



Mediobanca Green Bond Report

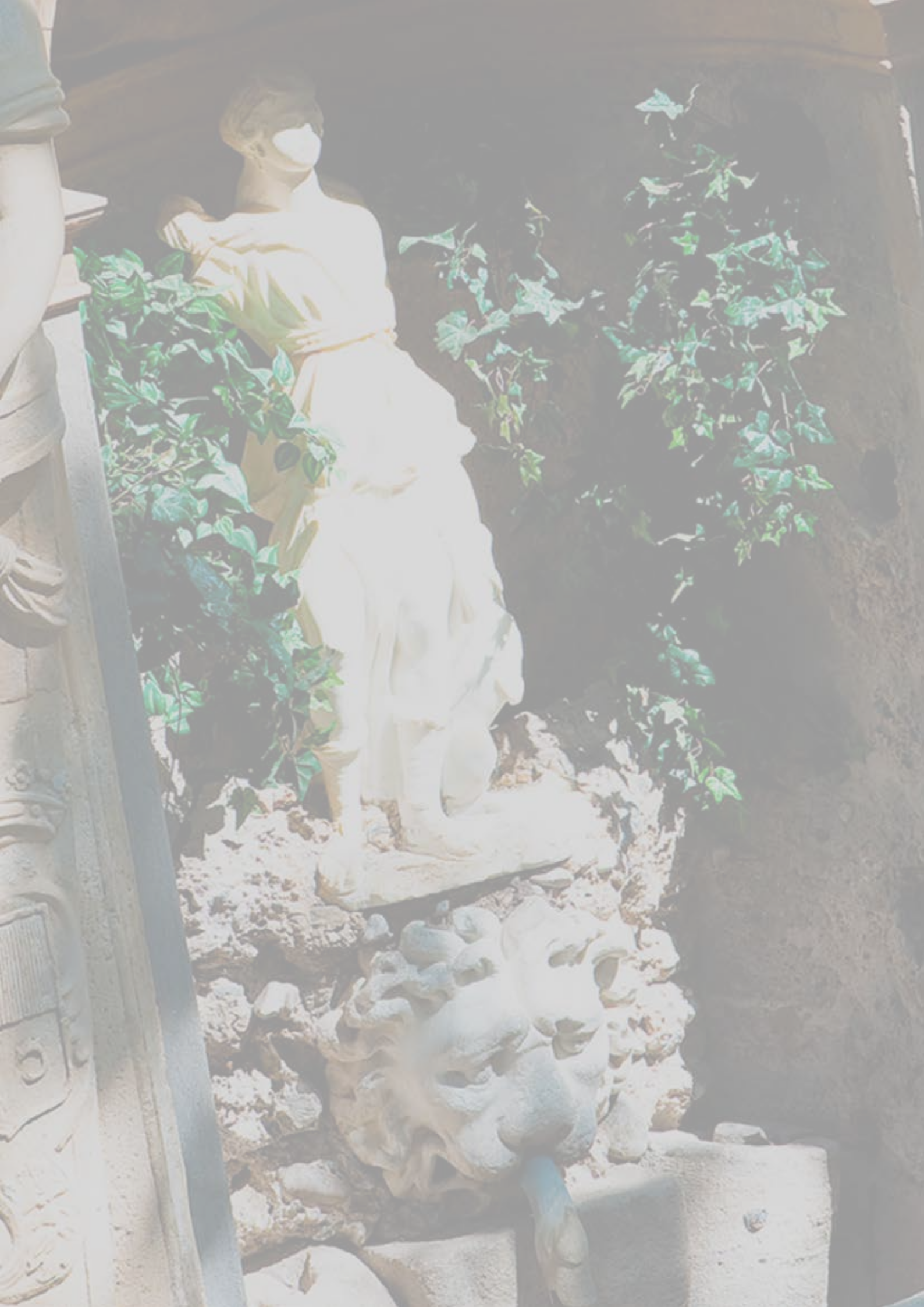
September 2021



MEDIOPOLITANA

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1. Mediobanca's Inaugural Green Bond

On 1 September 2020 Mediobanca – Banca di Credito Finanziario S.p.A. (“Mediobanca”) launched its inaugural Green Bond, following a series of investor calls to introduce the new Green and Sustainable Bond Framework (“the framework”).

Mediobanca's inaugural green transaction was dedicated to the achievement of the following Sustainable Development Goals:



- SDG 7: Affordable and clean energy;
- SDG 11: Sustainable cities and communities; and
- SDG 13: Climate Action.

Mediobanca's inaugural green bond is a proceed-based transaction where funds are used to refinance a pool of green assets selected according to the Issuer framework.

Helped by Mediobanca's strategic ESG goals and ambitions, the transaction benefited from a meaningful participation from SRI investors, a clear sign of appreciation for the newly established framework.

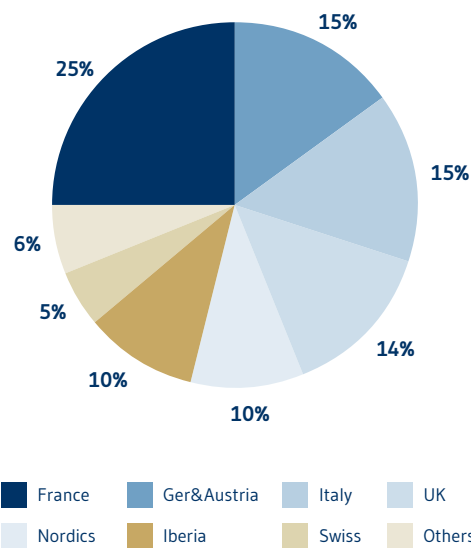
The transaction generated interest from investors across Europe, with an extreme well-diversified orderbook, composed by more than 220 accounts for a total size in excess of €3.5bn. Non domestic investors accounted for 85% of the final allocations, led by France (25%) and followed by Germany & Austria (15%), UK (14%), Nordics (10%) and Spain (10%).

In terms of investor type, 61% was allocated to funds, followed by banks (25%), CB and OIs (10%) and insurance & pension funds (3%).

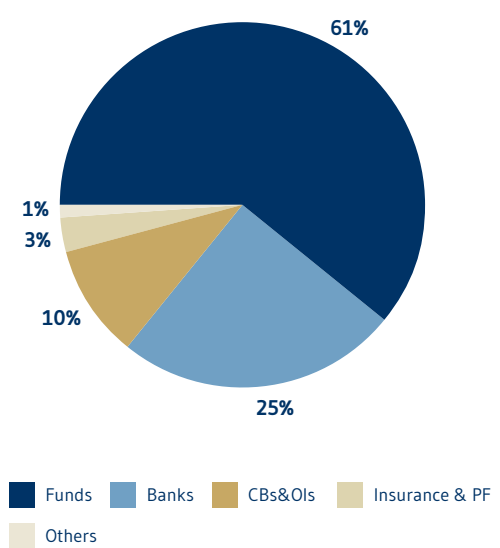
TRANSACTION HIGHLIGHTS

Bond Type	Senior Preferred Green
Pricing Date	1 September 2020
Tenor	7 years
IPT	Mid swap +165 bps
Re-offer spread	Mid swap +135 bps
Amount	€500m
ISIN	XS2227196404
Use of proceeds	Refinancing of eligible Green Assets
NIP	-8 bps
Over-subscription	~7.0x

Allocation by Geography



Allocation by Investor Type



ISS-ESG provided a second party opinion that confirmed the soundness and validity of the framework (based on the ICMA's Principles), the selected asset pool and Mediobanca's overall sustainability performance (https://www.mediobanca.com/static/upload_new/med/mediobanca_iss-esg-spo.pdf).

2. Framework Summary

Use of Proceeds

Renewable energies:



generation of energy from renewable sources (for example: wind, solar, biogas, biomass, thermal, waste-to-energy, hydro), manufacture of components of renewable energy technology and equipment, transmission and distribution of energy for projects relating to renewable energy assets.

Energy efficiency:



energy storage, smart grid, district heating, efficient lighting, energy optimization infrastructure, energy efficient retail equipment.

Sustainable mobility:



hybrid and electric vehicles, sustainable mobility, public and freight sustainable transportation.

Green and energy efficient buildings:



financing – including retail mortgages – or refinancing for construction, purchasing, development and renovation of buildings which have environmental standard certifications as LEED (gold), BREAM

(Good); or comply with energy efficiency class A or B; or new or existing residential buildings belonging to the top 15% low carbon buildings in the region; or renovation projects with an improvement in terms of energy efficiency of at least 30% or achieving energy efficiency class B.

- **Waste management and circular economy:**



recycling and environmental remediation.

- **Environmentally sustainable management of living natural resources:**



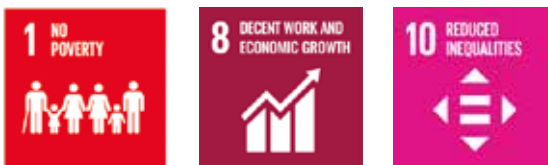
sustainability criteria in the agriculture, forestry, farming or fishing sectors.

- **Sustainable water:**



water treatment and collection.

- **SME financing and microfinancing:**



SME financing, financial literacy and banking access and services to underserved areas.

Project Evaluation and Selection

- **Green and Sustainable Bond Committee:** the Green and Sustainable Bond Committee is incorporated in the CSR Committee and it is composed of members of Group Treasury, ESG team, Corporate and Investment Banking division and all relevant legal entities that contribute to the origination of Green and Sustainable Assets. The Green and Sustainable Bond Committee approves and validates the pool of eligible assets and will have the power to exclude assets as well and will meet on an annual basis.
- **Selection activity:** the originating unit performing the lending activity will initially assess the compliance of any project with the framework criteria: Corporate loans (Mediobanca S.p.A. lending unit); Retail mortgages (CheBanca!); Consumer credit (Compass Banca); Leasing financing (SelmaBipiemme Leasing S.p.A).

3. Allocation Reporting

Allocation summary

The inaugural Green Bond served the purpose of refinancing an initial portfolio of eligible projects of €528m (balance as at 30 June 2020).

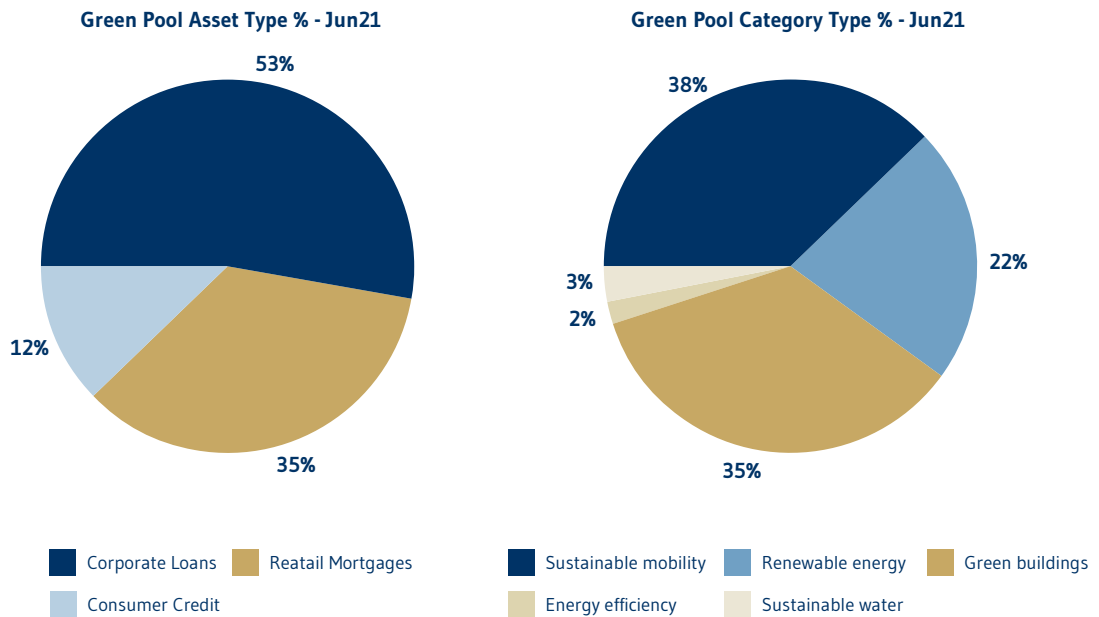
Over the FY 2020-21 some portion of our initial mortgages and consumer credit portfolio naturally repaid (€21m and €19m respectively), while no repayments were recorded for the corporate loans. Share between financing and refinancing is summarised below:

FINANCING	JUN20	JUN21
Financing	0%	8%
Refinancing	100%	92%

Eligible projects portfolio statistics evolved as follows, with an increase in size of 38%:

GREEN POOL ASSET TYPE (€/m)	JUN20	JUN21
Corporate Loans	344.32	388.32
Retail Mortgages	138.62	252.17
Consumer Credit	45.21	88.59
Total	528.15	729.08

GREEN POOL CATEGORY TYPE (€/m)	JUN20	JUN21
Sustainable mobility	211.48	277.01
Renewable energy	161.57	162.69
Green buildings	138.62	252.17
Energy efficiency	13.76	18.14
Sustainable water	2.72	19.07
Total	528.15	729.08



As per bond's allocation, Mediobanca's inaugural green bond has kept its initial exposure, financing €344m of corporate loans, €139m of a portfolio of retail mortgages and the remaining €17m attributable to a granular portfolio of consumer credit items as described in the next section. Attributable bond's proceeds invested in eligible projects are € 500m.

Impact Reporting

Corporate Loans

The share of exposure of the green bond to corporate loans is € 344mln, distributed in three main projects:

Project 1: Renewable Energy Pure Player Financing. The borrower is one of the most important player in the wind power sector in Europe and it is very active in the energy transition process establishing itself as a leader in the renewable electricity market. The metrics¹ below are attributable to Mediobanca's share of the exposure with respect to the borrower's medium/long-term debt:

- Installed renewable energy capacity (MW²): 192
- Electric power output from renewable sources (GWh³): 381
- CO₂ emissions avoided (kt⁴): 217

Project 2: Sustainable Mobility Pure Player Financing for purchase and modernization of electric trains and rolling stocks. As reported in the SPO of its green finance framework, the borrower is considered a pure player in high-speed rail transportation using a green all-electric fleet of trains. Under the green loan, initially subscribed by a pool of banks including Mediobanca, eligible projects included the acquisition, maintenance, management and modernization of high-speed electric rolling stocks for public transportation. The proceeds of the loan were used to achieve:

- Overall fleet average specific CO₂ emissions in a pre-Covid19 scenario (i.e. adjusting for the capacity

1. Metrics data, if not stated differently, are on a yearly basis
 2. MegaWatt (MW)
 3. Gigawatt hours
 4. Thousands of tons

factor from March 2020 onwards) lower than 20 gCO₂/pax*km⁵, around 30% below the European average for passengers' trains of 28 gCO₂/pax*km as of 2015 UIC data

The loan had features enabling the borrower the possibility to exercise an option to adjust the margin upon meeting the targets on 3 KPIs (Key Performance Indicators). In July 2020 the borrower exercised this option and 3 KPI were agreed on (i) CO₂ emissions (gCO₂/pax*km), (ii) customer satisfaction; and (iii) employee training. All the KPIs reached the targets set for year 2020.

Project 3: Sustainable Mobility Financing for R&D and manufacturing of Battery Electric Vehicles (BEV) in Germany. Under its green finance framework, the borrower financed investments related to clean transportation and reported the following metrics:

- CO₂ tailpipe emissions avoided vs newly registered cars: 157.9 grams/km (Germany, WLTP)
- CO₂ tailpipe emissions avoided vs regulation: 95 grams/km (EU standard under Regulation 443/2009/EC)
- CO₂ emissions of the manufacturing: zero

Mortgages

Mediobanca's inaugural green bond has an exposure of €139m which partially finance the granular pool of eligible mortgages. As of 30 June 2021, the details of the overall pool are as follows (outstanding notional and number of mortgages):

- Amount outstanding: €252m
- No. of mortgages and amount outstanding, energy class A of underlying financed: 1,078 mortgages, €192m outstanding
- No. of mortgages and amount outstanding, energy class B of underlying financed: 396 mortgages, €60m outstanding

Consumer Credit

Consumer credit assets (except the Electric and Hybrid Cars category) have been identified via the application of the Italian government tax deduction scheme initially introduced by Italian Law no. 449 of December 1997 (and more recent initiatives by Italian Legislative Decree no. 63, of 4 June 2013). The purpose of the legislative decree is to promote energy efficiency renovation by facilitating purchases of modern electric equipment, furniture and efficiency-enhancing household items.

Mediobanca's inaugural green bond has an exposure of €17m which partially finance the granular pool of eligible consumer credit categories. Consumer credit pool details as of 30 June 2021 (outstanding items and amounts financed) are as follows:

- Number of items financed: 36,948
- Breakdown by categories

5. Ratio of (i) grams of CO₂ emitted by the borrower's trains, and (ii) Total passengers*kilometres (pax.km)

CONSUMER CREDIT (€/m)	JUN20	JUN21
Solar Systems and Shadings	0.94	0.81
Domestic water softeners and filters	2.72	5.07
Domestic biomass heating systems	10.63	11.88
Air Conditioning Systems and Energy Efficient Electric Equipments	13.76	18.14
Electric and Hybrid Vehicles	17.16	52.69
Total	45.21	88.59

- Average CO₂ emissions of electric & hybrid car portfolio financed over the last three years: 91grams/km

4. Mediobanca Sustainability and CSR Positioning

Growth and sustainability are two of the Group's distinctive traits. Our development strategy is based on the conviction that ethics and profits can and indeed must go hand in hand, as in the long term there cannot be economic growth without social and environmental progress as well.

Responsible, proper and transparent conduct enhances and protects reputation, credibility and consensus over time, laying the foundation to develop further sustainable business practices and create value for all stakeholders.

The Group prioritizes projects targeting growth in the communities in which we operate, based on our conviction that an inclusive society must be founded on mutual respect and solidarity, ensuring equal opportunities for all.

Group Sustainability is led by the Chief Executive Officer, supported by a Sustainability Committee and a dedicated Corporate Social Responsibility unit.

In September 2019 a Corporate Social Responsibility Committee was established within the Board, with responsibility for prior analysis of sustainability issues to be submitted to the Board itself.

The Group has adopted a Group Sustainability Policy, sub-divided into five priority areas: measures to tackle bribery and corruption, human rights, diversity and equal opportunities, environmental issues and responsible investing. The Policy contributes to the strengthening and implementation of the values of ethics, integrity and responsibility as a form of respect towards people, the environment and society as a whole. The Group Sustainability Policy is based on the primary declarations and regulations issued with respect to the above areas, with the commitment to constantly improve the Group's conduct to ensure that sustainability is an integral part of the strategy and operation of its business.

In addition to the Group Sustainability Policy, a new ESG policy has been formalized with respect to the indirect impacts of the Group. It supersedes the pre-existing Policy on responsible lending and investing, providing more comprehensive and precise guidelines to Mediobanca Group legal entities on their business activities, and it also applies to a wide range of services provided by the Corporate and Investment Banking Division (ECM, DCM, Corporate finance advisory) to our clients. The policy also details ESG-sensitive sectors, as well as setting out guidelines to protect biodiversity.

CSR targets have been included in the 2019-23 strategic business plan in terms of strategies, objectives and senior management remuneration policy.

Global Commitment

Since 25 April 2018, the Group has officially been a participant in the United Nations' Global Compact: an initiative based on voluntary adherence to a set of principles to promote sustainability values such as

human rights.

The Mediobanca Group also contributes to promoting the Sustainable Development Goals (SDGs) set out in the United Nations' 2030 Agenda, supporting and encouraging growth and development projects based on these universal principles.

ESG targets have been included in the 2019-23 Strategic Plan⁷ and the new Long-Term Incentive Plan for senior management, to encourage the creation of long-term value for all stakeholders.

The targets are linked to six out of seventeen SDGs. Among these, particular importance has been attributed to Goal 13 on Climate Action, as the speed of change in this area risks seriously compromising future generations.



To promote responsible management of resources the Group has committed to reducing its direct environmental impact by cutting CO₂ emissions by increasing its electrical energy supply from renewable sources, using company hybrid cars, reducing staff travel, and promoting the use of video-conference facilities, cutting the consumption of natural resources by using recycled and certified paper, supporting energy transition by increasing green loans and green mortgages, and issuing new products for environmental purposes.

The Group has also become carbon neutral (Scope 1 and 2), neutralizing its remaining greenhouse gas emissions (which in FY 2019-20 were equivalent to 5,618.81 tCO₂eq) by acquiring carbon credits generated from environmental protection projects in developing countries and, in so doing, it has beaten the objective of reducing its impact on the environment included in the 2019-23 Strategic Plan. As evidence of our commitment to responsible business, it is worth mentioning our recent subscription to the UN Principles for Responsible Banking (PRBs).

7. <https://www.mediobanca.com/en/investor-relations/strategy/2019-23-business-plan/piano-strategico-2019-23.html>

5. External Assurance

Mediobanca will continue to publish an annual report until all outstanding Green and Sustainable Bonds will have matured.



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6. Disclaimer

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