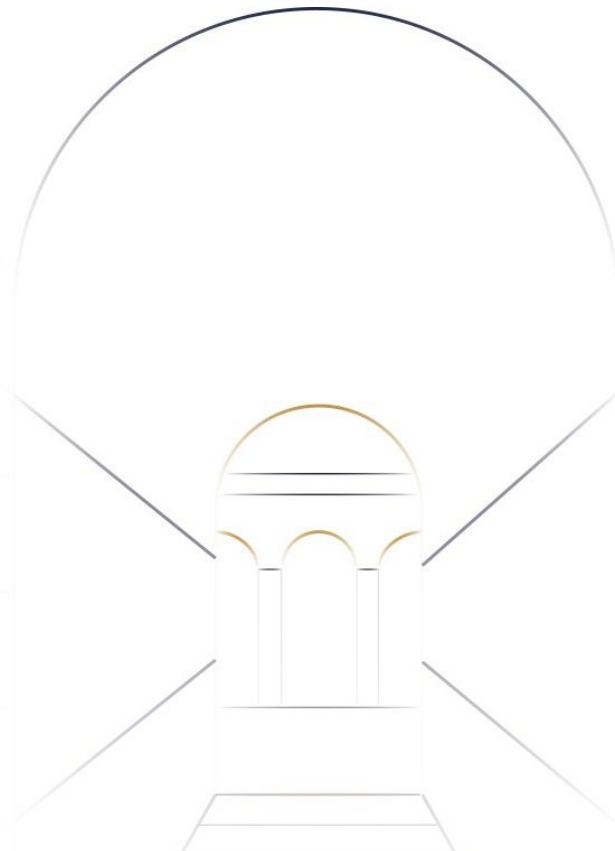


# Mediobanca Group Transition Plan

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September 2024



# Introduction

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In an evolving European regulatory environment on sustainability issues, the financial sector is being pushed to adopt tools to **set and monitor climate targets**, including **enabling transition plans for Net-Zero goals**.

In November 2021, **Mediobanca joined the Net-Zero Banking Alliance**, confirming its intention to play an active role in the green transition.

In adhering to this initiative, Mediobanca committed to **align its credit and investment portfolios to net-zero emissions by 2050 or sooner**, and to publish a **Transition Plan** within 12 months of the publication of the first sector targets.

Integrating sustainability into its strategy, the Group has included several **ESG goals** in its **Strategic Plan 2023-26 "One Brand-One Culture"**, including achieving **carbon neutrality by 2050**.

Now, in line with its commitment to the Net-Zero Banking Alliance, **it is presenting its Transition Plan for the first time**.

To implement the Group Transition Plan, the Bank has **adopted the Glasgow Financial Alliance for Net-Zero (GFANZ) framework**, based on three cornerstones:

1. Strategic Plan 2023-26 "One Brand - One Culture"
2. Integration of activities into the ESG Programme.
3. Remediation actions required by the regulator, ESG investors, and market best practices.

The Plan includes synergistic and cross-divisional measures in the **short, medium and long term**.



# STRUCTURE OF THE TRANSITION PLAN ACCORDING TO THE GFANZ FRAMEWORK



→ In drafting an effective and science-based Transition Plan, the **GFANZ framework** recommends implementing these **five sections** for which Mediobanca has identified **specific levers**, in line with its business model and strategy, as outlined below.



LEVERS

## CHOICE AND APPLICATION OF LEVERS



Mediobanca is committed to achieving **zero emissions by 2050** by **maintaining carbon neutrality** for its own emissions (Scope 1 and Scope 2 market-based), confirming its commitment through multiple decarbonization initiatives, including **participation in the Net-Zero Banking Alliance** and the integration of qualitative and quantitative ESG goals into its 2023-26 Strategic Plan "One Brand-One Culture"  
 A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
1 - Goals and Priorities	<p><b>Adherence to Net-Zero goals</b> and identification of priority strategies to enable the reduction of emissions</p> <p><b>Planning activities to achieve Net-Zero goals</b> and communicating how they are integrated within the organization and <b>corporate strategy</b></p>	<p>The Group adopted the <b>Strategic Plan 2023-26 "One Brand-One Culture"</b>, including the <b>Net-Zero goal to 2050</b></p> <p>For further discussion, see section. 3.2.1.1 of TCFD Report for FY 2023-24</p>	<p><b>ID 1.1.1: Identification</b> of the <b>link</b> between <b>macroeconomic variables</b> and those related to <b>Climate &amp; Environmental</b> issues (with the objective, among others, of assessing the sensitivity of budget items to changes in macroeconomic variables)</p>	
			<p><b>ID 1.1.2: Implementation</b> of other <b>ESG goals and scenarios/impacts</b> within <b>financial planning</b>.</p>	
			<p><b>ID 1.1.3: Strengthening ESG implications and impacts</b> as part of the <b>formulation of the next Strategic Plan</b></p>	
			<p><b>ID 1.1.4: Consolidation</b> of the <b>monitoring process</b> of <b>ESG KPIs</b> defined within the <b>Strategic Plan</b>.</p>	



Short-term goal



Medium to long term goal



## CHOICE AND APPLICATION OF LEVERS



The Group continues to integrate **climate and environmental variables into its financing and investment processes**, refining its **products** and **actively engaging with clients**, for example through transition-related advisory services. This approach not only adds value to clients seeking to reduce their environmental footprint, but also positions Mediobanca as a leader in low-carbon finance. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
1-Products and Service	<p><b>Development of financial solutions</b> to promote investments in companies <b>committed to energy transition and sustainable business models</b>:</p> <ul style="list-style-type: none"> <li><b>Lending Products "Climate Solutions &amp; Aligned"</b> <i>(E.g. Green mortgages, Green Project Finance, Social Impact Banking, SDG-linked loans).</i></li> <li><b>Capital Markets Products "Climate Solutions &amp; Aligned"</b> <i>(E.g. Green bonds, Social bonds, Sustainable bonds, Transition bonds).</i></li> </ul>	<p><b>2023-26 STRATEGIC PLAN</b></p> <ul style="list-style-type: none"> <li>Corporate Lending CIB: percentage of loans with ESG characteristics equal to 40% of new Corporate production.</li> <li>Retail: percentage of green mortgages out of new business ~20%.</li> <li>DCM: 50% of bonds originated have ESG or ESG-related characteristics.</li> <li>Funding: at least 2 sustainable bond issues.</li> </ul> <p>See Sections 3.2.1.1 and 3.2.2.1 of TCFD Report for FY 2023-24 for further discussion.</p>	<p><b>ID 2.1.1: Identification and monitoring of products/assets</b> that enable the acceleration of decarbonization (i.e. SBTi, Use of Proceeds, etc.)</p> <p><i>Identification of the attributes/characteristics of products to date, in order to use the resulting information to monitor their development and set new targets (with the possibility of inserting flags into internal systems)</i></p>	
			<p><b>ID 2.1.2: Defining new solutions and "aligned" goals.</b></p> <ul style="list-style-type: none"> <li><b>ID 2.1.2.1:</b> linked to products that support the achievement of the Group's decarbonization goals (e.g. Sustainability Linked Loan with SBTi-related KPIs)</li> <li><b>ID 2.1.2.2:</b> New solutions and "Climate Solutions" KPI target already in line with the transition</li> </ul>	



Short-term goal



Medium to long term goal

## CHOICE AND APPLICATION OF LEVERS



Mediobanca defines and applies targeted **policies and conditions** to **priority sectors** and **activities for combating climate change**, such as: **coal, unconventional oil and gas, and activities related to deforestation**, outlining a scope consistent with its objectives. Through these measures, Mediobanca is progressing on its path to **Net-Zero** while promoting sustainable financial practices, including through its dedicated **Energy Transition Team**.

A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
1- Products and Services	Financing conditional on <b>phasing out high-emitting assets</b> ; building a portfolio oriented towards <b>assets that have a clear transition plan</b> and establishing exclusion policies (e.g., coal, oil & gas, tobacco, mining, etc.)	<b>2023-26 STRATEGIC PLAN</b> <ul style="list-style-type: none"> <li>Exit from tobacco by 2026</li> <li>Total exit from coal by 2030</li> <li>35% reduction in carbon intensity of financing to 2030 (-18% by 2026)</li> </ul> For further discussion, see Sections 3.2.1.1 and 3.2.2.3 of TCFD Report for FY 2023-24	<b>ID 2.1.3:</b> Current objectives of <b>exclusion policies are in line with market practices</b>	Covered
	<b>Support service to clients on transition risks and coaching in transition</b>  Offering <b>financial</b> information and <b>advisory</b> services related to net-zero transition	<b>2023-26 STRATEGIC PLAN</b> <ul style="list-style-type: none"> <li>Corporate finance: advisory team dedicated to Energy Transition.</li> </ul> See section 3.2.2.1 of TCFD Report 23-24 for further discussion.	<b>ID 2.1.4:</b> At least 50% of transactions (annual advisory transactions announced by the Bank) to be related to energy transition issues (Energy Transition team)	



## CHOICE AND APPLICATION OF LEVERS



The Group has strengthened its internal **Fund Transfer Pricing** process, with the aim of supporting the strategic objectives of portfolio decarbonization and new ESG business volumes, whereby the defined **eligibility criteria** are linked to one or more of **the Group's strategic objectives**. In addition, in order to adequately quantify the climate and environmental risks to which the Group is exposed and to conduct the appropriate climate and environmental due diligence, Mediobanca will strengthen its **data governance and data management**. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
2- Activity and Decision Making	Changing factors in risk and expected return models to transition by adjusting credit rating and discount rate, rewarding counterparties that adopt sustainable practices	<b>ECB plan</b> <ul style="list-style-type: none"> <li>Integration of the FTP Framework with adjustments to the curve in consideration of ESG factors (ECB Plan)</li> </ul> <p>See section 3.2.2.2 of TCFD Report for FY 2023-24 for further discussion.</p>	<b>ID 2.2.1:</b> Initiating assessments for the <b>integration of ESG variables</b> into risk components in the <b>pricing calculation</b> framework	
			<b>ID 2.2.2:</b> <b>Integration</b> of ESG data and in particular <b>net-zero related data</b> into the <b>data governance and data management</b> framework, in order to support current decision-making processes <b>through appropriate automated tools</b>	



Short-term goal



Medium to long term goal



## CHOICE AND APPLICATION OF LEVERS



The Group has identified **environmental factors as key to promoting responsible business activities** while trying to maintain a low profile in terms of climate risk exposure. In order to adequately quantify these climate and environmental risks, Mediobanca will strengthen its **ESG assessment** process of **non-financial counterparties**. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
2- Activities and Decision Making	<p>Implementation of an <b>ongoing assessment and monitoring</b> and reporting system on sustainability metrics to <b>assess: transition plans and progress made</b>; industry decarbonization pathways; <b>adoption of emission mitigation technologies</b></p> <p>Internal thresholds for financed emissions by implementing a monitoring system and setting internal thresholds for financed emissions</p>	N/A	<p><b>ID 2.2.3: Define and implement a process for ex-ante monitoring of counterparties' Transition Plans:</b></p> <ul style="list-style-type: none"> <li><b>ID 2.2.3.1:</b> Evaluate whether the counterparty publishes a <b>Transition Plan</b> or externally <b>verified targets for reducing its emissions</b></li> <li><b>ID 2.2.3.2:</b> Assess whether the counterpart joins <b>international or sectoral initiatives</b>, such as <b>SBTi</b>, to achieve a Net-Zero goal by 2050</li> <li><b>ID 2.2.3.3:</b> Where there is no public counterparty data, assess whether it can be obtained through a <b>direct engagement</b> process</li> <li><b>ID 2.2.3.4:</b> If the counterparty is part of a sector targeted by the Group, calculate the intensity of issues financed and assess <b>how these may impact the sector targets published by Mediobanca</b></li> </ul>	





## CHOICE AND APPLICATION OF LEVERS



Mediobanca is committed to combating climate change **by continuously monitoring sustainability metrics**, setting **internal thresholds for financed emissions**, and adjusting **risk and return models** according to the **effects of climate change**, considering both physical and transitional risks. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
2- Activities and Decision Making	Implementation of an <b>ongoing assessment and monitoring</b> and reporting system on sustainability metrics to <b>assess transition plans and progress made</b> ; industry decarbonization pathways; <b>adoption of emission mitigation technologies</b>	N/A	<b>ID 2.2.4:</b> Establish a process for <b>regular monitoring of the counterparty's Transition Plan</b> .	
			<b>ID 2.2.5:</b> Define a process for <b>reporting on the analysis carried out</b>	
	Internal thresholds for financed emissions by implementing a monitoring system and setting internal thresholds for financed emissions	<b>STRATEGIC PLAN 2023-26 "One Brand-One Culture"</b> <ul style="list-style-type: none"> <li>Integration of climate and environmental factors into risk management processes such as RAF, ICAAP and stress testing</li> </ul>	<b>ID 2.2.6:</b> Strengthening RAF metrics by setting thresholds (targets, limits, and triggers) and implementing a regular monitoring and follow-up process when limits are exceeded	
			<b>ID 2.2.7: Integration of risk analysis</b> (Climate & Environmental) <b>by including forward-looking science-based projections</b>	
Changing factors in risk and expected return models to <b>transition</b> by assessing the implications of <b>climate change</b> on the Bank's financial operations and investments, considering both physical and transition risks	<b>ECB PLAN.</b> <ul style="list-style-type: none"> <li>Plan Actions in the area of Risk Management</li> </ul>	<b>ID 2.2.8:</b> Strengthening the <b>credit risk framework</b> through <b>inclusion of quantitative criteria for counterparty analysis</b> (from a Climate & Environmental perspective)		
	See section 3.2.2.2 of TCFD Report for FY 2023-24 for further discussion.			



## CHOICE AND APPLICATION OF LEVERS



The Bank has a **Group ESG Policy**, which also includes an exclusion criterion for coal-related activities, with the goal of achieving a **phase-out by 2030**. The Policy version updated in 2024 includes: the addition of **more structured selection criteria**; **the expansion of scope**; and the introduction of **new sectoral guidelines**.

A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
3- Policies and Conditions	<p><b>Policies and conditions for access to funding</b></p> <p>Definition of policies and conditions to be met that apply to counterparties operating in determining highly polluting industries and activities</p>	<p><b>2023-26 STRATEGIC PLAN</b></p> <ul style="list-style-type: none"> <li>Exit from tobacco by 2026</li> <li>Total exit from coal by 2030</li> </ul> <p>See section 3.2.2.3 of TCFD Report 23-24 for further discussion.</p>	<p><b>ID 2.3.1: Current policies and conditions are in line with market practices</b></p> <p>It is possible to <b>assume additions/extension</b> of the sectors to which the conditions apply:</p> <ul style="list-style-type: none"> <li><b>ID 2.3.1.1:</b> chemical, rubber and plastic manufacturing</li> <li><b>ID 2.3.1.2:</b> metallurgy and non-ferrous metals</li> </ul>	
	<p><b>Screening activities and escalation processes</b></p> <ul style="list-style-type: none"> <li>Establishment of <b>screening</b> processes for counterparties operating in determining highly polluting industries and activities</li> <li>Definition of <b>escalation</b> processes</li> </ul>	N/A	<p><b>ID 2.3.2:</b> Strengthening the <b>climate and environmental due-diligence process</b>, both in terms of <b>monitoring</b> (at the beginning of the client relationship and on an ongoing basis) and <b>escalation</b></p>	



Short-term goal





Medium to long term goal

## CHOICE AND APPLICATION OF LEVERS



**Mediobanca's engagement strategy** aims to effectively engage key stakeholders in the **transition path** towards achieving the Group's **net-zero goals**. This strategy includes co-operating with customers, financial institutions, trade associations and investors. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
1 - Clients and Portfolio Companies	Engagement with portfolio counterparties in order to: <ul style="list-style-type: none"> <li>• <b>Share goals</b> with clients</li> <li>• Initiate dialogue aimed at <b>raising awareness</b> of customer emission reduction</li> </ul>	N/A	<b>ID 3.1.1:</b> Establishment of a <b>process for conducting client engagement</b> (e.g. identification of ownership, objectives of the different phases, how and how often activities are conducted)	
			<b>ID 3.1.2:</b> Establish a <b>detailed plan with timelines and targets for counterparty engagement</b> to ensure that efforts are consistent with the nature of decarbonization goals, through: <ul style="list-style-type: none"> <li>• <b>ID 3.1.2.1:</b> Prioritization of customers subject to <b>industry targets</b></li> <li>• <b>ID 3.1.2.2:</b> Defining the <b>panel of customers</b> with which to plan engagement activities for an initial sharing of decarbonization goals for the sector in which they operate</li> <li>• <b>ID 3.1.2.3:</b> Development of a <b>specific pathway to reduce emissions</b>, supporting the client in structuring debt (offering advice, experience, and resources to accelerate the transition)</li> </ul>	



Short-term goal



Medium to long term goal

## CHOICE AND APPLICATION OF LEVERS



The Mediobanca Group believes that practices of engaging in constructive, ongoing, and transparent relationships with a range of public authorities, institutions, and industry associations are necessary in order to achieve the development of positive ESG impacts and to address climate change. The various initiatives include: the **Mediobanca Research Area**, which develops analysis in collaboration with Centri Studi Tagliacarne and Unioncamere; the Group's adherence to Assogestioni's **Italian Stewardship Principles**; and its membership of the Italian Banking Association (**ABI**). A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
2- Governments and the Public Sector	<p><b>Adhere to specific public commitments to the climate transition</b></p> <p>Develop or publicly support joint appeals to global authorities, regulators, supervisors, and standards bodies</p>	N/A	<p><b>ID 3.3.1:</b> Provide <b>feedback</b> to consultations, individually, through trade associations, or in collaboration with other financial institutions, to consultation processes of regulators and legislators; provide feedback to <b>international bodies, multilateral organizations, and NGOs</b></p>	
			<p><b>ID 3.3.2:</b> Promote the <b>publication of research and reports</b> that highlight the need for policies to combat climate change</p>	
			<p><b>ID 3.3.3:</b> Promote a <b>survey on the readiness of Italian mid-caps</b> in manufacturing with respect to <b>Net-Zero goals</b></p>	



## CHOICE AND APPLICATION OF LEVERS



Mediobanca's **metrics and targets for achieving Net-Zero** include a set of measures to guide and monitor the execution of the Transition Plan over the **short-, medium-, and long-term horizon**.

These measures focus on aligning financial activities with the zero transition of the real economy, ensuring that all investments and financial services support decarbonization efforts.

A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
Metrics and Goals	<p><b>Aligning financial activity with Net-Zero goals.</b></p> <p><b>Set, monitor, and regularly update sector goals</b></p>	<p><b>2023-26 STRATEGIC PLAN</b></p> <ul style="list-style-type: none"> <li>▪ Neutrality by 2050</li> <li>▪ -35% reduction in carbon intensity of financing to 2030 (-18% by 2026)</li> <li>▪ Banking Alliance interim neutrality industry target by 2024</li> <li>▪ Neutrality on own emissions and energy from 100% renewable sources at <b>Group</b> level</li> </ul>	<p><b>ID 4.1.1:</b> formalize and industrialize an <b>ex-ante monitoring process for both financed emissions</b> and sectoral targets, providing <b>automatic calculation and internal monitoring tools</b> for support</p>	
		<p><b>ESG PROGRAMME 2024</b></p> <p>As at end-September 2024, all Net-Zero sectors relevant to the Group are covered by targets.</p> <p>For further discussion, see Sections 3.2.1.1, 3.2.4 and section 5 of TCFD Report for FY 2023-24</p>	<p><b>ID 4.1.2:</b> Evaluate <b>third-party validation of GHG emission targets</b> to provide stakeholders with independent assurance on the credibility of targets and data</p>	



Short-term goal



Medium to long term goal

## CHOICE AND APPLICATION OF LEVERS



To achieve its Net-Zero goals, Mediobanca's **climate governance** must be updated, defining **new roles and responsibilities as they emerge**. Regular reviews of the Transition Plan ensure that material updates and developments are incorporated and implementation risks are effectively managed. Short-term goals also include highlighting the Group's efforts to ensure that **compensation incentives are aligned with climate commitments**. A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
Roles, Responsibilities and Retribution	<p><b>Definition of roles</b></p> <p>The Board of Directors or strategic oversight body and senior management must have <b>full ownership, oversight, and accountability for net-zero goals</b></p>	N/A	<p><b>ID 5.1.1:</b> Define <b>process, roles, and responsibilities</b> for activities related to the <b>transition plan (ownership, activity definition, and related monitoring)</b></p>	
	<p><b>Specific teams</b> should be set up for all aspects of transition plan design and implementation</p>	<p><b>2023-26 STRATEGIC PLAN</b></p> <p>The new Long-Term Incentive Plan includes:</p> <ul style="list-style-type: none"> <li>20% of ESG (financed emissions) goals.</li> </ul>	<p><b>ID 5.1.2: Definition of a broader blue book of KPIs</b> aligned with the <b>net-zero</b> strategy, to be assigned to Material Risk Takers (considering the scope of responsibility and room for manoeuvre).</p>	
	<p><b>Remuneration and incentive policies related to the Transition Plan.</b></p>	<p>ESG/Green Goals have been included in the Group Remuneration Policy.</p> <p>For further discussion see section 3.2.5 and section 2 of TCFD Report for FY 2023-24</p>	<p><b>ID 5.1.3:</b> Possible <b>identification of secondary metrics for area goals.</b></p> <ul style="list-style-type: none"> <li><b>ID 5.1.3.1: KPIs</b> must have a <b>clear description</b> (taxonomy), <b>their own budget</b> (if short-term), and must be <b>measurable, monitorable, and deliverable.</b></li> </ul>	



Short-term goal



Medium to long term goal

## CHOICE AND APPLICATION OF LEVERS



A number of **training initiatives** were run during the financial year, **to increase skills at all levels** and the **awareness** of **Group employees** of ESG issues, in particular climate issues.

All Group employees have been involved in introductory training activities on ESG issues, including climate change and green products.

A breakdown of the **actions to be implemented, for each of the levers**, is provided below.

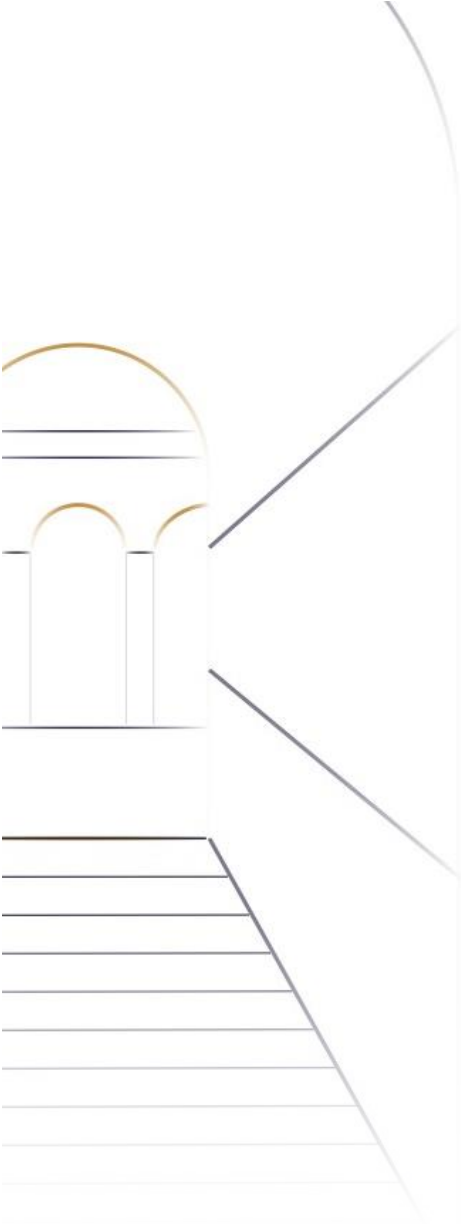
LEVER	ACTION	OBJECTIVES SET	ACTION TO BE IMPLEMENTED	TIME HORIZON
2- ESG Skills and Culture	<b>Assessment of key transition skills and knowledge</b>	<b>STRATEGIC PLAN 2023-26 "One Brand-One Culture"</b>	<b>ID 5.2.1:</b> Offer <b>continuing education at all levels</b> (BoD and employees).	
	Provide <b>training for staff</b> in relation to roles, <b>considering all levels</b> , from the Board of Directors to operational management	<ul style="list-style-type: none"> <li>100% of employees trained in ESG issues</li> <li>Decarbonization Training Programme 2024 targeting employees (with a focus on achieving EFPA certifications)</li> </ul>	<b>ID 5.2.2:</b> Set up <b>transparent processes to identify and improve sustainability expertise</b>	
	Promoting <b>cultural change</b>	See section 2.6.3 of the TCFD Report for FY 2023-24 for further discussion.	<b>ID 5.2.3:</b> Consider extending training and skills to <b>key suppliers and other partners</b> along the value chain as well	



Short-term goal



Medium to long term goal



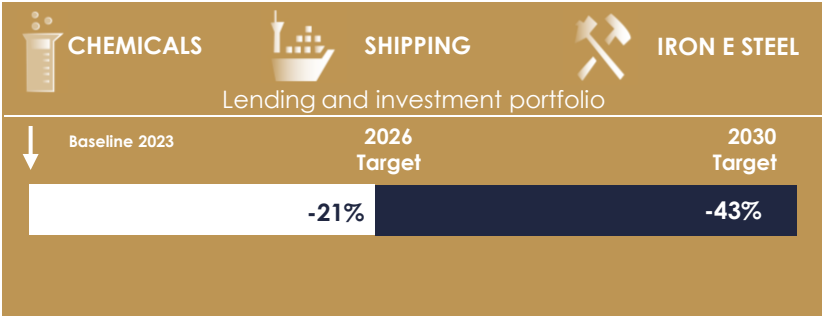
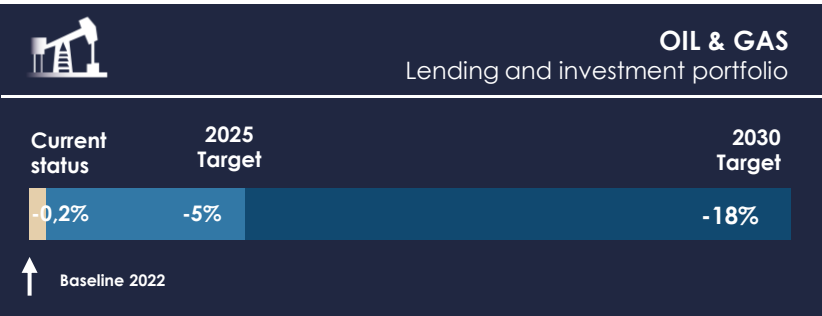
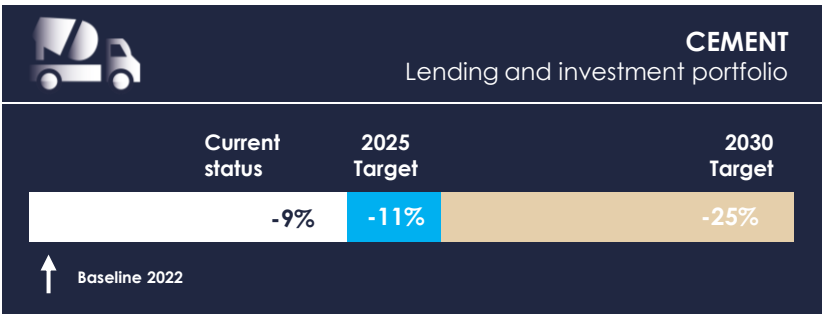
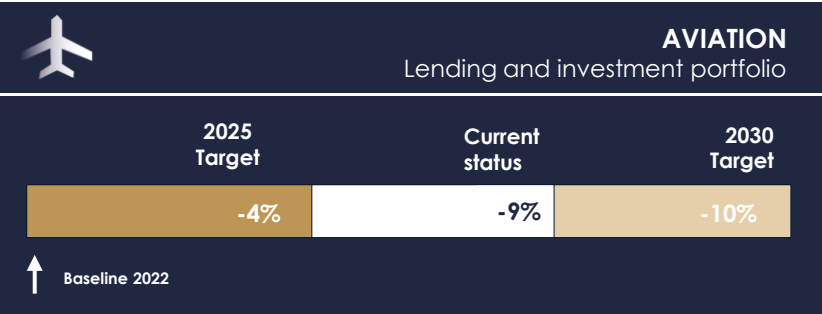
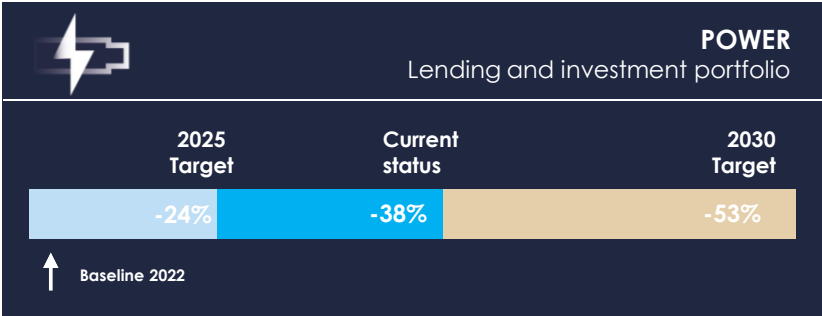
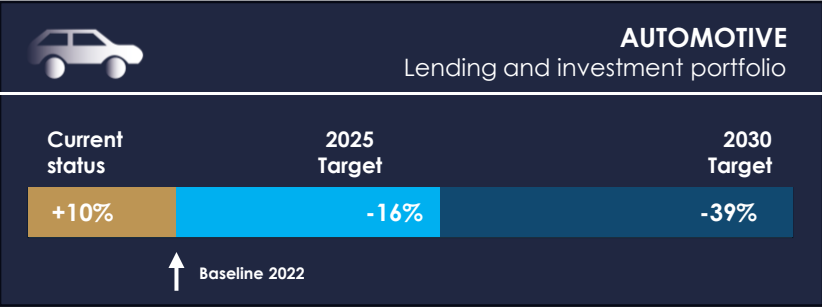
# SECTORAL GOALS

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# PROGRESS TOWARD SECTORAL GOALS



SDA Target with 2022 Baseline

Economic intensity Target on 2023 Baseline