

2023 UNEP FI

Principles for Responsible Banking Report



Empowering
Communities to Progress.



Introduction

The Principles for Responsible Banking (hereinafter also referred to as “PRB”) established in 2019 by the UNEP Finance Initiative (“UNEP FI”), represent the sustainable banking framework meant to align portfolio banking strategies with the UN Sustainable Development Goals (UN SDGs) and the 2015 Paris Climate Agreement.

Specifically, the PRB consist of six Principles, focusing on the following issues:

1. The alignment of business strategies with the needs of society and individuals
2. Identification of positive and negative impacts generated by the Bank’s activities and related targets in order to increase positive impacts and mitigate and reduce negative ones, as well as monitoring progress over time
3. Supporting clients that promote sustainability
4. Stakeholder engagement
5. Governance and a responsible banking culture
6. Transparency on the results achieved.

By adhering to the Principles, banks make ambitious commitments and build alliances to accelerate action on priority issues, such as financial health and inclusion and climate change.

In 2019, UniCredit joined the Principles for Responsible Banking. The reporting on the Bank’s commitment and progress made in implementing the Principles is in the form of a specific report (“Principles for Responsible Banking Report”) that is based on the UNEP FI Reporting and Self-Assessment Template. The Principles for Responsible Banking Report has been prepared in accordance with the UNEPFI Principles for Responsible Banking and “Principles for Responsible Banking – Guidance Document”.

Principle 1: Alignment



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

Business model

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

Response

UniCredit is a pan-European commercial bank with a unique service offering in Italy, Germany, Central and Eastern Europe. We are organised in four core regions and three product factories, Corporate, Individual and Group Payments Solutions.

We are the third-largest corporate lender by assets in Europe, where our 13 banks are embedded in the fabric of the continent: by size, we rank first in Eastern Europe, second in Central Europe, second in Italy and third in Germany.

We serve more than 15 million clients worldwide:

- 14 million retail clients, with a value-accretive, affluent sector in which we particularly excel
- 1 million corporate clients, with a notable strength in SMEs

Links and references

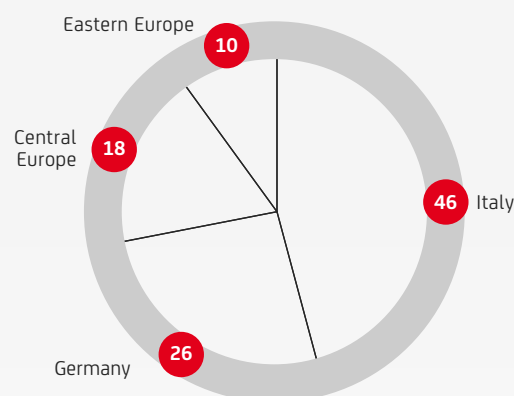
2023 Integrated Report:
Our Business chapter, page 19
UniCredit Company Profile

Customer distribution

Number of customers by division and country

Italy	
Retail	6,963,688
Corporate	182,806
Germany	
Retail	1,426,044
Corporate	61,468
Central Europe – Retail	
Austria	1,108,476
Czech Republic and Slovakia	661,578
Hungary	279,008
Slovenia	63,217
Eastern Europe – Retail	
Bosnia and Herzegovina	605,251
Bulgaria	1,041,912
Croatia	995,282
Romania	771,148
Russia	313,344
Serbia	325,478
Central Europe – Corporate	
Austria	12,927
Czech Republic and Slovakia	21,969
Hungary	10,073
Slovenia	2,671
Eastern Europe – Corporate	
Bosnia and Herzegovina	3,585
Bulgaria	14,328
Croatia	7,774
Romania	12,639
Russia	10,851
Serbia	4,379

Total revenues by division (%)



Principle 1: Alignment continued

Strategy alignment

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

- Yes
 No

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

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

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk
– please specify which ones:
Art. 3 and 4 of the Legislative Decree 254/2016, which implements European Directive 2014/95/EU in Italy;
Pillar III disclosure under the Capital Requirement Regulation (CRR) (Regulation 575/2013) and Capital Requirement Directive IV (CRD IV);
Article 8 of the Disclosures Delegated Act supplementing the EU Taxonomy Regulation (2020/852).
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery
– please specify which ones:
UK Modern Slavery Act.
 None of the above

Response

UniCredit has long been committed to aligning its practices to society's goals and strongly supports the United Nations 2030 Agenda for Sustainable Development. An attentive assessment of our initiatives and their impacts on society has allowed us over the years to actively contribute to the achievement of the UN SDGs and the Paris Agreement goals.

Our ESG strategy is a key component of the Group strategic plan, UniCredit Unlocked – and embedding sustainability in all we do is one of the five strategic imperatives of that plan. Our principles and beliefs regarding Environmental, Social and Governance aspects are the foundations on which our ESG Strategy was built, and are based on clear business goals and key strategic actions across the following four building blocks:

- 1. Partnering with our clients for a just transition:** Proactively providing the best support in terms of services and products to help clients define and execute their own transition strategies, and raising their awareness and engagement on ESG topics by focusing on ESG advisory set-up and capabilities
- 2. Supporting communities and society:** Thanks to our Social Strategy – which leverages social finance – as well as our own social contribution and the support we give to our people worldwide
- 3. Steering our behaviour with clear commitments:** Enhancing our sector policy framework and undertaking clear strategic commitments – including the Net-Zero Banking Alliance (NZBA), the Sustainable Steel Principles, the Finance for Biodiversity Pledge and the Ellen MacArthur Foundation – to support the acceleration of the circular economy transition across our countries
- 4. Enriching our risk and lending approach:** Leveraging an evolving risk management approach and the integration of climate and other relevant nature-related factors – such as biodiversity, pollution and water usage – in the Group's overall risk framework.

Links and references

2023 Integrated Report:
Strategy chapter, page 47

Principle 2: Impact and Target Setting



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

2.1 Impact Analysis (Key Step 1)

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

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

Response

During 2023 we developed a new Impact Measurement Model (IMM) based on a unique, holistic and integrated approach that considers all current practices and international standards.

Our IMM enables us to measure and disclose our impact on the environment and the communities we operate in, integrating both direct and indirect positive impacts on Environmental and Social dimensions, as well as considering negative ones.

The activities in scope are extensive and varied, considering both financial and non-financial interventions – providing a framework to connect our impact at the activity level to the strategic results of the Bank and our overall impact on stakeholders.

The model and related analysis have been implemented at Group level and apply to all the countries in which the Bank operates.

This year, as the first phase of the IMM project, we focused on the activities we had identified as being the highest priority:

Financial products:

- Social lending
- Environmental lending

Own social contribution:

- UniCredit Foundation initiatives
- Financial Education and ESG Awareness initiatives

Initiatives for employees:

- Welfare initiatives
- Training initiatives
- Diversity, equity and inclusion, and well-being

Other activities:

- Digital initiatives and investment
- Climate risk

Commitments:

- Net Zero
- UNEP FI PRB Financial Health and Inclusion

Links and references

2023 Integrated Report:
Stakeholder Engagement
chapter, page 26;
Strategy chapter, page 47

Principle 2: Impact and Target Setting continued

This modular approach will ensure a rigorous and in-depth development of the IMM, building on the Theory of Change (ToC) as the most extensively used methodology by banks, international organisations, impact investors and social enterprises worldwide.

The IMM is also aligned to international principles and standards, including the UN SDGs, the EU Taxonomy, the Impact Management Project (IMP) norms, the UNEP FI Principles for Responsible Banking (PRB), the B4SI framework and the Integrated Reporting framework.

Our ambition is to have a model for ex-post evaluation and measurement of the impacts achieved by our intervention for the affected stakeholders, as well as a managerial tool for ex-ante impact assessment – allowing us to target financial resources towards initiatives with a higher potential of generating a positive impact.

Our **Net Zero Commitment** is, of course, in scope of our IMM.

Further details on Net Zero are disclosed in our most recent Integrated Report, in the “Net Zero Progress and Our Inaugural Transition Plan” section.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope.

i. by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii. by products & services and by types of customers for consumer and retail banking portfolios.

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

Response

Having prioritised the in-scope activities under our IMM, we then conducted a stakeholder analysis of those activities from an impact perspective.

The selection criteria that have been applied to identify the most material and impactful activities are:

1. Level of strategic importance, i.e. activities that are considered more strategic need to be included
2. Level of maturity of the activity, i.e. activities that are consolidated will be included whereas brand new activities may be excluded
3. Quantitative dimension of the activity (€), i.e. the larger the activities are, the more material changes are expected for the Bank and its stakeholders
4. Relation the Group has with the activity (direct vs indirect control), i.e. for activities under direct control the Bank holds more capacity for impact management
5. Potential impact (both positive and negative), i.e. the IMM model has to include both positive and negative impacts to exploit all the opportunities of impact maximisation.

This analysis is based on a double materiality approach considering stakeholders’ views, identifying and integrating our expected positive impact as well as any unintended negative impact deriving from the different activities.

We improved and expanded the ToC, drawing on credible sustainability frameworks and including a risk analysis to define the most relevant negative impact for each prioritised activity across the different stakeholder groups affected (Clients, Employees, Communities and Planet).

Next, we began defining the outcome mapping (both positive and negative) at activity level, with the involvement of the other relevant functions within the Bank, based on the prioritised in-scope activities. This allowed us to identify both outputs and outcome indicators, as well as processes and tools for data collection.

The model and related analysis have been implemented at Group level and apply to all the countries in which the Bank operates.

Links and references

Internal sources

For details on the portfolio composition see:

- 2023 Integrated Report Supplement, page S78;
- UniCredit Group Disclosure on Pillar III – ESG risks, page 213

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

Having finalised the outcome mapping, we improved colleagues' knowledge of impact measurement topics by sharing practices and building a common language – which was key for the development of the model.

Furthermore, most in-scope activities presented a relevant lack of outcome data. This required the integration of our mapping with further possible outcome indicators and the identification of related collection processes, with the support of the involved functions.

The model therefore comprises both existing and proposed indicators – where, for the latter, both tools and processes are yet to be implemented.

Based on a modular approach, we began defining the processes and tools we would need to feed the model for those activities with the most consolidated outcome mapping.

We developed a framework at the activity level for processes and tools mapping, including proposed outcome indicators not yet available but to be implemented. We involved the relevant functions of the Bank to evaluate the feasibility of the framework's implementation.

In parallel, we developed the overarching impact model for the Bank, underpinned by the four main goals of our UniCredit Unlocked strategy:

1. Shape a sustainable future for UniCredit's clients and communities, ensuring a just and fair transition
2. Ensure positive working conditions, well-being and development for employees
3. Foster the financial inclusion and health of vulnerable people and enterprises
4. Ensure the sustainable progress of our communities, with a focus on youth and education.

The model will allow us to:

- Aggregate outcomes at macro activity level
- Convert aggregated outcomes into strategic results for the Bank
- Connect the strategic results to the overall impact goals of the Bank

Links and references

2023 Integrated Report: Strategy chapter, page 47; "Net Zero Progress & Our Inaugural Transition Plan" section, page 60

Principle 2: Impact and Target Setting continued

We identified the concrete strategic results that will allow the Bank to achieve its impact goals, based on the aggregated outcomes deriving from the in-scope activities (including potential negative outcomes).

The aggregated outcomes are fed by relevant outcome indicators at the activity level, measuring the positive change experienced by the aforementioned stakeholder groups.

Activity-level outcome indicators can be aggregated by relevant social or environmental dimension, and grouped based on homogeneous measurement metrics.

We are still finalising the overarching impact model and the underlying outcome mapping to connect our activities and their impacts to the overall strategy and results of the Bank.

As a next step, we are identifying a restricted perimeter for the test and pilot of the model, to be launched by March 2024.

In this pilot, we will conduct a feasibility study estimating the resources – human, time and financial – needed to feed the data collection processes, particularly for the outcome indicators that do not currently exist.

The pilot's most relevant tasks will be:

- Measuring the baseline and setting targets/thresholds
- Reviewing reporting templates
- Defining decision-making processes and responsibilities

The two activities we have selected to test the model are:

- Social lending impacting clients and communities
- Diversity, equity and inclusion initiatives impacting employees

The pilot phase to test the model will be launched by March 2024.

Our Net Zero Commitment:

Since joining the NZBA, we have established our first sectoral targets and identified the actions required to achieve them. In 2023, we dedicated significant effort to designing and setting up the internal “engine” needed to make our targets operational, involving all the relevant functions of the Bank to deploy the actions identified. The first months of 2024 will focus on turning our commitment into actions, cascading the Net Zero transition plan to the whole Group.

Designing the first version of UniCredit’s transition plan has been a cross-functional strategic exercise that required a deep understanding of the external context and challenges on the road to Net Zero, most of which apply to the whole financial sector.

We recognise that financial institutions will only be effective enablers of the transition if appropriate policies, standards and conditions are in place in the real economy. This is why we are collaborating with external stakeholders, with the aim of clarifying the role of banks and how we can effectively assist our clients. In setting our plan for the years ahead, we are also working to take into account different voluntary frameworks, guidelines and criteria on transition set by different market-based initiatives and third-sector entities, recognising that a common framework would simplify execution and benefit the entire sector.

The landscape is still evolving, with many assumptions still to be made and regulatory requirements to be set. We therefore regard this plan as an opportunity to provide transparency on the progress we have been making in our journey to Net Zero, along with the challenges we have been dealing with to support our clients on their path to decarbonisation.

In addition, we have established a broader ambition to support our clients in a just and fair transition – which means going beyond Net Zero to take into account broader natural capital (such as biodiversity loss) and social aspects (such as impact on workers in carbon-intensive sectors, impact on vulnerable categories, and so on). The transition will impact employment, especially in the energy sector, with workers experiencing rapid changes and insecurity in their jobs. Balancing these aspects is a relevant challenge for the whole financial sector and will require adjustments to our strategy in the coming years.

Furthermore, in common with the entire financial sector, we are working to address challenges linked to data availability and reliability. We rely on clients and external providers for data on real-economy transition, such as clients’ transition plans. However, such plans are still nascent, variable in quality and with key data points often missing – with consequent risks of inappropriate transition choices.

Further details on Net Zero are disclosed in our most recent Integrated Report, in the “Net Zero Progress and Our Inaugural Transition Plan” section.

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

Response

Based on the above impact analysis of in-scope activities, and following our official commitments – including the NZBA and PRB Financial Health and Inclusion – we have identified and prioritised the following impact areas:

- Increase financial inclusion and financial solidity of clients, focusing on young people
- Improve social outcomes of direct and indirect beneficiaries of social lending
- Increase skills, knowledge and opportunities of beneficiaries of the UniCredit Foundation to foster their social inclusion and well-being
- Increase financial education of beneficiaries involved in our initiatives
- Improve working conditions, work-life balance and personal and professional well-being of employees
- Improve digital skills of employees, user experience and digital accessibility for clients, and detection and response capabilities of the Bank

Links and references

Internal sources

Principle 2: Impact and Target Setting continued

- Climate change mitigation, achieving Net Zero targets through reduced greenhouse gas emissions
- Support clients' successful transition

In this report we are going to disclose impact data mainly related to the following two impact areas:

- **Climate change mitigation**, according to the NZBA commitment
- **Financial health and inclusion**, according to the PRB Commitment on Financial Health and Inclusion

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

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

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

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

Response

We are committed to fulfilling a social role that goes far beyond lending, assisting our clients and communities to make meaningful progress towards a more sustainable, inclusive and equitable society in the long term.

We strive to support communities and society, and aim to empower them to make progress through our Social Strategy.

Our Social Strategy pursues five strategic goals targeted at specific groups, in line with EU objectives:

1. Foster the financial inclusion and health of vulnerable people
2. Support corporates to become more socially oriented
3. Ensure the sustainable progress of our communities, with a focus on youth and education
4. Protect those at higher risk of being negatively affected by the transition
5. Ensure positive working conditions for our people.

In line with our Purpose of Empowering Communities to Progress, and in the context of an evolving external environment, we aim to use two levers to guide our behaviour:

1. Enhancing our sector policies framework
2. Undertaking strategic commitments.

To ensure communities' sustainable progress, we leverage our social contribution – focusing on specific projects related to youth, education and a just transition

This is in line with the aforementioned impact areas, in particular:

- Climate change mitigation – our Net Zero pledge represents a key pillar of our ESG strategy
- Financial health and inclusion – our commitment to foster financial inclusion of clients and vulnerable individuals

For further details on the performance measurement indicators, see section 2.2, letters b and c.

Links and references

2023 Integrated Report:
Strategy chapter, page 47

Details of our ambition and progress on both own and financed emissions are disclosed in our 2023 Integrated Report, "Net Zero Progress & Our Inaugural Transition Plan" section, page 60

Self-assessment summary:

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

- Scope: Yes In progress No
 Portfolio composition: Yes In progress No
 Context: Yes In progress No
 Performance measurement: Yes In progress No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, financial health & inclusion

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

- Up to 6 months prior to publication
 Up to 12 months prior to publication
 Up to 18 months prior to publication
 Longer than 18 months prior to publication

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

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: Which international, regional or national policy frameworks to align your bank’s portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response

Our Net Zero Commitment:

We are striving to reduce our direct and indirect environmental impacts while supporting Europe’s green transition. In this context, we committed to Net Zero in October 2021 when we joined the NZBA – targeting Net Zero on our own emissions by 2030 and on our financed emissions portfolio by 2050.

Since then, we have put in place concrete actions to achieve Net Zero on our own emissions. We have also set interim 2030 targets to reduce our financed emissions in three of the most carbon-intensive sectors¹ in our loan portfolio: Oil & Gas, Power Generation and Automotive. We are now complementing this first set of targets with the addition of the Steel sector – in alignment with the methodology and timeline outlined in the Sustainable Steel Principles, of which UniCredit is a founder.

1 Based on Net Zero Banking Alliance sectors.

Links and references

2023 Integrated Report:
 Strategy chapter, page 47

Details of our ambition and progress on both own and financed emissions are disclosed in our 2023 Integrated Report, “Net Zero Progress & Our Inaugural Transition Plan” section, page 60

Principle 2: Impact and Target Setting continued

Details on target-setting are disclosed in our most recent Integrated Report, in the “Our Net Zero progress and inaugural transition plan” section, and in our 2022 Integrated Report, under “Our ESG Strategy”.

Sector	Scope	Value Chain	Metric	Scenario Benchmark	Baseline		2022YE Progress	2030 Target
					Year	Value		
Oil & Gas	Scope 3 Category 11	Upstream, Midstream, Downstream	Absolute Financed Emissions	IEA NZ 2050 (World)	2021	21.4 MtCO ₂ e	-10% vs. baseline (19.3 MtCO ₂ e)	-29% vs baseline (15.2 MtCO ₂ e)
Power Generation	Scope 1	Power Generation	Emission Intensity	IEA NZ 2050 (Europe)	2021	208 gCO ₂ e/ kWh	152 gCO ₂ e/ kWh	111 gCO ₂ e/ kWh
Automotive	Scope 3 Category 11 Tank-to-wheel	Automotive Manufacturers (Light-duty Vehicles)	Emission Intensity	IEA NZ 2050 (World)	2021	161 gCO ₂ / vKm	165 gCO ₂ / vKm	95 gCO ₂ /vKm
Steel	Fixed Boundary System – Scope 1, 2 and 3 (Category 1 and 10)	Crude steel makers	Emission Intensity	IEA NZ 2050 (World)	2022	1.45 tCO ₂ / tSteel	–	1.11 tCO ₂ / tSteel
			Alignment score		2022	-0.69	–	

The PRB Commitment on Financial Health and Inclusion:

As a signatory of the PRB Commitment on Financial Health and Inclusion, we have also set the following new targets for 2025 related to the client group we have identified as the most relevant strategic target – namely, young people (those aged 17 to 30):

- To increase the percentage of young clients with two or more active UniCredit financial products (from different categories) to 13% (from a baseline of 12%)²
- To increase the percentage of new UniCredit clients that are young people to 37.7% (from a baseline of 34.9%)²

2 Targets have been reviewed and adjusted as detailed in section 6.3 of this report.

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

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

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

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

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	
Financial health & inclusion	...	
	...	
	...	

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

Response

Our Net Zero Commitment:

To compute our emissions baseline, we selected the best primary metric for each sector – considering sector peculiarities, available guidelines, and market practices.

Further details on our baseline calculation are disclosed in our most recent Integrated Report, in the “Our Net Zero progress and our inaugural transition plan” section.

The PRB Commitment on Financial Health and Inclusion:

For both indicators selected within our Commitment, we measured the 2022 baseline at country level and subsequently consolidated this at Group level.

The baseline is the following:

- CS028 indicator:** Percentage of young clients with two or more active financial products, from different categories, within the Bank = 12%
- CS036 indicator:** Percentage of new clients that are young people, per month = 34.9%.

Links and references

2023 Integrated Report: Strategy chapter, page 47; Social & Relationship chapter, page 100

Principle 2:
Impact and Target Setting continued

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

Response

Sector	Scope	Value Chain	Metric	Scenario Benchmark	Baseline		2022YE Progress	2030 Target
					Year	Value		
Oil & Gas	Scope 3 Category 11	Upstream, Midstream, Downstream	Absolute Financed Emissions	IEA NZ 2050 (World)	2021	21.4 MtCO ₂ e	-10% vs. baseline (19.3 MtCO ₂ e)	-29% vs baseline (15.2 MtCO ₂ e)
Power Generation	Scope 1	Power Generation	Emission Intensity	IEA NZ 2050 (Europe)	2021	208 gCO ₂ e/kWh	152 gCO ₂ e/kWh	111 gCO ₂ e/kWh
Automotive	Scope 3 Category 11 Tank-to-wheel	Automotive Manufacturers (Light-duty Vehicles)	Emission Intensity	IEA NZ 2050 (World)	2021	161 gCO ₂ /vKm	165 gCO ₂ /vKm	95 gCO ₂ /vKm
Steel	Fixed Boundary System – Scope 1, 2 and 3 (Category 1 and 10)	Crude steel makers	Emission Intensity	IEA NZ 2050 (World)	2022	1.45 tCO ₂ /tSteel	–	1.11 tCO ₂ /tSteel
					2022	-0.69	–	

Links and references

2023 Integrated Report: “Our transition to Net Zero”, page 60

The PRB Commitment on Financial Health and Inclusion:

For both indicators selected within our Financial Health and Inclusion Commitment, we set SMART targets to be met within three years from the baseline year (in other words, by 2025) at country level, which have been consolidated at Group level.

SMART targets:

- **CS028 indicator:** Percentage of young customers with two or more active financial products, from different categories, with the Bank = 12.3% (2023); 12.6% (2024); 13.0% (2025)
- **CS036 indicator:** Percentage of new customers that are young people, per month = 36.2% (2023); 37.0% (2024); 37.7% (2025)

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

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

Response

To meet its Net Zero targets, UniCredit defined a transition plan comprising five key pillars. Below are the five pillars, with key milestones achieved so far against each:

1. Our foundation of Net Zero objectives and priorities

To prioritise the actions required on our loan portfolio, we first set interim 2030 targets for Oil & Gas, Power Generation and Automotive, and are now setting 2030 targets for the Steel sector. We will set interim targets for other sectors with material impact by October 2024.

2. Our engagement strategy to foster dialogue on transition with clients and other key stakeholders

Our engagement strategy outlines how we can most effectively engage key stakeholders in the transition path:

Links and references

2023 Integrated Report: “Our transition to Net Zero” section, page 60

Clients

- We have defined specific Net Zero client engagement strategies based on client clusters, reflecting clients’ environmental impact and transition strategy
- We are currently developing a bespoke approach to reading and interpreting our clients’ transition plans
- We have a dedicated ESG Advisory team that supports our business networks across all geographies in assessing and addressing clients’ ESG-related needs. Furthermore, at local level we benefit from dedicated expert roles

Other stakeholders:

- We aim for constant dialogue with key external stakeholders – including financial sector bodies, policymakers and industry associations – to ensure a shared approach to reaching Net Zero

3. The implementation strategy we are deploying to embed Net Zero considerations into our daily activities

This defines how we integrate Net Zero considerations into all our core business activities and decision-making processes, through:

- Target setting: Ensuring we structurally embed Net Zero into our planning process for the coming years, constantly adjusting our Net Zero trajectory based on the most recent data and effectively cascading it through the organisation
- Monitoring: To effectively track our progress against our targets and identify corrective measures in case of deviations
- Risk management: To ensure we adequately manage the different risks linked to our clients’ transition – such as reputational risk, climate and environmental risk, and credit risk – to more sustainable business models
- Products and services: To effectively assist our clients’ journeys to Net Zero
- Supporting tools: To ensure the organisation has all the relevant information required to operate in this space

4. The metrics and targets we set on Net Zero, and the levers we will use to achieve them, by sector

This part of our plan illustrates our targets and progress for the Oil & Gas, Power Generation and Automotive sectors, and our new target for the Steel sector, together with the sector-specific levers we have put in place to achieve these targets.

5. Our ESG governance to support the transition

To support our Net Zero transition, UniCredit:

- Has established a dedicated Net Zero project led by a cross-functional team;
- Is embedding Net Zero considerations into our core banking processes, such as our Risk Appetite Framework
- Is leveraging our existing ESG functions
- Is delivering dedicated Net Zero training sessions
- Has aligned our remuneration policy to Net Zero objectives

Further details on Net Zero are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

The PRB Commitment on Financial Health and Inclusion:

To ensure we will meet our financial inclusion targets, focusing on young customers, we have defined a business action plan at country level. We are also defining a monitoring process based on a new template implemented for all the countries in which we operate.

Principle 2:
Impact and Target Setting continued

Self-assessment summary:

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

	... first area of most significant impact: Climate change mitigation	... second area of most significant impact: Financial Health and Inclusion	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No
Baseline	<input checked="" type="radio"/> Yes <input checked="" type="radio"/> In progress <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No
SMART targets	<input checked="" type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No
Action plan	<input type="radio"/> Yes <input checked="" type="radio"/> In progress <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> In progress <input type="radio"/> No	<input type="radio"/> Yes <input type="radio"/> In progress <input type="radio"/> No

2.3 Target implementation and monitoring (Key Step 2)

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

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

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

Response

Our Net Zero Commitment:

Monitoring our progress against targets is fundamental to the effective and timely steering of our loan portfolio. To achieve this, we have set up a dedicated process to track the evolution of our Net Zero KPIs against our baseline and targets.

The Net Zero monitoring process demands strong collaboration between all Net Zero-involved functions (CRO, CFO, ESG, Digital and Business), given the high interdependencies between the breakdown and cascading of targets, and our data strategy. It requires that we not only track the evolution of our exposure against existing clients but also periodically refresh climate data for the calculation of climate impact. In this context, our data strategy is critical to improve coverage and ensure quality, leveraging specialised providers.

Thanks to the new monitoring process we have put in place, we are now able to provide our business functions with dedicated periodic reports on the evolution of our Net Zero impact, including all underlying drivers needed to steer our Net Zero portfolio.

Further details are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

The PRB Commitment on Financial Health and Inclusion:

In 2023 we implemented in our ESG Dashboard, a specific tool to collect all contributions from our different countries and consolidate it at Group level.

The ESG Dashboard has allowed us to measure our achievements on the selected indicators and disclose our first actual figures for FY 2023:

- Percentage of young clients with two or more active UniCredit financial products (from different categories): 12.6% versus a target of 12.3%
- Percentage of new UniCredit clients that are young people: 35.5% versus a target of 36.2%

Links and references

2023 Integrated Report:
 Strategy chapter, page 47;
 Social & Relationship Capital chapter, page 100

Principle 3: Clients and Customers



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

3.1 Client engagement

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

Yes In progress No

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

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Our ambition is to be the Bank for Europe's future.

We believe UniCredit is uniquely placed to be a true pioneer in creating behavioural change, helping clients in higher-emitting sectors to transition while exploring how we can integrate ESG into our own day-to-day operations to create a new benchmark in our industry.

One of the most powerful ways we can do this is through the financing of environmental initiatives. We are empowering clients and communities alike to progress by supporting renewable energy projects and energy efficiency efforts.

We also want to have a positive social impact in line with our responsibilities as a social actor – assisting our clients and communities in making meaningful progress towards a more sustainable, inclusive, and equitable society in the long term.

In the past two years we have achieved €82bn of ESG volumes and we will keep supporting our clients in their transition towards more sustainable business models, committing to specific ESG penetration targets on Lending, Investment Products and Sustainable Bonds.

While financing is traditionally where banks can have the greatest impact, we are also educating our clients and stakeholders on ESG topics and the important role they can play in protecting the planet and its communities.

As the traditional scope of ESG broadens, we are expanding our focus to embrace nascent topics including biodiversity and the circular economy. We were the first Italian bank to sign up to the Finance for Biodiversity Pledge and we are a member of the Ellen MacArthur Foundation's international charity network, supporting our approach to accelerating the circular economy transition across our countries.

Our commitment also supports communities and vulnerable people, for whom we provide a wide range of financial education programmes to increase awareness on economic topics and reduce social gaps. In 2023 we continued to support communities through our Social Strategy, focusing on social finance, our own social contribution to our communities, and the support we give our people.

ESG matters are embedded across our Group through dedicated teams and experts in several Group functions which manage ESG topics in line with their areas of competency.

Links and references

2023 Integrated Report:
Head of Group Strategy and
ESG Letter, page 14;
Natural Capital chapter,
page 138;
Governance chapter, page 152;
Risk Management chapter,
page 160;
Social & Relationship Capital
chapter, page 100;
Strategy chapter, page 47

Clients and Customers continued

For example, our ESG Advisory Team is a multi-disciplinary solutions team focused on enabling clients to create long-term stakeholder value by integrating sustainability into their strategic decisions and assessing the impact of sustainable finance market principles and practices, as well as applicable regulations.

Other examples include our ESG offices supporting business divisions in the main Group geographies, and our ESG Digital and Group Real Estate ESG, Innovation Projects and Monitoring functions. Our Compliance and Regulatory Affairs functions also have resources dedicated to ESG-related issues.

An important role is also played by the UniCredit Foundation, which works to unlock the potential of Europe's next generation. The Foundation's mission is to empower young people across Europe by providing equal opportunities in education and supporting their personal and professional development.

To further support our clients, we have developed a comprehensive approach to assessing and managing transition risk. We measure this risk across our portfolio using different metrics, including the distribution of credit by industry – and, importantly, we assess at the single client level using a dedicated Climate & Environmental questionnaire to determine the extent to which the Bank's credit counterparties are exposed to such risks. The questionnaire is based on a set of both cross-industry and industry-specific questions, measuring key qualitative and quantitative current and forward-looking indicators.

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

Another initiative for our clients is the Start Lab programme in Italy, which offers comprehensive support to selected start-ups. Working alongside teams at all stages of the business lifecycle, this is a business platform for the very best, most innovative projects – we have supported over 500 start-ups through our dedicated team of experts since 2009.

We operate across multiple industries and welcome all highly innovative start-ups founded in the last five years, as well as those focusing on clean tech (renewable energy, energy efficiency, sustainable mobility, waste treatment) and impact innovation (services and products capable of generating a social or environmental benefit).

The programme offers:

- Assessment: One-to-one meetings with the UniCredit Start Lab team to discuss the project
- Mentoring: Expert mentors from our network are assigned to help with key decisions
- Support: Selected start-ups receive banking support from our Relationship Managers and tailored products

Net Zero Commitment:

Partnering with our clients for a just and fair transition is one of the pillars of our ESG strategic framework and has been at the core of our ESG strategy for the last few years. Our purpose is to help clients accelerate their transition by providing them with effective advisory, tools and appropriate financing support.

To further tailor our approach to the needs of different clients, we have defined specific Net Zero client-engagement strategies.

Further details are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

3.2 Business opportunities

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

Response

Europe continues to be characterised by economic and social challenges, including inflation, conflict and a cost-of-living crisis. Our industry is a key enabler of change – and we have a valuable role to play in improving the lives of people across the continent. At UniCredit, we believe banks should forge close bonds with their local communities, using their detailed understanding of local practices, economies and cultures to enable individuals, groups and countries to realise their potential. Our goal is to work together with our partners and our customers to empower communities to progress.

Our swift progress against our ambitions is testament to the strength of our commitment – and to the whole Group pulling together in the same direction. We are striving to reduce our direct and indirect environmental impacts while supporting Europe’s green transition.

When we joined the NZBA in 2021 we set Net Zero targets of 2030 for our own emissions and 2050 for our financed emissions portfolio. Since then, alongside our actions to reduce our own emissions, we have also set additional interim 2030 targets to reduce our financed emissions in three of the most carbon-intensive sectors in our loan portfolio: Oil & Gas, Power Generation, and Automotive.

In January 2024, we added targets for the Steel sector, in alignment with the Sustainable Steel Principles, of which UniCredit is a founder. In the coming months we will establish interim targets for other carbon-intensive sectors, including Real Estate.

In addition, we have now published our inaugural transition plan. This plan illustrates how we are turning our commitments into actions, making our targets operational, and ensuring all relevant functions of the Bank can contribute.

Partnering with our clients means being recognised as the Bank that supports them through their just and fair transition by:

- Proactively providing the best support in terms of services and products to help them define and execute their transition strategy
- Raising clients’ awareness and engagement on ESG topics, focusing on ESG advisory set-up and capabilities

For example, in March 2023 we announced our partnership with ENI around Open-es – an ecosystem initiative that aims to enhance cross-business collaboration and support companies in measuring and improving their ESG performance.

Open-es is an alliance bringing together entrepreneurial, financial and associative networks, supporting all stakeholders on their sustainable development path through an innovative digital platform.

Launched by Eni in 2021 and currently involving more than 16,000 companies and 22 partners, Open-es is an inclusive and collaborative community that is committed to achieving ESG targets.

Our role is to act as a value-chain leader partner in this alliance, playing a strategic role in the sustainable development of the Italian corporate sector and, more broadly, with initiatives and solutions aimed at companies of every size.

We are also committed to fulfilling a social role which goes far beyond lending, assisting our clients and communities to make meaningful progress towards a more sustainable, inclusive and equitable society in the long term.

Links and references

2023 Integrated Report:
 Social & Relationship
 Capital chapter, page 100;
 Strategy chapter, page 47;
 Human Capital chapter, page 86

Principle 3:

Clients and Customers continued

We strive to support communities and society, and aim to empower them to make progress through our Social Strategy with the following levers:

- Social finance (dedicated lending products to better target vulnerable categories and partnerships to enhance our social footprint)
- Our own social contribution (with the activities of our Foundation, volunteering projects and Banking Academy for financial education)
- Support to our people (Culture programme and Diversity, Equity and Inclusion empowerment)

ESG topics are increasingly important to businesses and individuals alike, and play an essential role in our communities and our shared future.

At UniCredit, we are fully committed to providing a fair service to our customers and put sustainability at the centre of everything we do, as a key driver of our strategic plan.

In order to actively enable the success of our plan, it is crucial that we equip our people with the knowledge and insights necessary to make a meaningful impact and drive positive change. Therefore, we offer a wide programme of training focused on ESG across the Group.

Our ESG learning offer provides extensive and wide-ranging support for our teams across Europe. At Group level we offer an ESG Programme for Group Executives (on ESG Regulatory Framework, ESG Risks and Impacts, Social, Governance, Corporate Purpose and Volunteering), ESG Teach (leveraging internal and external expertise in collaboration with POLIMI Graduate School of Management), and a Specialist Track for ESG Experts (in partnership with SDA Bocconi University).

Moreover, we have an extensive ESG training offer in the Group's different countries.

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

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

Yes In progress No

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

Response

Listening to the full range of our stakeholders is central to how we work. We continually seek their feedback to strengthen stakeholder relationships and improve how we meet their needs.

We encourage our stakeholders to share their views and concerns, and work hard to respond quickly and accurately. Gathering and analysing stakeholder feedback not only provides us with valuable insights into their needs – it also helps us manage the risks and opportunities we face, and underpins our drive to achieve long-term sustainability. During the year we continued to leverage our usual stakeholder engagement tools.

Our ESG responsibilities go far beyond how and what we finance. We also have a valuable opportunity to guide and educate our stakeholders, and bring them with us as we set new benchmarks for our industry. We want to be pioneers in creating behavioural change – helping clients in high-emitting sectors to transition while looking at how we can integrate ESG into our own day-to-day operations.

Education and engagement will be an important part of that journey, so we need to find new ways to strengthen our relationships with our clients, our people and our shareholders. We are committed to listening to all our stakeholders, to better understand the challenges they are facing – in turn giving us the opportunity to show them how UniCredit can help.

Hosting our first ESG Day

To make good on our commitment, in 2023 we hosted our inaugural ESG Day. Months in the making, the one-day event saw more than 12,000 participants join either online from all the countries or in person at our Gae Aulenti and Lampugnano offices in Milan.

At its core, the event was an opportunity to stimulate stakeholder dialogue while continuing to raise awareness of climate change, social inequalities, biodiversity and the circular economy, as well as our own role in fostering the necessary change in mindset.

Attendees included colleagues, clients and partners, alongside a host of renowned experts who dived into a series of engaging and impactful discussions covering the full spectrum of ESG topics.

Links and references

2023 Integrated Report:
Stakeholder Engagement chapter, page 26;
Strategy chapter, page 47;
Social & Relationship Capital, page 100

Principle 4: Stakeholders continued

Engaging with our clients

While capturing new business opportunities and facilitating stakeholder engagement, the service we provide is measured by identifying and prioritising interventions in areas where improvement is required.

This year, we developed several initiatives aimed at ensuring we put our clients at the centre of our thinking and processes, based on relevant feedback received from employees, current clients and prospects of the Bank.

Design thinking and process mapping are important tools for improving the customer experience. In this way, we analyse processes from the client's perspective – for example by identifying complexities that could be removed and ways in which we could enhance the customer experience through all channels. We analyse all the data and feedback collected to help us redesign processes and improve operations to better meet client needs.

Group-wide, our complaint management system allows us to identify sources of concern and promptly resolve them to the satisfaction of our clients. Our Group remains committed to strengthening consumer protection and improving awareness.

Interacting with institutional and regulatory bodies

In 2023, we continued our proactive communication and engagement with regulators at national, European and international levels in order to enhance the EU sustainable finance framework, increase its usability and facilitate the transition to a low-carbon economy.

We have offered our contributions to discussions held by EU institutions (EC, EP, EBA and ECB) both on a standalone basis and jointly with banking trade associations, and contributed to the development of a sustainable financial framework that can meet the needs of all stakeholders.

Engaging with investors

Investors are increasingly considering ESG factors in their investment decisions. ESG ratings and scores are therefore very relevant, influencing sustainable investor and fund decisions and strategies. Furthermore, many more investors are using internal scoring models to assign ESG scores to define the investable universe. For this reason, we have strengthened our relationships with external stakeholders such as ESG investors and analysts and ESG ratings agencies.

We hold dedicated meetings with ESG investors and ESG ratings agencies to improve disclosure, the understanding of our ESG approach and the positioning of the Group. The proactive management of ESG ratings agencies has been achieved through comprehensive and regular disclosure tracking of the progress of our ESG strategies. Tangible results of the Group's ESG strategy implementation are reflected in the key external ratings improvements we received in 2023.

Net Zero Commitment

We are operating in a dynamic environment, with the emergence of new, interconnected topics relevant to the transition – but that are not yet clearly regulated. In this context, we aim for constant dialogue with key external stakeholders to ensure a shared approach to reach Net Zero.

Further details are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

Furthermore, during 2023 we have consolidated our strategic partnership with two relevant stakeholders that supported us in the development of the new Impact Measurement Model described earlier, and will continue to collaborate with us to test the model in 2024:

- **The Human Foundation's Do & Think Tank for Social Innovation** – an important partner that has already supported us in the development of our own method for measuring social impact in the Social Impact Banking perimeter
- **Lisa Hehenberger, professor at Esade Business School of Barcelona** – one of the most authoritative figures at an international level on impact measurement topics

Finally, we have strengthened our engagement with NGOs and civil society at large, carrying out dedicated initiatives where appropriate to assess any gaps identified in our ESG strategic positioning and highlight the Group's improvements regarding sustainability material topics – such as a just and fair transition, Net Zero, Biodiversity, policy updates (for example, on weapons), STEEL principles and decarbonisation.

Principle 5: Governance and Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Governance structure for implementation of the Principles

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

Yes In progress No

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

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

Response

Our sustainability governance has been significantly strengthened in recent years at both steering and execution levels, underpinning the drive to further integrate ESG criteria into the Group's overall business strategy.

Please find below a detailed description of the relevant bodies and functions.

Corporate bodies' oversight:

- A. UniCredit's Board of Directors** defines the overall strategy of the Bank – which incorporates the Group's ESG strategy – overseeing its implementation over time.
- B. The ESG Committee (ESGC)** supports the Board in fulfilling its responsibilities with respect to the ESG components integral to the Group's business strategy and sustainability over time.
- C. The Internal Controls & Risks Committee (IC&RC)** supports the Board in risk management and control-related issues. Its work encompasses matters of risk in the ESG sphere, such as climate change risk.
- D. The Corporate Governance & Nomination Committee (CG&NC)** provides support to the Board on topics regarding the UniCredit corporate governance system, and the composition of the Board and top management. The Board of Statutory Auditors exercises oversight of ESG governance and related topics. On the occasion of the latest renewal of the Board of Statutory Auditors, the areas of Sustainability (ESG) and Digital technology were specifically added as desirable competencies of the qualitative profile of its members.

Steering and coordination:

- E. The Group Executive Committee (GEC)** is the Group's most senior executive committee and is chaired by the CEO. Within its mission it defines the overall ESG strategy. It also ensures the effective steering, coordination and control of the Group business as well as the alignment of the parent company with the different businesses and geographies regarding strategic topics such as ESG issues. Moreover, in dedicated risk sessions, the GEC supports the CEO in coordinating and monitoring all categories of risk and in steering ESG-related matters, granting a dedicated focus on Climate and Environmental risks among others.
- F. 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.

Links and references

2023 Integrated Report:
Strategy chapter, page 47;
Governance chapter, page 152

G. The Group Strategy & ESG and 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.

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. Moreover, the function is tasked with, among other things, developing the social agenda and related proposition, monitoring and disclosing the Group's ESG impacts and results, and overseeing the adoption of relevant policies and standards. The function's activities are divided into three offices: ESG Strategy and Implementation, ESG Service Excellence, and ESG Metrics, Policies and Disclosure.

H. The Group Risk Management function supports the CEO in defining the Group Risk Appetite proposal, which is to be shared with the GEC, the IC&RC and submitted for approval to the Board. This process occurs in coordination and alignment with the yearly budget plan. The function determines 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 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. Furthermore, the Group Risk Management functions issue, for related competent topics, credit risk opinions to support the Group Transactional Committee sessions in the discussion and approval (based on the delegated powers) of credit transactions.

Focus on governance best practices

Net Zero Commitment:

We have continued to evolve our organisation in recent years in order to further integrate climate-related criteria into our Group Strategy. In support of our commitment to Net Zero, the most recent updates to our approach to ESG governance include the establishment of a dedicated, Group-level Net Zero project, which was initially set up in 2022 and is led by a cross-functional team. This project brings together our ESG, CFO, CRO, Business and Digital functions to identify and implement the key actions needed to define and support our transition strategy.

To further highlight its strategic importance, the Net Zero project – which is divided into two sub-projects, financed emissions and own emissions – is also part of the Group ESG Roadmap. Further details are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

The PRB Commitment on Financial Health and Inclusion:

During 2023, we launched the process to define a common set of core indicators to enable us to set targets on two selected indicators of financial inclusion of clients, focusing on young people.

The process has been completed, involving all the countries in which we operate and following a structured governance path:

- We engaged the 14 Group geographies to select indicators according to specific local contexts, for the purpose of target-setting based on starting baselines
- We finalised Group targets, based on the contributions received from the countries
- Our indicator selection and targets definition process was shared with the Group Executive Committee and the ESG Committee, and communicated externally
- We consolidated quarterly progress of local and Group targets, leveraging the ESG Dashboard data collection process
- Progress on targets is shared with the Group Executive Committee and ESG Committee

Furthermore, during 2023 we implemented a new ad hoc template for the PRB indicators monitoring cycle within our ESG Dashboard.

This investment has allowed us to collect figures from all the involved countries, leveraging our ESG Social data collection, with an automatic consolidation at Group level.

Principle 5: Governance and Culture continued

Remuneration

Our 2024 Group Remuneration Policy has been developed to support the accomplishment of the UniCredit Unlocked plan, of which the ESG strategy of the Group is a key component.

A core set of our ESG targets are embedded in the CEO performance scorecard to foster the alignment of management with the Group's current and future ESG ambitions.

The current strategy foresees an updated set of Group ESG KPIs and business targets:

- ESG performance over total business:
 - Percentage of ESG lending on overall medium/long-term lending new production: Group 2024 target set at 15%
 - Percentage of Sustainable bonds³ on all bonds³: Group 2024 target set at 15%
 - Percentage of stock of ESG Assets under Management on Total stock of Assets under Management: Group 2024 target set at 50%
- DE&I ambitions:
 - Gender parity across our organisation and a more diverse, inclusive and sustainable workplace, in accordance with the Italy G20 Women's Forum CEO Champion Commitment "Towards the Zero Gender Gap"
 - c.€100m allocated to ensuring equal pay for equal work by 2024
- Climate risk:
 - Progress against Net Zero commitments on the most carbon-intensive sectors within the portfolio, which include Oil & Gas, Power Generation, and Automotive – and recently enhanced with the Steel sector

These ESG commitments, which are also subject to the evolution of ESG regulation, have been included in the "Sustainability" section of the CEO and top management scorecards⁴ as long-term, additional performance conditions consistent with their outlook.

The Sustainability section will have a weight of 20% in the CEO and top management long-term scorecard within the 2024 Group Incentive System rules.

To align the Group's management structure and reinforce managerial commitment to our ESG strategy, such objectives will be cascaded to the CEO's reporting line and below, consistent with the respective areas of responsibility.

3 For corporates and financial institutions, excluding Sovereign, Supranational and Agency Long Term Credit.

4 For further details on the 2024 CEO scorecard please refer to the 2024 Group Remuneration Policy and Report.

Links and references

2024 Group Remuneration Policy and Report

5.2 Promoting a culture of responsible banking

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

Response

Capacity building

ESG topics are increasingly important to all of us, and play an essential role in our communities and our shared future. At UniCredit, we are fully committed to providing a fair service to our customers, putting sustainability at the centre of everything we do.

To actively contribute to the success of our plan, it is crucial that we equip ourselves with the knowledge and insights necessary to make a meaningful impact and drive positive change.

Our ESG learning offer provides extensive and wide-ranging support for our teams across Europe. Our ESG training initiatives include:

- ESG Programme (in partnership with POLIMI Graduate School of Management) dedicated to the Executives of the Group
- ESG Teach, leveraging internal and external expertise in collaboration with POLIMI Graduate School of Management
- A Specialist Track for ESG Experts certification (in partnership with SDA Bocconi University) for selected ESG Experts across the Group
- ESG Corporate Advisory Certification (in partnership with POLIMI Business School) dedicated to 230 business colleagues in Italy
- Sustainable Finance Expert Certification (in partnership with the European Business School) for approximately 300 business colleagues in Germany
- The World of Sustainable Finance 2023 certification, dedicated to 550 business colleagues in Austria

Links and references

2023 Integrated Report:
Human Capital chapter, page 86;
Governance chapter, page 152

2024 Group Remuneration
Policy and Report

5.3 Policies and due diligence processes

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

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

Response

UniCredit has a **Code of Conduct** written in line with the values – Integrity, Ownership and Caring – that guide all our actions and behaviour across the Group. Such values are driven by our purpose to deliver outstanding performance and have a positive impact on all our stakeholders. The Code of Conduct, first approved by the Board in July 2022, was reviewed last year. It sets out the principles of acceptable and unacceptable behaviour with which all employees and partnering third parties of UniCredit must comply in order to ensure high standards of professional conduct and integrity related to their own activity or on behalf of UniCredit. ESG principles have been introduced as fundamentals to every decision made and every action taken, and are a central part of how our Group does business.

Policies

UniCredit has adopted detailed special policies and commitments regarding sectors that present significant environmental and social risks. In addition to the Mining sector and the Defence sector policies which were reviewed in 2022, the following policies and commitments addressing environmental and social risks are in place: coal sector, nuclear energy, oil & gas sector, water infrastructure, human rights commitment, deforestation commitment, tobacco commitment. Whistleblowing and anti-bribery and corruption policies are also in place and available on our website. UniCredit has published its statement on the UK Modern Slavery Act and Human Traffic since 2016.

Procedures

- 43 meetings were held in 2023 by our Group Non-Financial Risks and Controls Committee (GNFRC), or delegated competent bodies, which supports the CEO in steering and monitoring non-financial risks, including ESG risks
- 96 transactions were sent to the Committee for decisions
- 56 large project transactions were evaluated under the Equator Principles framework for determining, assessing and managing environmental and social risk

In the framework of our sector-specific standards and guidelines for sensitive sectors in 2023, approximately 1,300 transactions were screened for environmental, social and reputational risk issues.

Links and references

Code of Conduct: page 7
(UC-Code-of-Conduct-brochure_21_07_2022_def_EN.pdf (unicreditgroup.eu))

2023 Integrated Report:
Risk Management chapter,
page 160

Institutional Group website:
ESG Sustainability Policies
and Ratings – UniCredit
(unicreditgroup.eu)
Articles of Association and
Code of Ethics – UniCredit
(unicreditgroup.eu)

Principle 5: Governance and Culture continued

Risk management

- Our high transition risk exposure KPI measures the Bank’s exposure to the largest counterparties that appear more vulnerable along the transition path towards a lower-carbon economy, based on information gained through the Climate and Environmental Questionnaire
- Our fossil-fuel-related exposure KPI focuses on a group comprising counterparties in certain classes, as set out in our Oil & Gas and Coal policies
- Our physical risk KPI is designed to measure potential damages that extreme climate-related acute physical risk events could cause to the Bank’s collateral portfolio. The KPI is monitored at Group level and, during 2023, was cascaded to certain major legal entities

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

For 2024, further enhancement of our Risk Appetite Framework is foreseen, for example extending the portfolio coverage for transition risk and the introduction of Net Zero KPIs for the first three priority industries considered in the Bank’s Net Zero journey (Oil & Gas, Power Generation and Automotive).

No breach in any of the defined thresholds occurred in 2023.

Net Zero Commitment

As a result of our commitment to sustainability, we have been embedding climate and environmental risks in our risk framework across all the various risk types (credit risk, financial risks, non-financial risks).

We also began integrating climate factors within our Risk Appetite Framework and our Risk Strategies for managing credit, financial and non-financial risks. We developed a specific methodology and process based on a dedicated climate and environmental questionnaire to determine our clients’ position on the transition pathway. We introduced sector-specific policies that commit us to stop financing controversial carbon-intensive activities, such as energy production from thermal coal and the most impactful Oil & Gas operations (tar sands, fracking, ultra-deep water drilling, Arctic extraction, and so on), and to phase-out similar financing that had been granted in the past, before the policy came into effect. We continually update our policies to ensure that the most recent evolution of related risks are considered and properly managed.

In 2024, we are further building on this approach by introducing specific considerations on the three sectors in our portfolio for which we set interim Net Zero targets. We have:

- Updated our Oil & Gas policy by integrating Net Zero provisions as a driver for the reputational risk classification of customers
- Introduced specific KPIs related to our Net Zero targets into our Risk Appetite Framework
- Included more comprehensive qualitative guidelines to incorporate Net Zero commitments in our Credit Risk Strategies
- Embedded Net Zero client strategies into the credit process

Further details are disclosed in our most recent Integrated Report, in the “Net Zero progress and our inaugural transition plan” section.

Links and references

2023 Integrated Report:
Risk Management chapter,
page 160;
Risk Management and
Compliance Supplement,
page 200

2023 Integrated Report:
section “Our transition to
Net Zero”, page 60

Principle 5: Governance and Culture continued

Self-assessment summary:

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

Yes No

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

Yes No

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

Yes In progress No

Principle 1

Principle 2

Principle 3

Principle 4

Principle 5

Principle 6

Principle 6: Transparency and Accountability



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

6.1 Assurance

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

- Yes Partially No

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

Response

This PRB Report and self-assessment is reviewed by KPMG in line with PRB guidance. Responses for questions under 2.1, 2.2, 2.3 and 5.1 are within the scope of KPMG assurance.

Please see the Assurance Statement for further details on the scope, responsibilities, work performed, limitations and conclusion.

Links and references

Assurance Statement at the end of this document

6.2 Reporting on other frameworks

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

- GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other: EMAS, Pillar 3

Response

Our Integrated Report is prepared in accordance with the GRI Standards and includes a SASB content index, with all the indicators of this standard covered by the Report.

We have been completing the CDP questionnaire since 2013 and we annually publish a standalone TCFD report.

Our Integrated Report also includes the disclosure obligations under Article 8 of the Disclosures Delegated Act supplementing the EU Taxonomy Regulation (2020/852), which requires financial companies to report eligibility and alignment with key performance indicators (KPIs).

In the framework of our EMAS registration for the Italian perimeter, we annually publish our Environmental Declaration.

Links and references

2023 Integrated Report

2022 TCFD Report

Institutional Group website

6.3 Outlook

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

Response

Net Zero Commitment

In the coming months we will establish interim targets for other carbon-intensive sectors, including Real Estate.

Links and references

2023 Integrated Report:
Social & Relationship
Capital chapter

Principle 6:
Transparency and Accountability continued

PRB Commitment of Financial Health and Inclusion – change of indicators target

In the first collection of actual data in FY 2023 for the selected indicators, we discovered some discrepancy in the criteria and methodology applied by the involved countries that contributed to the consolidated figures at Group level.

We reviewed in detail the figures and processes, implementing specific tools and reports to collect and consolidate the data.

To align figures and ensure consistency across all our countries, some adjustment was required – resulting in an adjustment of the official targets we communicated in June 2023 for both indicators. The adjustments were as follows:

- **CS028: Percentage of customers with two or more active financial products, from different categories, with the bank**
 Both the baseline and our targets have been reduced by more than two percentage points. However, our new targets are more challenging, with a growth from the baseline of one percentage point (versus 0.3 percentage points in the previous targets) – thanks to the new, higher positive trend of some countries (in particular Austria, Romania and Bulgaria). Furthermore, the actual 2023 figure exceeded our target.
- **CS036: Percentage of new customers who are young people, per month**
 No relevant adjustment has been made to the baseline calculation. We have made a slight change in the targets, increasing these by of 0.1 percentage points in 2024 and 2025, with our actual 2023 figure increasing versus the baseline – despite the latter being slightly lower than expected.

Our new targets can be seen in the following table:

	Baseline	Actual 2023	Target 2023	Target 2024	Target 2025
CS028 C – percentage of young customers with two or more active financial products, from different categories, with the Bank	12.0%	12.6%	12.3%	12.6%	13.0%
CS036 C – percentage of new customers that are young people, per month	34.9%	35.5%	36.2%	37.0%	37.7%

6.4 Challenges

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

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

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



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Independent auditors' report on the key areas reported in the Principle for Responsible Banking Report of the UniCredit Group for the year ended 31 December 2023

To the board of directors of
UniCredit S.p.A.

We have been engaged to perform a limited assurance engagement on the following key areas (the "Subject Matter"):

- Principle 2: Impact and Target Setting
 - 2.1 Impact Analysis
 - 2.2 Target Setting
 - 2.3 Target implementation and monitoring
- Principle 5: Governance & Culture
 - 5.1 Governance Structure for Implementation of the Principles

included in the Principle for Responsible Banking Report (the "PRB Report") of the UniCredit Group for the year ended 31 December 2023.

The Subject Matter has been prepared in accordance with the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by the United Nations Environment Programme Finance Initiative ("UNEP FI") as defined in the paragraph "Introduction" of the PRB Report.

Responsibilities of the directors of UniCredit S.p.A. (the "Bank") for the PRB Report

The directors are responsible for the preparation of the PRB Report in accordance with the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by the UNEP FI and for the reliability and completeness of the information and data contained therein.

The directors are also responsible for the internal control that they determine is necessary to enable the preparation of a PRB Report that is free from material misstatement, whether due to fraud or error.



UniCredit Group
Independent auditors' report
31 December 2023

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, that the Subject Matter for the year ended 31 December 2023 of the UniCredit Group has been prepared, in all material respects, in accordance with the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document". We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the Subject Matter is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed are based on our professional judgement and include inquiries, primarily of the bank's personnel responsible for the preparation of the information presented in the Subject Matter, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we performed the following procedures:

1. understanding of the internal rules underlying the preparation of the Subject Matter through acquisition and analysis of the relevant internal documentation (policies, procedures, process guides and methodologies);
2. interviews and discussions with Bank's management to gather information on the reporting and technology systems used in preparing the Subject Matter and on the processes and internal control procedures used to gather, combine, process and transfer data and information for the preparation of the Subject Matter;
3. sample-based analyses of documentation supporting the preparation of the Subject Matter to obtain evidence of the application of the processes put in place to prepare the data and information presented therein;
4. analysis of the consistency of the information reported in the Subject Matter with the relevant disclosures reported in the 2023 consolidated non-financial statement of the UniCredit Group, which is included in the integrated report drawn up also to comply with the requirements of articles 3 and 4 of the decree, approved by the Board of Directors of the Bank on 10 April 2024;
5. obtaining a representation letter from the directors attesting that the Subject Matter has been prepared in accordance with the "Principle for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document" issued by the UNEP FI and the reliability and completeness of the information and data contained therein.



UniCredit Group
Independent auditors' report
31 December 2023

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the key areas "2.1 Impact Analysis", "2.2 Target Setting", "2.3 Target implementation and monitoring", "5.1 Governance Structure for Implementation of the Principles"- included in the PRB Report of the UniCredit Group for the year ended 31 December 2023 have not been prepared, in all material respects, in accordance with the "Principles for Responsible Banking" and the "Principle for Responsible Banking – Guidance Document".

Milan, 12 April 2024

KPMG S.p.A.

A handwritten signature in black ink that reads 'Domenico Donato'.

Domenico Donato
Director of Audit

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