Credit counterparties are exposed to Climate and Environmental risks, the C&E questionnaire is based on a set of both **cross-industry** questions (in total 11 considering the different sections) and **industry-specific** questions (an additional 2 for specific sectors), measuring qualitative and quantitative **current and forward-looking** key indicators across **three main dimensions**.

The three main drivers of the C&E questionnaire are:

1. **C&E exposure**: the 5 questions allow an analysis of the current level of exposure of the Economic Group under assessment: (i) level of GHG emission (Scope 1, 2 and 3); (ii) Water consumption; (iii) Energy consumption; (iv) Waste production and recycling
2. **C&E vulnerability**: the 4 questions allow an analysis of the climate change management maturity level on a forward-looking basis: (i) Company's investment plan to shift to lower emission level business model; (ii) GHG emissions reduction target
3. **Economic Impact**: the 2 questions allow an analysis of the potential impacts on corporate clients' financial and industrial performance in terms of cost and revenues.

Three steps apply to determine the questionnaire result:

1 QUESTIONNAIRE

11 cross-industry and 2 industry-specific C&E related qualitative-quantitative questions

2 SCORING & WEIGHTING

Questions and answers converted into homogeneous scores on a scale from 1 to 5 and weighted by relevance enabling differentiation

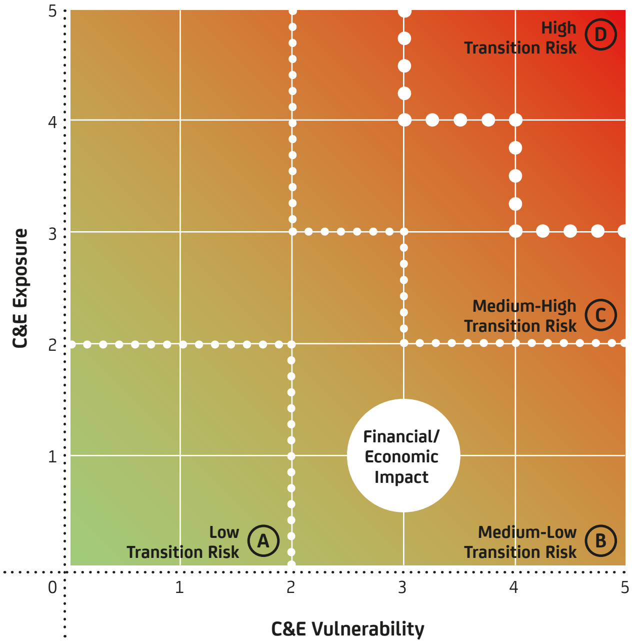
3 RESULTS AND MATRIX

The sum of weighted score positions each counterpart on the Transition Risk Assessment matrix

In detail:

1. Calculation of question-specific indicators based on the answers provided (a penalty system is in place and applied when information could not be retrieved)
2. Conversion of indicators, related to single questions, to standardise the scores of different responses and guarantee comparability of results
3. Weighting of question-specific scores according to a pre-defined table (that takes into account the relevance of the questions) and calculation of the summary score for the different dimensions:
   a. Sum of question-specific scores (and penalties if necessary) for each question in the Exposure cluster; the result is plotted on the vertical axis of the matrix
   b. Sum of question-specific scores (and penalties if necessary) for each question in the Vulnerability cluster; the result is plotted on the horizontal axis of the matrix
4. Determination of C&E score ratings (1-Low; 2-Medium-Low; 3-Medium-High; 4-High Risk), as shown in the matrix below

MATRIX SCORING METHODOLOGY



High C&E Transition Risk
Risk counterparts

A	**Low**	Clients with no/limited Climate and Environmental Transition risk
B	**Medium-Low**	Clients with presence of Climate and Environmental Transition risk
C	**Medium-High**	Clients with tangible Climate and Environmental Transition risk
D	**High**	Clients with important level of Climate and Environmental Transition risk

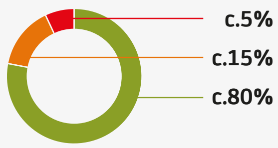
The results of the climate and environmental assessments are integrated in the files submitted to credit committees, allowing them to effectively take climate and environmental factors into account during the credit decision phase.

Below is a synoptic view depicting the distribution of the transition risk score.

OUR CLIMATE AND ENVIRONMENTAL RISK ASSESSMENT QUESTIONNAIRE

c.1,000 Counterparties
were assessed during the year, representing
40% of our Corporate EAD

RISK OF OUR CLIENTS



TRANSITION RISK - AT THE COLLATERAL LEVEL

In order to measure and track transition risk associated with assets used as collateral for both residential and commercial loans, a collection of Energy Performance Certification (EPC) data has been conducted. This collection of data includes both new flows and existing stock and serves the purpose of fulfilling regulatory obligations (Pillar 3, EU Taxonomy, Stress Tests) and meeting managerial needs. This information has been integrated into the ESG Global IT Infrastructure and is available on the local mortgage platforms.

The **Energy Performance Indicators** collected are:

1. EPC LABEL (with flag indicating Estimated/Reported)
2. PED (kWh/sqm)
3. CO_2 EMISSIONS
4. EPC ISSUANCE YEAR

The EPC data has been gathered, for the different Group LEs:

1. on the **new flows**, through the process implementation of punctual collection info, reported directly by the customer, at the origination stage
2. on the **Stock**: leveraging external specialized providers, that in the case where the data was not retrievable punctually, proceeded with the development of an estimation model.

PHYSICAL RISK IN THE CREDIT PORTFOLIO

Physical risk is carefully monitored for both counterparties within our portfolio and individual collateral assets. This involves the assessment of a **wide range** of **hazard events**, with particular attention given to the following:

TABLE 1: RISK HAZARD EVENTS AT COUNTERPARTY LEVEL

TYPE OF PHYSICAL RISK (ACUTE/ CHRONIC)	MATERIAL PHYSICAL RISK HAZARD EVENT	DESCRIPTION OF THE PHYSICAL RISK HAZARD EVENT	METRIC/APPROACH	SPATIAL RESOLUTION	SOURCE
Acute	Landslides	Risk of landslide events, long historical data	Annual probability of event with high severity	grid 200 metres/census cell	Third party Data & Bundesanstalt für Geowissenschaften und Rohstoffe & Istituto di Ricerca per la Protezione Idrogeologica
Acute	Floods	Risk of flood events, related to waterways and heavy rain events, predictive model	Annual probability of event with high severity, return period 50y	grid 100 metres/census cell	Third party Data & ISPRA (Italy)
Acute	Wind (Extreme wind-related events)	Probability of extreme wind events based on storm footprint, measured on Beaufort scale, return period 50y	Annual probability of extreme events (11-12 Beaufort scale)	grid H3	Third party Data
Acute	Wildfire	Risk classes depending on days with high fire risk subject to the type of environment in which the company is located, RCP 4.5 scenario	Average days/year with high fire risk, subject to type of environment	grid 4 kilometres	Third party Data & ESA Data & Copernicus Data
Acute	Extreme waves (extreme waves, storm surges)	Probability of having storm surges and high energy waves	Wave height in RCP 8.5 with a return period of 50y	grid 25 kilometres	Third party Data
Acute	Frost occurrence	Probability of cold events (frost, even of short duration), predictive model	Average number of events by years	grid 10 kilometres	Third party Data
Acute	Heat occurrence	Probability of hot events (even of short duration), predictive model	Average number of events by years	grid 10 kilometres	Third party Data
Acute	Heat waves	Probability of heat waves (extreme hot event > 3 days), historical data	Number of events (> 3 days) observed in a 60y period	grid 10 kilometres	Third party Data
Acute	Aridity	Probability of aridity phenomena (ratio precipitation/ evaporation), predictive model	Mean annual precipitation (P)/ mean annual evapotranspiration (ETP)	grid 500 metres	Third party Data

TYPE OF PHYSICAL RISK (ACUTE/ CHRONIC)	MATERIAL PHYSICAL RISK HAZARD EVENT	DESCRIPTION OF THE PHYSICAL RISK HAZARD EVENT	METRIC/APPROACH	SPATIAL RESOLUTION	SOURCE
Chronic	Rainfall soil erosion	Severity of soil erosion due to rainfall, scenario RCP 4.5	R factor: Mj mm/ha h yr	grid H3	Third party Data
Chronic	Shoreline erosion	Score representing the erosion compared to the present, RCP 4.5	Meter of erosion, scenario RCP4.5 a y2050	grid 200 metres	Third party Data
Chronic	Sea level rise	Estimates the sea level with various meteorological models	Max wave height at 2050, return period in 50y	grid 25 kilometres	Third party Data

TABLE 2: RISK HAZARD EVENTS AT COLLATERAL LEVEL

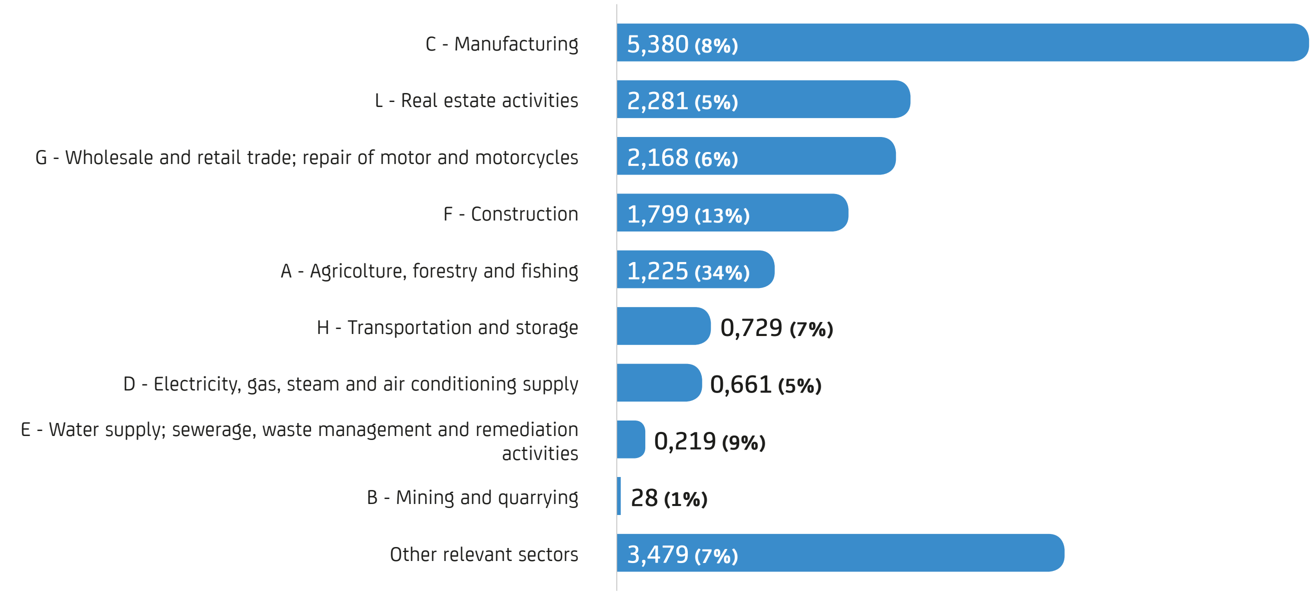
TYPE OF PHYSICAL RISK (ACUTE/ CHRONIC)	MATERIAL PHYSICAL RISK HAZARD EVENT	DESCRIPTION OF THE PHYSICAL RISK HAZARD EVENT	METRIC/APPROACH	SPATIAL RESOLUTION	SOURCE
Chronic	Sea level rise	Estimates the sea level with various meteorological models	Sea level rise hazard zones defined on Elevation Index (driven by coastal topography) and sea level rise Index (driven by sea level rise). The sea level rise hazard information is available for different scenarios	30 metres resolution for flooding hazard by sea level rise globally	Third party data: Sea level rise zones were modelled based on high-resolution elevation data from elevation model and sea level rise projections from climate models
Acute	Flood: • River Floods • Flash Floods	• River floods: Risk of river flood events, related to waterways and heavy rain events, predictive model • Flash floods are short-term events which can be produced by multiple thunderstorms with heavy rain over one area	• River floods: global climate model and global land surface models estimate changes in peak water runoff at hydrological basin resolution. These changes in peak runoff are then used to scale current river flood maps. The projections are available in different scenarios • Flash floods: The flash flood map is based on meteorological data, as well as soil, terrain and hydrographic data (slope and flow accumulation). The meteorological data includes the amount, variability, and extreme behaviour of rainfall	• River floods: 30 metres • Flash floods: approximately 250 metres	Third party data: • River floods: Geoweb natural hazard maps • Flash floods: soil-sealing maps (detected by looking at impervious surfaces), curvature (from global multi-resolution terrain elevation data), slope and flow accumulation (from conditioned terrain data) as modifiers to generate the final flash flood map

TYPE OF PHYSICAL RISK (ACUTE/ CHRONIC)	MATERIAL PHYSICAL RISK HAZARD EVENT	DESCRIPTION OF THE PHYSICAL RISK HAZARD EVENT	METRIC/APPROACH	SPATIAL RESOLUTION	SOURCE
Acute	Storms	Storms (including blizzards, dust and sandstorms): extratropical storms and storm surges	• Extratropical storms: The main variables of the exposure analysis are forward wind, maximum wind speed, minimum central pressure, radius of maximum wind speeds, track of the centre (eye) in 3 to 6 hourly intervals • Storm surges: multiple wave heights are simulated for each coast and the maximum expansion calculated. Wind speeds and bathymetry data were also taken into account	• Extratropical storms: approximately 5 kilometres • Storm surges: approximately 30 metres	Third party data
Acute	WildFire	Risk classes depending on days with high fire risk subject to the type of environment in which the company is located, RCP 4.5 scenario	Fire Weather Index (FWI) combining the probability of ignition, the speed and likelihood of fire spread and the availability of fuel.	Approximately 1 kilometre	Third party data: modelled according to daily information on temperature, precipitation, humidity and wind

Specific attention is given when the level of risk is above certain thresholds (high-risk and very high-risk) as represented in the following tables for the different industries and collaterals. The geographical footprint influences the distribution.

DISTRIBUTION OF NON FINANCIAL CORPORATE GCA EXPOSED TO PHYSICAL RISK BY SECTOR [A]

GCA (€/MILLION) AND SECTOR INCIDENCE (%)



[A] Reported percentages in the graph refer to the incidence of the sector's physical risk exposure out of the sector's total exposure.

DISTRIBUTION OF GCA EXPOSED TO PHYSICAL RISK BY COUNTRY

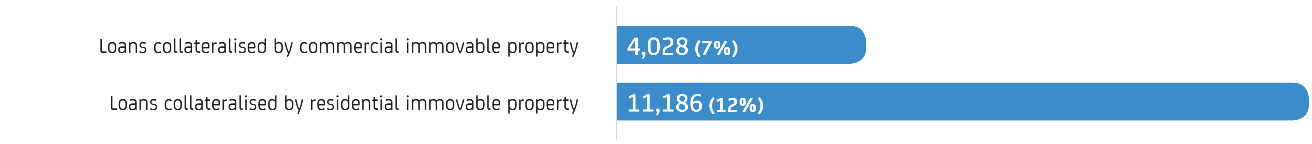
CORPORATE PORTFOLIO (DATA IN €/M)

Country	Physical Risk	Physical Risk/GCA (%)
Italy	8,301	10%
Germany	3,234	6%
Other countries	6,436	7%
Group	**17,971**	**7%**

PHYSICAL RISK - AT THE COLLATERAL LEVEL

DISTRIBUTION OF GCA EXPOSED TO COLLATERAL PHYSICAL RISK BY SEGMENT [A]

(DATA IN €/m)



[A] Reported percentages in the graph refer to the incidence of the segment's physical risk exposure out of the total segment exposure.

DISTRIBUTION OF GCA EXPOSED TO COLLATERAL PHYSICAL RISK BY COUNTRY

(DATA IN €/m)

Country	Physical Risk	Physical Risk/GCA (%)
Italy	9,414	16%
Germany	1,551	4%
Other countries	4,312	8%
Group	**15,278**	**10%**

In the new Group framework defined in 2023, both **EPC information and physical risk assessments** are being considered for **collateral evaluation** purposes.

Financial Risk

With regard to financial risks (Market Risk, Liquidity Risk and Counterparty Credit Risk), several concrete initiatives have been launched to integrate C&E risk into the financial risk management framework. The key pillars of the approach followed include:

a. an overall methodological approach for incorporating C&E drivers within the Financial Risk framework has been defined, leveraging a combination of assessment methodologies already employed by the Bank.

b. the assessment of C&E drivers is incorporated into the process for evaluating new financial products within the Bank. When assessing new products, LEs are responsible for verifying whether any C&E risk is embedded in the product's payoff/structure and for ensuring consistency with Group's ESG strategy by involving the local competent function if needed.

c. monthly reporting and monitoring framework through the inclusion of Physical and Transition risks within the Financial Risk relevant perimeter and inclusion of Market and Counterparty Credit Risk Stress Tests.

MONITORING AND REPORTING:

The Financial Risk department monitors and reports monthly to competent corporate governing bodies the concentration towards Climate Risk with reference to equity risk and corporate and financial bonds in the trading book, corporate and financial bonds in the investment portfolio, counterparty credit risk exposures and counterbalancing capacity.

In April 2022, the Market Risk stress testing programme was enhanced with a dedicated Climate Risk scenario which extends the ECB short-term disorderly transition scenario regarding the scope of risk factors and perimeter. Moreover, since October 2022, the monthly reporting and monitoring framework has been enhanced by incorporating transition and physical risks and in December 2022 the Climate risk stress test scenarios were further increased.

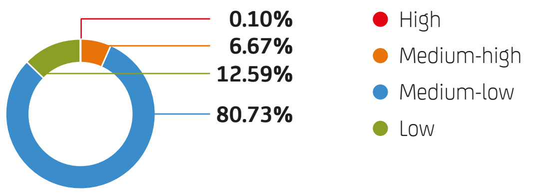
MATERIALITY ASSESSMENT:

The materiality for financial risk is assessed via the standard ICAAP framework as described earlier and is complemented by further concentration analyses and stress scenarios. Based on these assessments, combined also with qualitative considerations on UniCredit's trading business model, there appears to be no materiality of climate & environmental drivers on market risk exposures. Similarly, the first outcome of the liquidity impact of climate risks reveals a limited materiality of the exposures to these risks also in ILAAP.

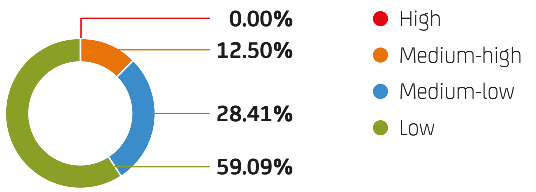
INVESTMENT PORTFOLIO:

Direct **Transition and Physical Risk Scores** are available for 82% and 52% respectively of the relevant perimeter of the Investment Portfolio (Corporates and Financials exposure). The distribution of the investment portfolio is mainly concentrated in **Medium-Low** category (81%) for Transition Risk and in **Low** category (59%) for Physical Risk. Currently there is almost no exposure for a high-risk score for transition and no high-risk score for physical risk.

TRANSITION RISK



PHYSICAL RISK



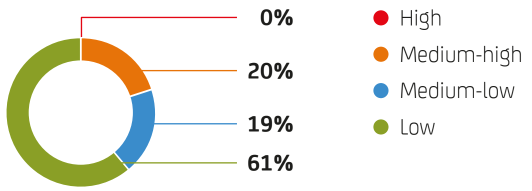
TRADING PORTFOLIO:

The overall materiality of climate-related exposure is very low. The split between equity-related and credit-related risk in the trading book is illustrated below:

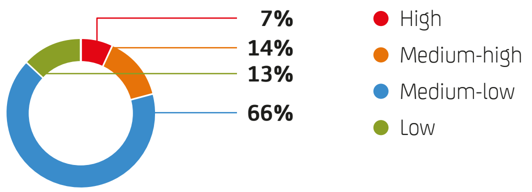
EQUITY RISK IN THE TRADING BOOK:

Direct **Transition and Physical Risk Scores** are available for 82% and 52% respectively of the relevant perimeter of the Portfolio (Corporates and Financials exposure). The distribution of the risk is mainly concentrated in **Low** category (61%) for Transition Risk and in **Medium-Low** category (66%) for Physical Risk. Currently there is almost no exposure for a high-risk score for transition and non-material (6.8%) high-risk score for physical risk.

TRANSITION RISK



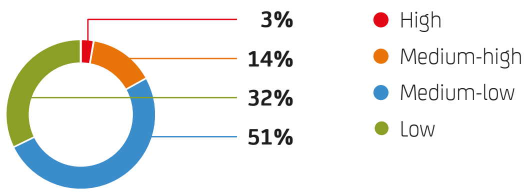
PHYSICAL RISK



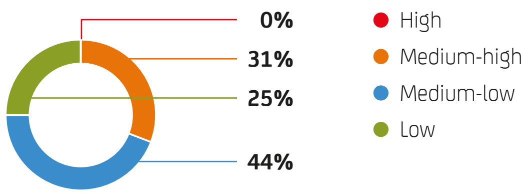
CREDIT RISK IN THE TRADING BOOK:

Direct **Transition and Physical Risk Scores** are available for 90% and 72% respectively of the relevant perimeter of the Portfolio (Corporates and Financials exposure). The distribution of the risk is mainly concentrated in **Medium-Low** category (51.1%) for Transition Risk and in **Medium-Low** category (43.7%) for Physical Risk. Currently there is a non-material (2.5%) exposure for a high-risk score for transition and almost no (0.1%) high-risk score for physical risk.

TRANSITION RISK



PHYSICAL RISK



Non-financial risk

Non-financial risks can be influenced by environmental factors in general and by the climate change in particular in two different ways:

Reputational Risk - Risk for the Group of being perceived and criticised for supporting activities and projects through its financial products and services that harm the environment and contribute to worsening the climate change scenario

Operational Risk - Risk for the Group of facing temporary disruption or unavailability of key premises (e.g. data centres, operational centres, headquarters) or for the discontinuity of services suffered by some of its third-party service providers due to adverse extreme climate conditions.

The bank has implemented adequate processes to mitigate the above-mentioned risks. These are described below:

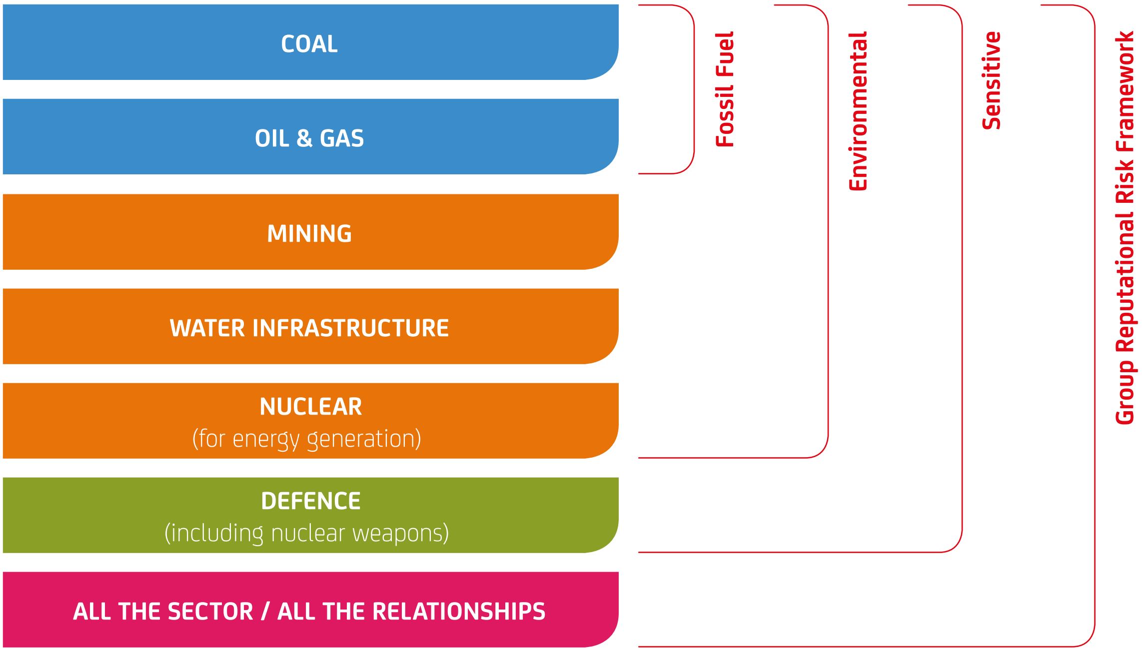
REPUTATIONAL RISK

The Group defines **Reputational Risk** as the current or prospective risk to earnings and capital resulting from the negative perception of the Financial Institution's image by various stakeholders including clients, shareholders/ investors, regulators, employees, debt-holders, market analysts, civil society, NGOs, media and other relevant parties.

The management of Reputational Risk relies on:

1. Setting clear **general rules and guidelines** for:
   - defining the profile of relationships (with clients as well as with other relevant counterparties such as suppliers) and operations (mainly financial support, but also investments and other financial services offered) that the Group is available to manage and develop.
   - defining the profile of what the Group does not consider to be in line with its principles and reputational standards. These rules and guidelines are designed to ensure alignment with laws, internal and external regulations, best practices within the sector and reflect the sensitivity of the Group.
2. Setting additional **specific rules and guidelines for sectors considered sensitive** (Coal, Oil & Gas, Defence, Nuclear, Mining, Water Infrastructures)
3. Requiring for each relationship the evaluation of the conformity to the rules and guidelines mentioned above
4. Ensuring **respect of the rules** mentioned above for each operation and performing a specific **Reputational Risk Assessment** involving Reputational Risk and other competent functions in cases of potential deviation
5. Taking the **right decisions at the right level of authorisation** in cases of potential reputational risk.

UCG, in its continuous monitoring of the market and stakeholder's expectations, has identified six «sensitive sectors» for which it has adopted a dedicated additional set of provisions and rules by the end of 2022 UCG. These are listed below:



In addition, UCG has signed specific commitments regarding Tobacco and Deforestation.

The provisions are renewed on a continuous basis, taking into account the evolution of the market and the sensitivity of the Group towards these sectors.

For each sensitive sector, the policy covers the following aspects:

- The scope of the sector (type of subjects and activities)
- The forbidden activities (activities that the Group is not available to support with its financial products and services, e.g. controversial weapons, nuclear weapons, coal-related activities, oil & gas activities in the Arctic region)
- The classification of clients:
- **Class A** - Clients completely in line with the provisions and for which the Group is available to provide full financial support
- **Class B** - Clients partially in line with positive transitions and moving in the right direction. The Group is available to support these clients with its financial products and services, refraining from providing other types of financial products and services that do not align with the transition towards more sustainable practices
- **Class C** - Clients not aligned with the provisions of the Group or moving in a different direction and for which the Group in not available to provide any kind of financial support. In these cases a phase-out of the relationship may be considered.

CLASSIFICATION IN THE COAL SECTOR

	Provisions	General Financing		Project Financing			Other	
		General Financing	Sustainability-linked RCF	Green Activities Financing	Coal-related Activities	Other Activities	Basic Banking	Advanced Banking
FULL SUPPORT	• No coal developer (no increase in coal business since Sep. 2020) AND • Current revenues from coal <= 25% AND • Phase out by 2028	Allowed	Allowed	Allowed	Not allowed	Allowed	Allowed	Allowed
GREEN FINANCING	• No coal developer (no increase in coal business since Sep. 2020) AND • Phase out in line with National Energy & Climate Plan	Not allowed	Allowed, to be evaluated and approved	Allowed, to be evaluated and approved	Not allowed	Not allowed	Allowed	Not allowed
PHASE-OUT	• Coal developer (increase in coal business since Sep. 2020) OR • Phase out plan missing OR • Phase out plan beyond the National Energy & Climate Plan target date	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed

CLASSIFICATION IN THE OIL & GAS SECTOR

Annual clearance Applicability

- **Medium** and **Large Corporate** Segment (turnover > €50 m) or CIB Division
  AND
- **Upstream** and **Midstream** ad owners, operators, subcontractors or suppliers of Key Components / Infrastructures / Services (including companies in the juridical group, i.e. >25%)

	Provisions	General Financing		Dedicated Purpose Financing / Transactions Financing					Other	
		General Financing	Sustainability-linked RCF	Green Activities Financing	Controversial Oil&Gas-Related Activities Financing	Oil-Related Activities Financing	Gas-related Activities Financing	Other Activities Financing	Basic Banking Services	Advanced Banking Services
A FULL SUPPORT	• Current revenues from Unconventional Oil&Gas activities <= 25% AND • Current revenues from Arctic Oil&Gas activities <= 25% AND • Not be included in the PACTA/Stress Test Red List	Allowed	Allowed	Allowed	Not allowed	Allowed	Allowed	Allowed	Allowed	Allowed
B TRANSITION SUPPORT	• Current revenues from Unconventional Oil&Gas activities >= 25% AND <50% AND • Current revenues from Arctic Oil&Gas activities >= 25% AND <50% OR • Included in the PACTA/Stress Test Red List	Not allowed	Allowed, to be evaluated and approved	Allowed, to be evaluated and approved	Not allowed	Not allowed	Allowed	Allowed	Allowed	Allowed
C PHASE-OUT	• Current revenues from Unconventional Oil&Gas activities >50% OR • Current revenues from Arctic Oil&Gas activities >50%	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed	Not allowed[A]	Not allowed

LEGEND Allowed · Allowed, to be evaluated and approved · Not allowed

[A] With the exception of Current / Cash accounts.

UCG has defined a process for assessing Reputational Risk, identifying cases where a dedicated assessment is necessary.

A **RepRisk Assessment** is requested

ON SCHEDULE

A. ANNUAL CLEARANCE

e.g. Whenever a customer is subject to the annual credit rewiew

ON EVENT

B. REPUTATIONAL CLEARANCE - Whenever an event, related to a customer, occurs and the event itself could impact UCG reputation

e.g. The customer is involved in a scandal of public interest and the event is also covered by the media which give due information

e.g. The customer is accused by the judiciary of having violated the anti-money laundering law

C. SINGLE DEAL APPROVAL - When a customer, belonging to one or more "sensitive sectors" is requesting a financial support for a project or a general financing

e.g. The customer ask for a letter of credit to export weapons in a foreign country

e.g. The customer operating in the Oil & Gas sector ask for general financing

The decision-making bodies responsible for assessing cases of reputational risk can vary according to the relevance of the case and alignment with the policy provisions.

Cases that envisage a potential high relevance in terms of Reputational Risk are brought to the attention and decision of the Group Non-Financial Risks Committee (GNFRC) chaired by the Group CEO.

DECISIONAL BODIES ON REPRISK (HOLDING)

Group CEO with selected GEC members	**GNFRC**	• Cases with **High RepRisk** or with **RepRisk appetite to be set**
Head of NFR and Heads of Specialist Functions	**REPRISK OFFICE**	• Cases with **High RepRisk** or with **appetite already set in Previous decisions**
Head of RepRisk and Specialist Functions	**REPRISK FUNCTION & SPECIALIST FUNCTIONS**	• Cases with **Low or Medium RepRisk** or **when explicitly requested by the Police** (e.g. client classification in A, B, C classes for Coal)
Proponent Business	**PROPONENT BUSINESS**	• Cases **in line with the provisions and allowed by the policy** (no deviations) • 2nd Level controls performed by RepRisk Function
Specialist Functions: **ESG, Financial Crime, Sanctions, Anti-money Laundering, Media and Communication, Legal**	**RELATIONSHIPS DEALS**	

Similar structures have been established at local level within each Legal Entity of the Group. At Local Level, RRO and GNFRC are collapsed in the LNFRC (Local Non-Financial Risk Committee), chaired by the Local CEO.

Cases where reputational risks are deemed to be of significant relevance within a specific Legal Entity are submitted to the Holding company for further validation (NBO).

A RepRisk decision taken at local level also requires an NBO by the Holding Company in two specific situations:

1. When the case, authorised by the Local NFR Committee, presents a **High RepRisk** and has to be submitted to a **Group Credit Committee** (GCC or GTCC)
2. When **explicitly requested by the policy**. *e.g. Green Project Financing in the Oil & Gas or Coal sectors, granted to a B Class client, requires an NBO to double check that the Green project is currently aligned with the EU Taxonomy*

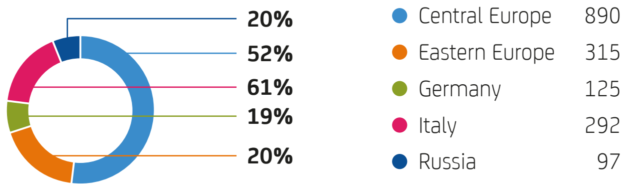
Whenever a further scrutiny of a case is deemed necessary, Legal Entities can ask the Holding Company for an NBO for cases other than the two mentioned above.

Any unplanned and unforeseen situations related to a specific relationship or deal and not aligned with the standard provisions of the policy are evaluated case by case. Expert judgement is required for evaluating *the alignment of the case with UniCredit general principles on Reputational Risk*. Any decisions must diligently consider the provisions of the applicable policy and the characteristics and context of the case under examination.

By applying the process described above, 1,719 assessments were conducted in the Group in 2022, some of which involved more than one sector.

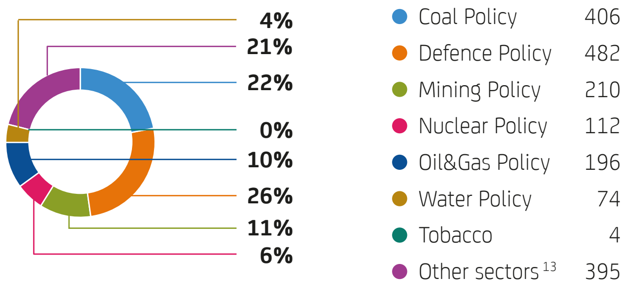
REPRISK ASSESSMENT BY GEOGRAPHY [11]

1719 RepRisk Decisions at group level
(those in the business autonomy not included)



REPRISK ASSESSMENT BY SECTOR [12]

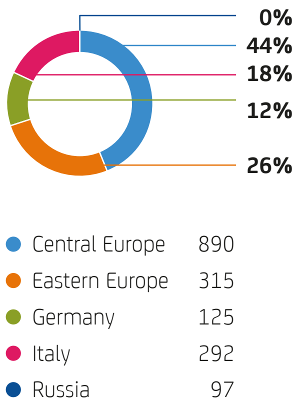
1,878 RepRisk Decisions at group level
(those in the business autonomy not included)

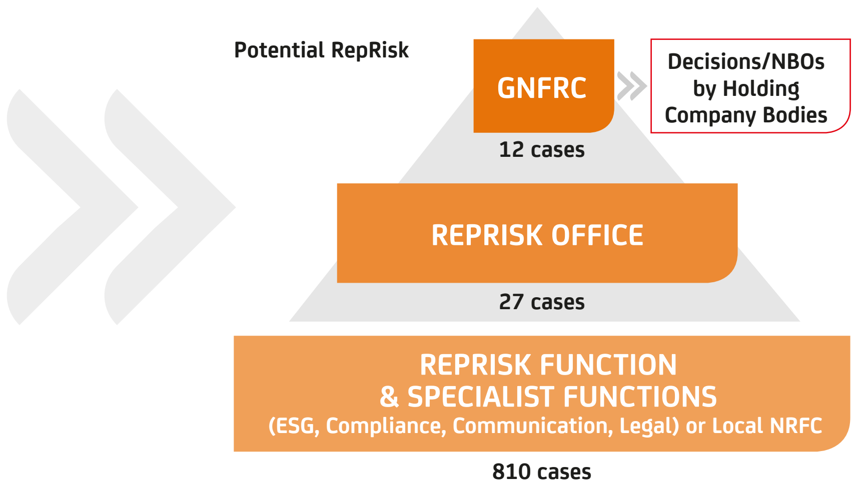


At Group level **849 cases of Annual (A) & Reputational Clearance (B)** (i.e. assessments of the relationship with clients or other counterparties) have been performed out of which **117 were High-Risk**

ANNUAL CLEARANCE RELEASED AT GROUP LEVEL

849 Annual (A) & Reputational Clearance (B) Clearance at group level [14]



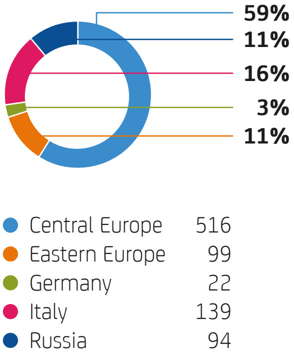


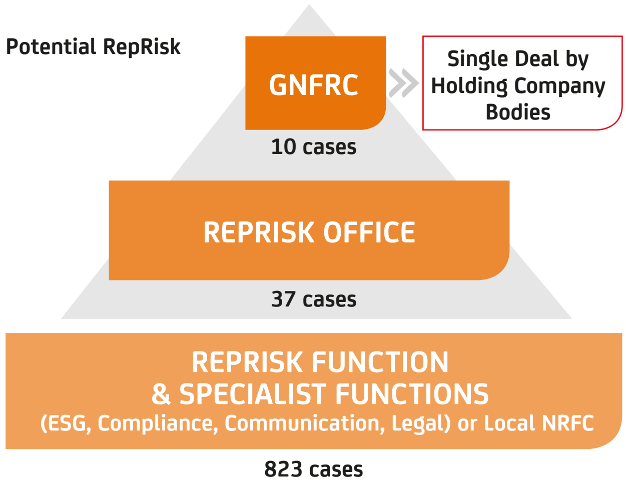
[11] Italy includes UniCredit S.p.A, UniCredit Leasing S.p.A, UniCredit Factoring S.p.A. Central Europe includes Austria, Czech Republic & Slovakia, Hungary and Slovenia. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania and Serbia
[12] More sectors can apply for each RepRisk assessment
[13] Other sectors includes local regulations, sensitive sectors not yet regulated or other RepRisk issues
[14] Decisions taken by GNFRC/ LNFRC Committees, Group/ Local Rep Risk and specialist functions (decisions taken by proponent business not included in the figures)

At Group level **870 Single Deal assessments have been performed out of which 137 were High-Risk**

SINGLE DEAL DECISIONS TAKEN AT GROUP LEVEL

870 Annual Single Deal at group level[15]



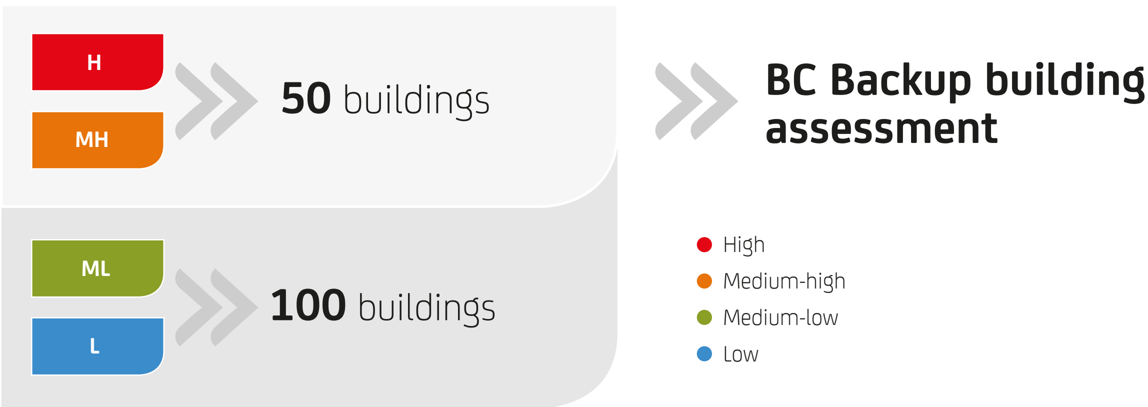


OPERATIONAL RISK

For all Legal Entities the Group carries out an annual assessment aimed at identifying critical locations where unavailability could harm business continuity (e.g. data centres, headquarters, operational centres). In 2022, 150 buildings were selected.

Each location is classified according to current risks from extreme adverse climate conditions (river floods, flash floods and wildfire) that could affect the location itself.

SCENARIO ANALYSIS



Regarding the 50 buildings potentially exposed to high or medium-high risk, in 2022, the related business continuity plan was assessed to check the effectiveness of protection in cases of adverse climate conditions.

Wherever the business continuity plan highlighted the inadequacy of the backup building (e.g. exposed to the same risk as the primary location), a new backup location was defined.

All high and medium-high risk critical locations are adequately covered by a backup solution in cases of adverse climate events.

In 2023, a double version of the assessment will be carried out: exposure to current risks (based on the climate condition currently observed) and exposure to the perceived risk in a scenario of +4°C in 2030.

In order to assess the resilience of third-party service providers with regard to climate change, the Third Party Assessment (performed during onboarding of new suppliers, then yearly) has been enhanced by also considering the business continuity plans adopted to manage potential adverse climate events.

[15] Decisions taken by GNFRC/ LNFRC Committees, Group/ Local Rep Risk and specialist functions (decisions taken by proponent business not included in the figures)

Metrics and Targets

ESG remains a key pillar of our Strategic Plan, UniCredit Unlocked, with **ambitious targets** for all areas of our business, including a total of **€150bn** in new cumulative **ESG volumes over 2022-2024.**

Additionally, we are actively engaged in efforts to reduce our own environmental impact with a commitment to achieve **Net Zero** on **our own emissions by 2030** and on **our financed emissions by 2050**.

We regularly **monitor our progress** towards these targets and **disclose our results** on ESG volumes to all relevant stakeholders on a **quarterly basis**.

OUR ESG TARGETS

CUMULATIVE ESG VOLUMES 22-24

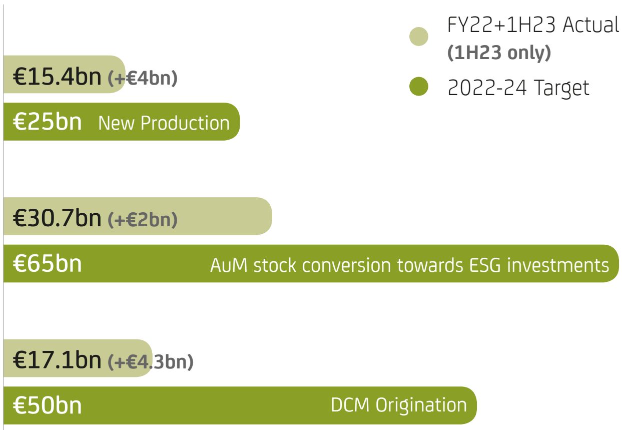
€69.8bn
(including €6.6bn of Social Lending[A])
FY22+1H23 Actual
(+€12.1bn in 1H23 only)

€150bn
(including €10bn of Social Lending)
2022-24 Target

ENVIRONMENTAL LENDING[A]
Good performance driven by Energy Efficiency and Sustainability linked lending

ESG INVESTMENT PRODUCTS[B]
Slightly below target mainly due to funds reclassification but ESG Penetration rate at 47%

SUSTAINABLE BONDS[C]
Slow start to 2023 but prospect for recovery in 2H



ENVIRONMENTAL FOOTPRINT

OUR TARGETS

NET ZERO
on own emissions **by 2030**

NET ZERO
on emissions for lending and investment portfolio (financed emissions) **by 2050**

OUR ACHIEVEMENTS

14% reduction in 2022 vs 2021, Scope 1 and Scope 2 emissions, market-based
56,593 tons of CO_2e in 2022, Scope 1 and Scope 2 emissions

First set of sectoral targets on
Oil & Gas, Power generation and Automotive disclosed

FIRST SET OF SECTORAL TARGETS

Sector	Scope	Value Chain	Metric	2021 Baseline	2030 Target	Scenario Benchmark[D]
OIL & GAS	Scope 3 Category 11	Upstream, Midstream, Downstream	Financed Emissions	21.4 MtCO_2e	-29% reduction (15.2 MtCO_2e)	IEA NZ 2050 (World)[E]
POWER GENERATION	Scope 1	Power Generation	Emission Intensity	208 gCO_2e/kWh	111 gCO_2e/kWh	IEA NZ 2050 (Europe)
AUTOMOTIVE	Scope 3 Category 11 Tank-to-wheel	Automotive manufacturers (Light-duty Vehicles)	Emission Intensity	161 gCO_2/vkm	95 gCO_2/vkm	IEA NZ 2050 (World)

A. Including Sustainability linked lending.
B. Based on Art. 8 and 9 SFDR regulation.
C. All regions, including sustainability-linked bonds.
D. Based on IEA World Energy Outlook 2022.
E. With reference to oil and gas.

Further KPIs and metrics

We are committed to protecting natural capital by delivering sustainable financing solutions to clients and reducing the environmental impact of our direct operations:

Promoting sustainable financial instruments

As at June 2023:

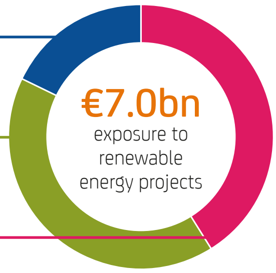
8 own Green Bonds issued

€4.8bn of total amount

- **2 Senior Green Bonds** issued in June 2021 and Nov 2022 for **€1bn each**
- **2 Green Mortgage Covered Bonds** issued in September 2021 and 2022 for **€0.5bn each**
- **1 Green Mortgage Covered Bond** issued in October 2021 for **€0.06bn**
- **2 Green Mortgage Covered Bonds** issued in May 2022 and February 2023 for **€0.5bn** and **€0.75bn** respectively
- **1 Green Mortgage Covered Bond** issued in June 2023 for **€0.5bn**

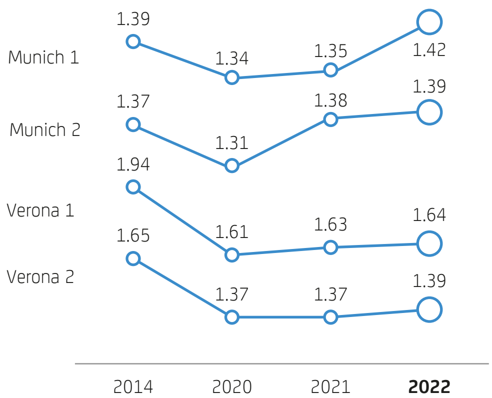
Supporting renewable energy sources

As at December 2022:



UniCredit premises energy efficiency

Data Centre power usage effectiveness (PUE) ratios



Electricity procurement

87% of total electricity consumption in 2022 was from renewable sources[A]

100%	100%	100%	100%	100%	100%	80%

Intensity metrics[B]

2022	Italy	Germany	Central Europe	Eastern Europe
Energy consumption per employee (GJ/capita)	28	49	22	21
Copy paper consumption per employee (Kg/capita)	30	8	23	37
Water usage per employee (m³/capita)	31	24	8	9

A. Data refer only to building for which electricity consumption invoices are in the name of UniCredit.
B. Refer to Natural Capital chapter of Integrated Report 2022 for more information.

GHG Emissions

SCOPE 1: DIRECT GHG EMISSIONS[A] (TONS CO_2e) 2022-2021

Country	2022	2021
Italy	12,866	14,057
Germany	8,261	9,377
Central Europe	3,893	4,462
Eastern Europe	5,212	5,266
Total	**30,233**	**33,162**

A. GHG emissions from sources owned or controlled by our Group, which includes direct energy consumption, road business travel and refrigerant gas leakages.

SCOPE 2: INDIRECT GHG EMISSIONS[A], MARKET-BASED (TONS CO_2e) 2022-2021

Country	2022	2021
Italy	420	309
Germany	4,556	4,872
Central Europe	982	3,027
Eastern Europe	20,402	24,729
Total	**26,360**	**32,938**

A. GHG emissions from purchased electricity, steam and heating/cooling consumed by equipment or systems owned or controlled by our Group.

SCOPE 3: OTHER INDIRECT GHG EMISSIONS[A] (TONS CO_2e) 2022-2021

Country	2022	2021
Italy	9,280	7,896
Germany	4,923	5,252
Central Europe	4,975	6,802
Eastern Europe	9,472	7,881
Total	**28,651**	**27,831**

A. GHG emissions from air and rail business travel; from copy paper consumption; from glass, paper and plastic disposal; GHG emissions from energy consumption at leased assets for which we do not have operational control are calculated considering the market-based method.

SCOPE 3: TOTAL OTHER INDIRECT GHG EMISSIONS, BY CATEGORY (TONS CO_2e) 2022-2021[A]

Category	Description	2022	2021
1. Purchased goods and services	Copy paper consumption	763	774
5. Waste generated in operations	Glass, paper and plastic disposal	229	270
6. Business travel	Air and rail	1,870	406
8. Upstream leased assets	Energy consumption at leased assets not within operational control	25,789	26,380
Group		**28,651**	**27,831**

A. For the 2021 Scope 3 total as previously published, please refer to the table Scope 3: other indirect GHG emissions (tons CO_2e) 2022- 2021.

International and institutional initiatives

To strengthen and demonstrate our ESG commitments, we have chosen to adhere to significant international and institutional sustainability initiatives throughout the years:

TCFD	Task Force on Climate-Related Financial Disclosures (TCFD)	• **2019** Endorsement of Task Force on Climate-Related Financial Disclosures (TCFD) • **2020** First stand-alone report with disclosure aligned with TCFD recommendations
PACTA Paris Agreement Capital Transition Assessment	Paris Agreement Capital Transition Assessment (PACTA)	• **2019** We joined the Paris Agreement Capital Transition Assessment (PACTA) methodology developed by 2°Investing Initiative (2°ii) • **2020** Completion of PACTA road-testing
UN environment programme finance initiative	UNEP FI Principles for Responsible Banking (PRB)	• **2019** We signed the UNEP FI Principles for Responsible Banking (PRB) aimed at supporting banks in aligning their business strategy with society's goals • **2020** We joined several working groups organised by UNEP FI in support of PRB implementation. UNEP FI PRB reporting was disclosed • **2021** We signed UNEP-FI commitment to Financial Health and Inclusion
SUSTAINABLE DEVELOPMENT GOALS	UN Sustainable Development Goals (SDGs)	• **2015** The UN Sustainable Development Goals (SDGs) were published. We have contributed since then to their achievement by monitoring our progress via measurable KPIs, resulting from the management of material topics and related risks and opportunities
EBA European Banking Authority	European Banking Authority (EBA)	• **2020** We voluntarily joined the European Banking Authority (EBA) first pilot sensitivity exercise held by banks, which aimed at providing a preliminary estimate of sustainable exposures based on EU green taxonomy. Results were published during 2Q21
European Hydrogen Forum	European Hydrogen Forum	• **2021** We became a member of the European Clean Hydrogen Alliance, which aims at the deployment of hydrogen technologies by 2030
GFANZ Glasgow Financial Alliance for Net Zero	Net-Zero Banking Alliance	• **2021** We joined the Net-Zero Banking Alliance, the banking element of the Glasgow Financial Alliance for Net-Zero (GFANZ) • **2023** As part of our journey towards Net Zero, we disclosed first-round targets on Oil&Gas, Power and Automotive sectors
WOMEN'S FORUM FOR THE ECONOMY & SOCIETY	Women's Forum	• **2021** Our CEO signed the CEO Champion Commitment Towards the Zero Gender Gap
SUSTAINABLE STEEL PRINCIPLES	Sustainable Steel Principles	• **2021** We are among the 6 global banks that have formed the Steel Climate-Aligned Finance Working Group facilitated by RMI's Center for Climate-Aligned Finance • **2022** We signed the Sustainable STEEL Principles, a climate-aligned finance agreement for the steel sector
Finance for Biodiversity Pledge	Finance for Biodiversity Pledge	• **2022** We signed up to the Finance for Biodiversity, the only international pledge fully dedicated to financial institutions. By joining this initiative, we committed to call on global leaders and to protect and restore biodiversity through their finance activities
ELLEN MACARTHUR FOUNDATION	Ellen MacArthur Foundation	• **2022** We became a member of the Ellen McArthur Foundation's international charity network to enhance our efforts in driving the transition towards a circular economy in the countries where we operate
CEO Alliance	CEO Alliance	• **2022** We are part of the CEO Alliance for Europe, a cross-sector Action Tank, focused on decarbonization and digitalization, with a collective effort by all EU member states and partnership between the public sector and industry

UniCredit SpA

A joint stock company
Registered Office and Head Office in Milan: Piazza Gae Aulenti 3 - Tower A - 20154 Milano
Share capital Euro € 21,133,469,082.48 fully paid in, Fiscal Code, VAT number and Registration number
with the Company Register of Milan-Monza-Brianza-Lodi:00348170101
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group,
with. cod. 02008.1; Cod. ABI 02008.1
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund
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