



Supervision Risks & Profitability


SSM 2022-2024 PRIORITIES:

TACKLING EMERGING RISKS, INCLUDING CLIMATE-RELATED AND ENVIRONMENTAL RISKS

UniCredit's approach and ESG Strategy

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Empowering
Communities to Progress. |  **UniCredit**

ESG topics are more and more important for all stakeholders

Regulators



EU framework for sustainable growth

- **2018 - Sustainable Finance Action Plan** Green Taxonomy
- **2019 - Green Deal** Climate neutrality by 2050
- **2022 - Art. 8 Taxonomy** Disclosure on environmentally sustainable activities (eligibility)
- **2023 - EBA Pillar 3.** Disclosure on first KPIs
- **2024 - Art. 8 Taxonomy** Disclosure on Green Asset Ratio

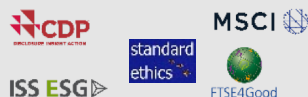
Investors

Investors are increasing their **engagement activities** with underlying companies especially on ESG matters

Asset managers involved in collaborative engagements

2020 83%
2017 68%

ESG raters number is growing and becoming more and more relevant in investors' evaluation



Market



EU Recovery Strategy

€**1.8tn**
aimed at building a modern and more **sustainable EU**

2022 ESG bond to hit global record growth, with Social under the spotlight

\$**1.35tn**
Forecast of sustainable bond issuance in 2022¹, +36% vs 2021

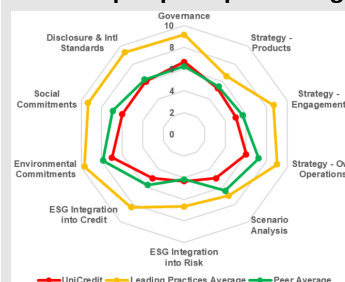
o/w **57%** green bonds
11% social bonds
32% sustainability bonds, sustainability linked bonds

Competitors

Extremely high market velocity on ESG topics

Banks are well aware of the importance of sustainability aspects

The Group vs peers positioning



Leading peers are strongly advanced on ESG across all key areas (e.g. BNP Paribas, ING)

People



Clients

Changing purchase choices based on E and S grounds² **c. 80%**



Employees

preferring to work for companies that care about the same issues they do³ **86%**



Organizations

Feeling pressure to improve their sustainability from stakeholders, o/w 24% customers⁴ **63%**

Note: (1) Sustainable Finance – Global Sustainable bonds to hit record \$1.35 trillion in 2022, by Moody's ESG Solutions (2) Consumer Products and Retail: How sustainability is fundamentally changing consumer preferences, by Capgemini Research Institute (3) 2021 Consumer Intelligence Series survey on ESG by PWC (4) Embracing the New Age of Materiality: Harnessing the Pace of Change in ESG, by World Economic Forum



Our Purpose: Empowering Communities to Progress



Our values are driven by our purpose and represent the cultural cornerstones that guide all our actions and behaviour, enabling us to deliver on our ambition and new business strategy



Integrity

Will drive us to act in the **best interests of our clients** in an **honest, straightforward and transparent** way



Ownership

The empowerment to make decisions and **learn from failure** lies at the heart of what we do. We deliver on our **promises** and take **accountability** for our actions and commitments. We **speak up** to express an idea, an opinion or report wrongdoing



Caring

We **care about our clients, communities and people** and enable them to prosper, treating everyone with respect and valuing our differences



Sustainability is a critical part of UniCredit's new 2022-2024 Strategic Plan

*UniCredit Unlocked, our new Strategic Plan, aims to put UniCredit back in the top tier of European banks. Our ambition is to create a bank for Europe's future. We must unlock the potential within UniCredit in order to move from retrenchment to renewal, **towards an era of purpose, growth and value creation**. We want to win the right way, by **placing the values of integrity, ownership and caring at the heart of our decisions**, and we want to do so together, one united team acting as true partners to our different stakeholders.*

*We wish to be deeply embedded in our communities and united behind a common purpose: **Empowering Communities to***



Grow in our **regions** and develop our **client** franchise

- Quality growth both from existing and new clients
- Develop best-in-class products and services: either in-house or with external partners



Change our **business model** and how our **people** operate

- Grow capital-light business, focusing on value-added products and services for clients
- Targeted cost efficiency to fund investment and deliver operating leverage



Deliver economies of **scale** from our footprint of **banks**

- Unite our 13 banks in one integrated group
- Central steering where it adds value; local empowerment within a clear risk framework



Transform our **technology** leveraging **Digital & Data**

- Redesign operating model: reclaiming core competencies in-house
- New way of working: centred around clients and common platforms



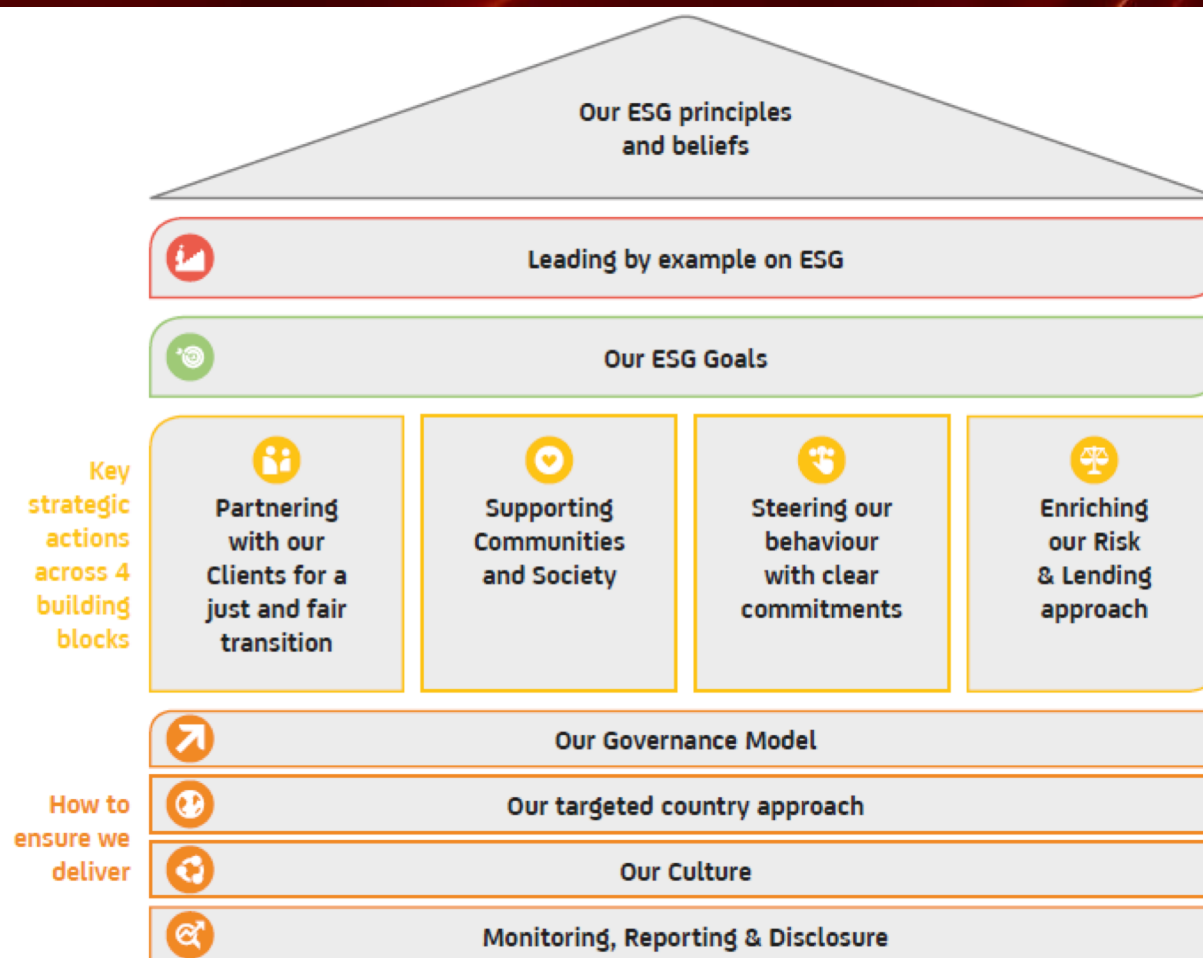
Embed **sustainability** in all that we do

- Leading by example, striving for the same high standards that we seek from those we do business with
- Equipping ourselves with tools to support our clients and communities to navigate the transition

Embedding sustainability in all that we do is one of the five strategic imperatives of UniCredit Unlocked



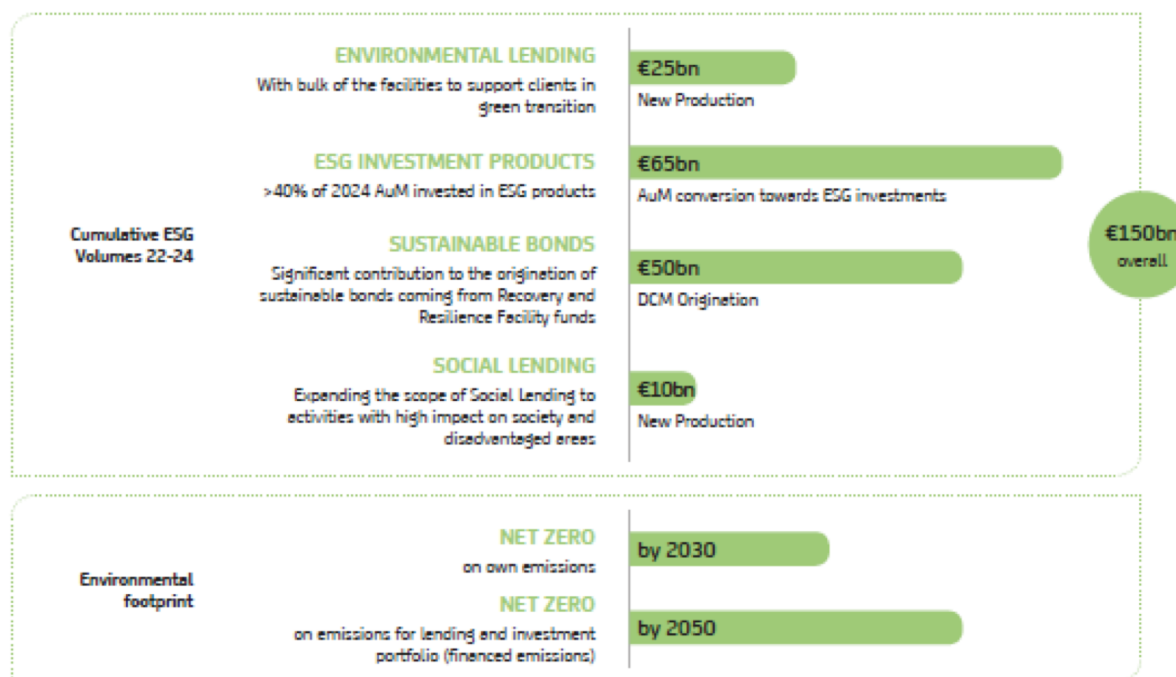
Our ESG strategy: building on strong fundamentals to deliver value



Our ESG goals and targets



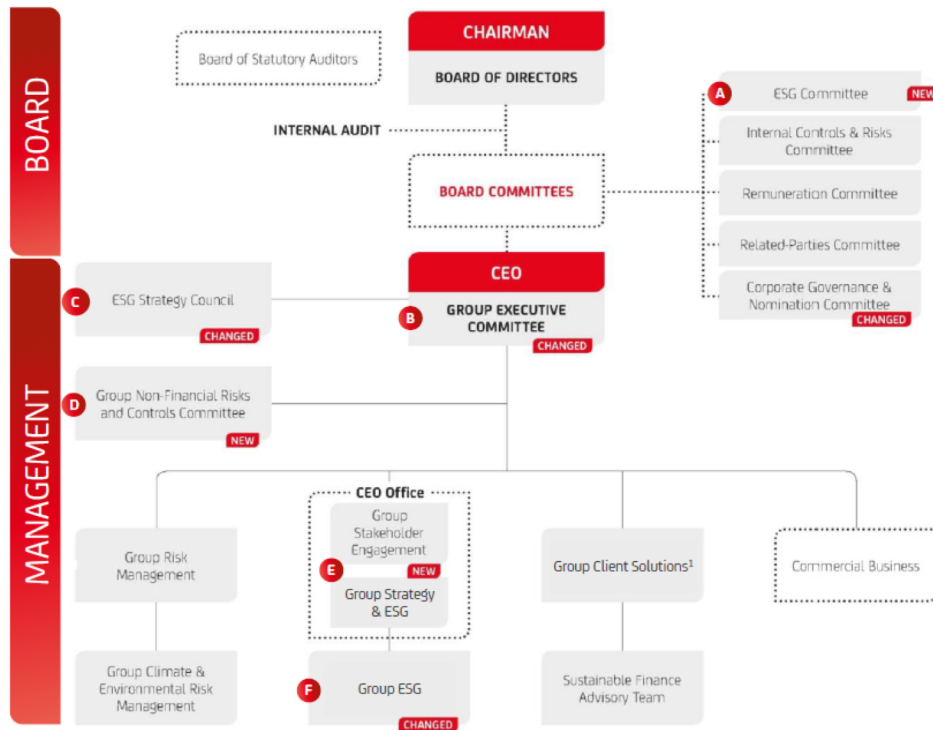
OUR ESG GOALS



Our governance model: strong corporate governance supporting integration of ESG in UniCredit's strategy

OUR FOUR UNDERLYING DRIVERS

ORGANISATION AND GOVERNANCE STRUCTURE, FOCUS ON ESG



ESG GOVERNANCE AND MANAGEMENT

- A** Supports the BoD on the ESG strategy and sustainability components
- B** Group's most senior executive committee, chaired by the CEO, ensures the effective steering, coordination and control of the Group business
- C** Subgroup of the GEC members and other top managers, it provides oversight and strategic guidance across the Group on the definition and implementation of the Group's ESG strategy
- D** Supports the CEO in the role of steering and monitoring Non-Financial Risks
- E** Deals with all initiatives which are critical for the CEO, such as strategy, M&A, the further integration of ESG criteria in our business, stakeholder management, and regulatory affairs
- F** It proposes the definition of the Group's ESG strategy to the ESG Strategy Council and the ESG Committee, reports its status of accomplishment and adopts relevant policies and standards

Legend

Structure which has undergone changes in the last 12 months, such as composition, mandate, or name, and which has a role in ESG governance and management

Structure created in the last 12 months, which has a role in ESG Governance and management



Our governance model: cross-functional ESG roadmap working group and streams to deploy the ESG strategy



OUR FOUR UNDERLYING DRIVERS

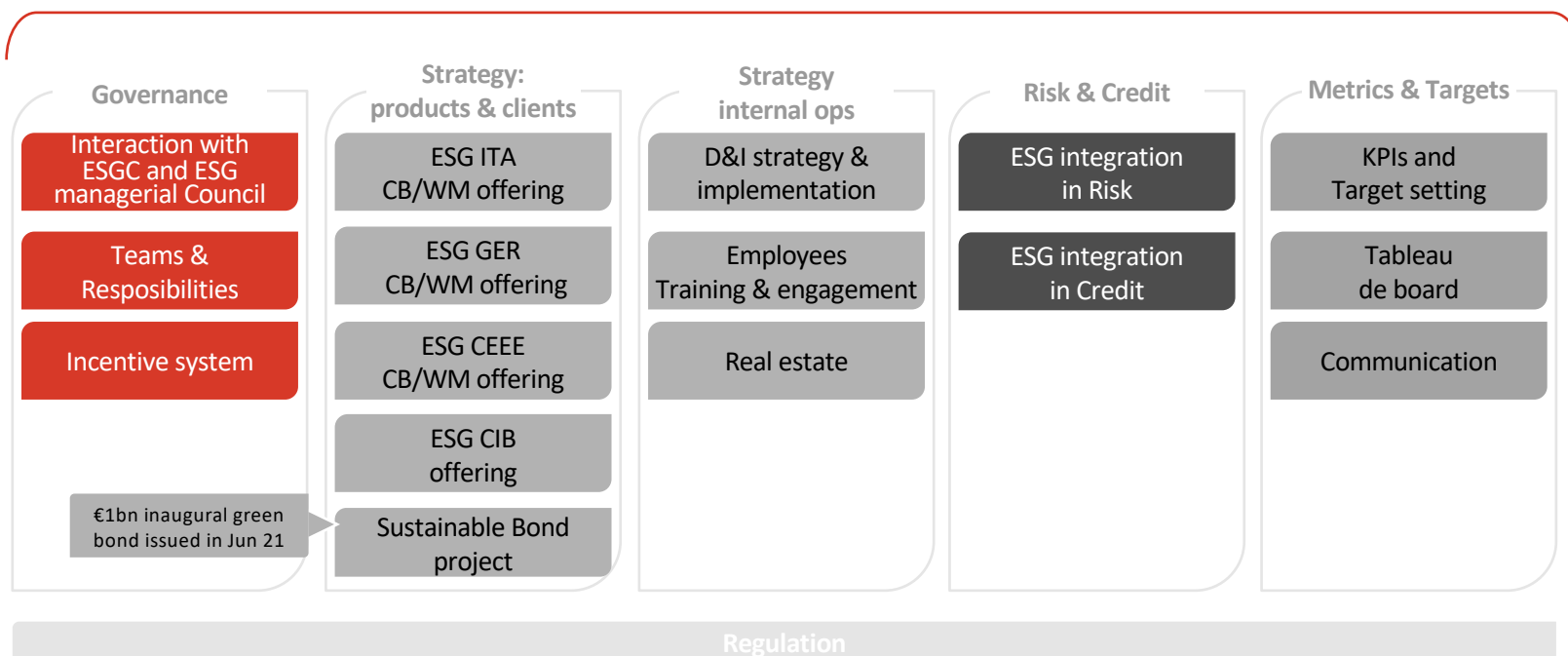
Workstreams leaders meeting to share progresses and best practices

ESG Strategy Council

ESG Roadmap Working Group

- Update on progress
- Escalation on roadblocks

Our ESG
Roadmap
Workstreams



Our governance model: strong environmental, social and reputational risk management and policies

OUR FOUR UNDERLYING DRIVERS

Environmental, social and reputational risk management

- Strong inner culture of risk management prioritising environmental and social issues disseminated
- Economic, financial and non-financial risks assessed and managed through a global policy on group credit operations and other specific policies
- Environmental, social and reputational risk impacts associated with customer activity
- Equator Principles implemented and integrated whenever applicable
- Detailed sector policies adopted. Portfolio exposures monitored accordingly

✓ New commitment

Sector Policies

Equator Principles

Sector Policies	
Coal sector	Nuclear energy
Defence/Armaments	Water Infrastructure
Oil & Gas sector	Human rights (commitment)
Mining sector	Deforestation (commitment)
	Tobacco ✓ (commitment) > UniCredit signed the Tobacco-Free Finance Pledge

Other Environmental and Social Impacts (Ad Hoc Assessment)

Environmental, Social and Reputational Risk Prevention Process

Scope and objectives

- framework of standards for determining, assessing and managing environmental and social risk
- framework of sector-specific standards to identify, assess and mitigate environmental, social and reputational risks and impacts with customers
- ad-hoc analysis leveraging on data analytics, key internal functions and external ESG providers
- Group Non-Financial Risks and Controls Committee (GNFRC) supports the CEO in the role of steering and monitoring Non-Financial Risks
- regarding sensitive sectors and client relationships awareness and knowledge of potential reputational risks

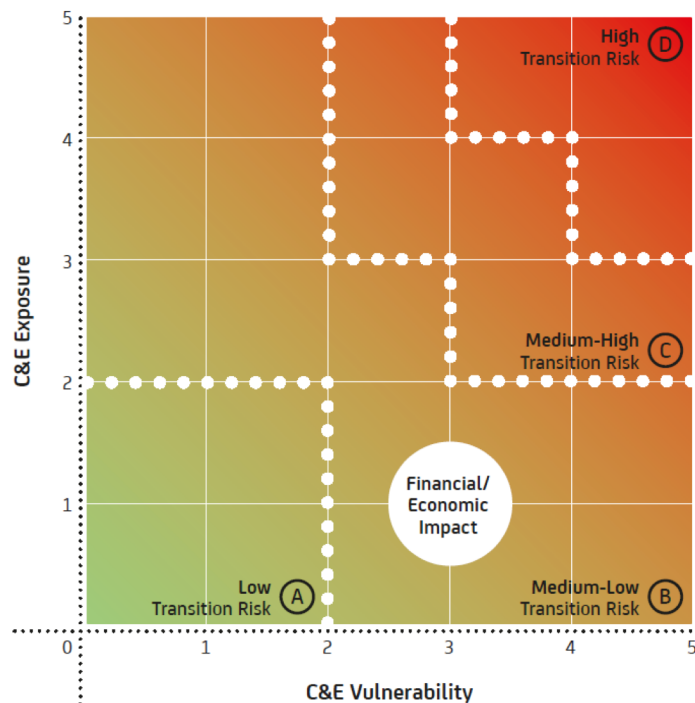


Our governance model: climate & environmental risk assessment questionnaire to understand clients' transition pathway...



OUR FOUR UNDERLYING DRIVERS

MATRIX SCORING METHODOLOGY

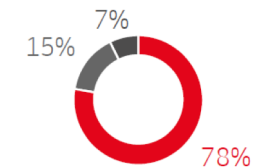


High C&E Transition Risk counterparts

- (A) Low Customer with no/limited Climate and Environmental Transition risk
- (B) Medium-Low Customer with presence of Climate and Environmental Transition risk
- (C) Medium-High Customer with tangible Climate and Environmental Transition risk
> Customer in this area **will be assigned into High Risk Area** if the Economic Impact is higher than 4
- (D) High Customer with important level of Climate and Environmental Transition risk

MAIN RESULTS

→ **530 Counterparts** assessed in 2021, representing c. **30% of our Corporate EAD**



- low/medium-low risk
- medium-high risk
- high risk



... with a number of activities already planned to further complete our approach

