# Environmental Commitment

<table>
<thead>
<tr>
<th>What is the Environmental Commitment?</th>
<th>The Environmental Commitment describes the approach, roles and responsibilities as well as the principles, rules, procedures and systems adopted by UniCredit to prevent and manage environmental impacts in our operations and value chain.</th>
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<tr>
<td>What is the purpose of the Environmental Commitment?</td>
<td>The Environmental Commitment aims to define a reliable approach for UniCredit to identify and manage environmental risks and take advantage of environmental opportunities.</td>
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<td>Who approved the Environmental Commitment?</td>
<td>The Environmental Commitment was approved by the Executive Management Committee in March 2015</td>
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</table>
1 INTRODUCTION

1.1 PREMISE

UniCredit is aware that the interdependences between economic activity, ecosystems and natural resources present risks and opportunities for our business. Economic development, human survival and wellbeing require conservation of the earth’s ecosystems.

Climate change, depletion of natural resources, water scarcity and degradation of air and soil are some of the possible adverse impacts from human activities in ecosystems, societies and economies across the world.

As a leading European financial institution, the cornerstone of our mission at UniCredit is to not only generate value for customers and shareholders, but also to contribute to the development of the communities in which we operate.

Systematically, our Group is working to define a reliable and inclusive approach that allows UniCredit to prevent and manage environmental impacts caused directly or indirectly through our operations, financial transactions, supply chains and other business activities.

UniCredit is committed to acting responsibly, engaging and training our employees, and promoting good practices within its sphere of influence related to procurement activities (linked to the life cycle of goods and services bought and used within our whole organization through purchasing and partnership decisions) and lending (including retail, corporate, project and export finance).

In all of our activities, we maintain an ongoing, open dialogue with stakeholders in order to take into consideration their legitimate expectations.

1.2 PURPOSE AND SCOPE OF APPLICATION

This document summarizes UniCredit's Environmental Commitment, the approach, roles and responsibilities as well as the principles, rules, procedures and systems adopted by UniCredit to comply with generally accepted international and local standards and regulations for preventing, managing and, where possible, reducing environmental impacts.

In this context, this document describes how UniCredit manages key risks and opportunities related to the direct and indirect impacts of its operations and business activities.

The Environmental Commitment will be regularly updated to account for changes to the external environment, progress in implementing environmental considerations and achievements of environmental conservation targets.

When applicable, it should be read in conjunction with other relevant internal policies and documents.

If any of the provisions defined in this document are less restrictive than the current laws of a country where UniCredit operates, Group entities will adopt local existing regulations that are more restrictive.

The Environmental Commitment summarizes the Group-level approach. UniCredit is aware that sole legal entities may develop local specific environmental best practices which can be disseminated across our Group, with a view to promoting continuous improvement.
2 ROLES AND RESPONSIBILITIES

Environmental impacts are managed via specific governance rules and structures that assign guidance, support and control roles. These rules and structures involve strategic and operating committees at Group level, as well as within other key business divisions and functions.

2.1. STRATEGIC COMMITTEES

The Executive Management Committee (EMC)\(^1\), chaired by the CEO, is a managerial committee that ensures the effective steering, coordination and control of Group business, as well as an effective alignment of the parent company with the different businesses and geographies regarding strategic topics, including those related to environment. The EMC has approved the current Environmental Commitment and, to help it steer the Group Environmental strategy, receives regular updates about Group positions and performance on environmental topics.

The Group Environmental and Social Council (GESC) oversees the implementation of UniCredit’s environment-related initiatives and commitments. It also proposes the Group environmental strategy, annual objectives and targets as well as the related activities submitted to the EMC for approval.

The GESC is chaired by the Head of Group Identity & Communication and includes representatives from key business divisions (e.g., CIB and CEE), competence lines (e.g., CRO and COO) and key country representatives. Depending on the specific agenda, additional functions may be invited to participate.

At beginning of each year, the GESC Chairman presents to the EMC:

- the Group position on environmental and social topics
- the key transformation program for the coming year

The Group Sustainability unit acts as the GESC Secretariat. It leads activities and collects data from global and local contributors to help define and update the Group’s position on environmental and social topics.

2.2. OPERATIONAL AND MONITORING COMMITTEES

The Group Operational and Reputational Risks Committee (GORRIC) is responsible for monitoring and controlling operational and reputational risk at the Group level. The Committee ensures consistency across business functions and legal entities for operational and reputational risk policies regarding sensitive sectors (e.g., mining, nuclear and coal-fired power generation), methodologies and practices, in addition to reputational risk topics related to noncredit transactions. It controls and monitors the Group operational and reputational risk portfolio and risk mitigation actions.

GORRIC is chaired by the Group Chief Risk Officer and includes the heads of Group Sustainability, Global Compliance, CIB and Group Investor Relations, among other members.

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\(^1\) Refer to the Governance section of the UniCredit website for more information about EMC members.
The Group Transactional Credit Committee (GTCC) evaluates the potential environmental, social and reputational risks inherent in transactions as defined by our current internal Global Rules. In cases of doubt about the application of the Global Rules, the opinion of the Group Operational & Reputational Risks Committee will be requested and considered during the overall evaluation of such transactions. GTCC is chaired by the Group Chief Risk Officer and includes relevant business and CRO functions among its various members.

On a regular and timely basis, the Group Transactional Credit Committee informs the Group Operational & Reputational Risks Committee about all transactions subject to the Global Rules that have been evaluated.

2.3. KEY FUNCTIONS

The Chief Operating Officer (COO) is responsible for guaranteeing that our Group’s organizational model and governance are in line with our commercial strategy. To do so, potential negative environmental impacts must be taken into consideration; costs and internal processes must be optimized, and synergies, savings and operational excellence must be guaranteed where services and activities are performed.

The business divisions, within their respective perimeters, are responsible for identifying and assessing environmental risks and opportunities defined in Group strategies and activities.

Group Risk Management oversees company-level risks that affect the environment with either direct or indirect relevance to UniCredit’s business, as described in Chapter 5.

The Group Sustainability (GS) function supports senior management work to define UniCredit’s sustainability strategy. It promotes policies, projects and initiatives that aim to incorporate the analysis of social and environmental impacts associated within business activities, and also serves as the GESC Secretariat, coordinates the Environmental Sustainability Program, the holding company Environmental Management System and the relevant procedure for the certification. Additionally, GS manages relationships on sustainability topics with key external stakeholders such as Socially Responsible Investors (SRI) and local and international non-governmental organizations.
3 BASIC PRINCIPLES

In identifying, assessing and managing environmental risks and opportunities, UniCredit is inspired by generally accepted international standards, principles, common approaches and recommendations.

These include:

- United Nations Environment Programme Finance Initiative (UNEP FI) Statement of Commitment by Financial Institutions on Sustainable Development
- UN Global Compact (in particular, principles 7, 8 and 9, which are related to the environment)
- UN Principles for Responsible Investment (UN PRI)
- International Finance Corporation (IFC) Performance Standards
- World Bank Group Environmental, Health and Safety (EHS) Guidelines
- The Organisation for Economic Co-operation and Development (OECD) Guidelines for multinational companies
- Natural Capital Declaration (NCD)
- Equator Principles (EPs)
- Green Bond Principles
- Climate Bonds Initiative
4 OPERATIONS MANAGEMENT

UniCredit is aware of the potential negative contributions to the environment our operations may incur through, for example, our employees’ conduct in carrying out their activities or the products and services we source from suppliers.

In response, UniCredit develops appropriate management systems. These include various internal awareness initiatives such as internal communications, local intranet news and training courses specific to different employee working areas. Such initiatives emphasize our respective roles and responsibilities to fight climate change, conserve and promote the efficient use of the earth's natural resources (e.g., water, air and soil) and protect the ecosystem.

Since energy consumption is one of the main sources of environmental impacts from banking activities, UniCredit, to ensure energy efficiency, has:

– set ambitious targets to reduce operational emissions by 30 percent by 2020 compared to 2008
– conducted a Groupwide CO\textsubscript{2} emissions inventory since 2009, in compliance with the ISO 14064 standard and Greenhouse Gas (GHG) Protocol in order to monitor the carbon footprint of operations
– undertaken redesign and refacing of UniCredit buildings and deployed upgraded office equipment that utilizes energy-saving technologies and meets energy-efficiency standards
– optimized the use of space by concentrating UniCredit’s workforce in new, energy-efficient buildings whenever possible
– undergone third party audits and certifications to improve energy performance, identifying opportunities to reduce our energy expenses and carbon footprint

Furthermore, to reduce the carbon footprint of employees, UniCredit’s mobility initiatives:

– increase the availability of audio and visual communication channels to facilitate virtual meetings
– concentrate our workforce in modern, centrally located buildings near transportation hubs
– encourage employees to use more sustainable modes of transport for business
– upgrade the Group’s fleet of vehicles

Additionally, UniCredit continues to develop Groupwide strategic projects and initiatives that promote the efficient use of natural resources and reduce paper and waste.

UniCredit also bases procurement management processes on sustainable models. Suppliers are approved only if they meet the minimum sustainability requirements set forth in the Group environmental policy.

To ensure UniCredit further reduces supply chain environmental impacts, our Group conducts:

– overall assessments of our suppliers, evaluating their compliance with international and local environmental standards and their commitment and activities to protect the environment (e.g., certifications and environment-friendly technologies)
– environmental assessments of the products and furniture used to conduct daily business activities (e.g., energy-efficiency standards for IT products, recyclability and toxicity levels of office furniture components and cleaning products)
- second-party on-site audits of UniCredit suppliers

**Further information on UniCredit Operations Management can be found at:**

- UniCredit Sustainability Reports
- Green and Social Procurement Policy
- UniCredit S.p.A. Environmental Statement (only Italian version)
- Group website → Sustainability → [Learning & development](#)
- Group website → Sustainability → [Climate change](#)
- Group website → Sustainability → [Suppliers](#)
5 RISK MANAGEMENT

In the current economic environment, the success of financial institutions highly depends on their capacity to manage risks. Sound risk management requires a deep understanding of aspects of risk, including environment-related risks and their effects on financial results and the balance sheet, a fundamental level of technical risk knowledge across an organization, reinforced communications at all levels and a mindset geared to anticipating changes in the macroeconomic environment.

UniCredit is committed to promoting sustainable solutions in its financing and investment decisions and has adopted an integrated, multifaceted approach to managing the environmental and social risks associated with its financial products and services.

Through the Group General Principles for Credit Activities and other special policies and practices, UniCredit assesses and manages not only traditional economic and financial impacts, but also non-financial impacts including environmental, social and other related reputational risk impacts associated with the environmental and social performance of its customers.

To this end, UniCredit:
- implements and integrates the Equator Principles in applicable financing project transactions
- adopts detailed special policies for sectors sensitive to environmental and social risks and monitors portfolio exposures and other related environmental issues within certain industries
- develops and tests models that assess potential environmental impacts and externalities related to its portfolio
- disseminates a strong risk culture across our Group that includes social and environmental issues among its priorities

5.1. EQUATOR PRINCIPLES

The Equator Principles (EP) apply to project finance advisory, project finance, project-related corporate loans and bridge loans across all industry sectors. We work in partnership with our clients to identify, assess and manage environmental and social risks and impacts in a structured way on an ongoing basis. The EP are based on the International Finance Corporation Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines. Recognizing the importance of climate change, biodiversity and human rights, UniCredit believes negative impacts on project-affected ecosystems, communities and the climate should be avoided where possible. If these impacts are unavoidable, they should be minimized, mitigated or offset.

In 2003, UniCredit was among the first adopters of the EP. Since then, our Group has actively contributed to the framework’s development.

The EP framework is embedded in our various internal policies, providing a minimum standard for due diligence and impact mitigation and supporting sustainable decision-making Groupwide.
Roles, responsibilities and principles, including the EP-based process for non-financial risk evaluation, are defined for analyzing specific projects. The EP Non-Binding Opinion is incorporated in the approval process along with an internal Equator Principles Screening Tool with a focus on category A and B projects.²

An EP Advisory has also been set up to oversee and support the implementation of the EP framework across the Group. The EP Advisory, together with Group Sustainability, represents UniCredit in the EP Association.

For further information about the Equator Principles and UniCredit’s adoption and implementation, refer to:

- UniCredit Sustainability Reports
- The Equator Principles website

5.2 SPECIAL POLICIES AND PORTFOLIO MONITORING

Certain sectors and activities require a tailored approach to ensure transactional and related risks are comprehensively understood.

UniCredit has developed specific sector policies with input from a wide range of stakeholders. These policies take into account generally accepted international agreements, guidelines and standards (including the International Finance Corporation’s Performance Standards, the World Bank Group’s Environmental, Health and Safety Guidelines, the UN Global Compact principles) or other practices widely adopted by specific industries and affected stakeholders. Our Group considers these international agreements, guidelines and standards a representation of best practices for assessing and avoiding potential environmental and social impacts. Through the implementation of appropriate management and mitigation measures on the part of our clients and counterparts, UniCredit aims to limit the risks associated with such transactions or projects.

UniCredit’s current environmental, social and reputational risk policies are applied to a number of sectors, including water infrastructure (as dams), nuclear energy and coal-fired power generation.

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<tr>
<th>Sector</th>
<th>Policy latest version</th>
<th>Scope of application</th>
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<tbody>
<tr>
<td>Water Infrastructure (e.g. Dams)</td>
<td>February 2012</td>
<td>Defines principles, criteria and rules for environmental, social and reputational risk assessment and management with reference to the financing of large water infrastructure projects (e.g., dams).</td>
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<tr>
<td>Nuclear Energy</td>
<td>June 2013</td>
<td>Provides guidelines for engaging the nuclear energy sector with a focus on the safety, environmental and health impacts posed by:</td>
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<td></td>
<td></td>
<td>• construction of new nuclear power plants</td>
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<td></td>
<td></td>
<td>• operation of nuclear power plants</td>
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<tr>
<td></td>
<td></td>
<td>• tailor-made products or services for the nuclear energy industry</td>
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<td></td>
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<td>• production, trading and reprocessing of nuclear fuel</td>
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<td></td>
<td></td>
<td>• spent-fuel management, including transport, processing, storage and disposal of nuclear waste</td>
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<tr>
<td>Mining</td>
<td>July 2014</td>
<td>Provides standards and guidelines that address potential adverse</td>
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² Project with potential significant (for Category A) and limited (for Category B) adverse social or environmental impacts. For more information, refer to the EP framework.
impacts to the environment and local and regional communities associated with the financing of mining operations in terms of:
• exploration and prospecting for minerals and raw materials
• development, construction and operation of facilities to mine, process and transport ore, as well as support infrastructure
• all decommissioning, closure, rehabilitation, and post-closure monitoring activities associated with prior mining activities

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<tr>
<th>Coal-Fired Power Generation</th>
<th>November 2014</th>
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| Defines principles, criteria and standards for assessing the environmental, social and related reputational impacts of Group involvement in the coal-fired power generation sector with reference to:
• coal-fired power plants projects (both Greenfield and Brownfield)
• Power utilities that own or operate coal-fired power plants (CFPPs) |

The policies are directly applicable to UniCredit SpA and addressed to all Group legal entities engaging (including lending and other forms of financial assistance) with such sectors. Their adoption is subject to monitoring by the parent company’s CRO functions.

The criteria for these policies are regularly reviewed so that all emerging environmental and social standards as well as additional relevant impacts are taken into account in financing decisions processes. When necessary, external experts are involved in this process.

If any of the provisions defined by our internal policies are less restrictive than the current laws of each country, the Group’s legal entities will adopt those existing local regulations that are more restrictive.

UniCredit’s policies define specific internal processes to consistently identify, assess and monitor potential environmental and social risks. Screening records and tools are implemented in our standard risk and compliance check to support the performance of comprehensive due diligence.

Transactions are generally screened by the responsible legal entity according to the relevant screening record. For example, the screening record is integral to the compliance assessment at both the transactional and the client level for our sector policies and must be completed before approval is granted. Decisions regarding transactions assessed “high risk,” as defined by applicable policies and the competent committees of the local legal entities, are escalated to the parent company for approval.

Assessments must be regularly updated as part of the annual credit lines renewal process.

For transactions with an intrinsically higher risk, an independent expert or third-party review (e.g., ESIA or equivalent) might be required to rigorously identify, quantify and, where appropriate, mitigate and monitor environmental and social risks.

Internal reporting concerning exposure and various risk indicators is managed by risk functions at both the local legal entity and parent company level. On a quarterly basis, the Group Operational and Reputational Risk function submits to the Group Operational and Reputational Risk Committee a report concerning the Non-Binding Opinions (NBOs) issued. This report provides an overview of the number of transactions declined, approved and approved with conditions during the risk assessment process.

Furthermore, UniCredit monitors other indirect environmental impacts and related risks by periodically analyzing portfolio exposures. These analyses focus on the most sensitive sectors in terms of potential environmental impacts, including those regulated by special policies and other relevant sectors. This analysis also monitors related significant Environmental, Social and Governance topics and risks.

These include: mining and metals, oil and gas, power generation, heavy manufacturing, forestry and pulp and paper.
5.3 MODEL DEVELOPMENT

UniCredit’s Group Sustainability and CRO functions regularly develop and test methodologies that analyze and calculate external costs of investments not captured in traditional profitability assessments. In such work, for example, our Group assesses overall environmental impacts through its lending in specific sectors by estimating the so called financed emissions and monetary costs linked to pollution’s impact on human health, ecosystems, climate change and reserves of natural resources.

Additionally, UniCredit develops innovative assessment risk projects and methodologies to measure customers’ risk models, thereby measuring the quality of those assets subject to environmental constraints.

For further information on the development of UniCredit’s model refer to:
- UniCredit Sustainability Reports
- UniCredit SpA Environmental Statement (Italian language only)
- Group website → Sustainability → Climate Change

5.4 SOCIAL AND ENVIRONMENTAL RISK CULTURE

Effective risk assessment and monitoring requires appropriate technical risk knowledge at all levels of an organization. For this reason, our Group takes a common and consistent learning approach to risk issues, including those related to the environment. This is accomplished by training and developing highly qualified staff together with the competent risk management functions. When necessary, external experts are involved in the training sessions.

Further information on UniCredit’s Social and Environmental Risk Culture can be found at:
- UniCredit Sustainability Reports
- UniCredit SpA Environmental Statement (Italian only)
- Group website → Sustainability → Learning & development
6 OPPORTUNITIES MANAGEMENT

UniCredit is committed to developing and promoting products and services that are both environment-friendly and capable of generating sustainable long-term value for our Group and the communities where we operate.

We use our financial expertise to support customers across various business lines and develop projects and technologies that help reduce environmental impacts and mitigate climate change.

To encourage and develop specific environment-friendly products and services, UniCredit finances renewable energy and energy efficiency by:

- providing financial support for wind, solar and other renewable projects
- facilitating corporate access to credit (e.g., through agreements with multilateral banks or government-subsidized lenders, such as EIB and KFW)
- promoting new models of sustainable energy development through financial support and innovative technologies via technology partners

Our Group has also developed environmental and climate friendly financial instruments in its pioneering role bringing Green Bonds to market. These bonds enable companies to raise capital and solicit investments in projects with environmental benefits, such as greenhouse gas emission reduction or climate change adaptation projects. They are a viable alternative to conventional loans and project finance.

We have reinforced our commitment to this important new market segment by joining the “Green Bond Principles” and becoming a partner in the “Climate Bonds Initiative.” Our team of Green Bonds specialists provides insight into these investments, covering the needs of our clients along the entire value chain.

In addition to those products and services, UniCredit helps reduce environmental impacts by:

- managing carbon risks for customers
- offering environmentally responsible and sustainable investment products and services that aim to achieve capital appreciation by simultaneously investing in environmental-friendly companies (e.g., companies producing technologies to reduce environmental impacts)
- financing low carbon infrastructure projects such as public transport networks
- creating sustainable products such as banking cards that support environmental initiatives
- developing methodologies to determine the respective carbon footprints from our products and services

For further information on UniCredit's Opportunities Management, refer to:

- UniCredit Sustainability Reports
- Group website → Sustainability → Environmental initiatives

44 In 2007, UniCredit acted as Joint Lead Manager in the European Investment Bank’s Green Bond – the first bond of its kind to come to market
7 MONITORING AND TRANSPARENCY

7.1 MONITORING

UniCredit is aware of the importance of a tracking system to ensure the coordinated monitoring of environmental performance. Group Sustainability manages this process by leveraging existing monitoring processes linked to the policies, principles and systems mentioned within this document and monitored by the related functions. Information is collected from global and local contributors through a dedicated IT application.

Major environmental performance indicators and analyses are presented by Group Sustainability to the GESC to report on progress towards objectives, ambitions and related activities. This support enables GESC members to review UniCredit’s environmental strategy and position for subsequent to the EMC for approval.

Additionally, third-party certifications assess whether our environmental management systems comply with generally accepted international standards such as the EU Eco-Management and Audit Scheme and ISO 14001.

UniCredit’s environmental performance is also evaluated by other external parties for main sustainability indices such as:

- Dow Jones Sustainability Index
- FTSE4Good Index Series
- Oekom Research
- Bloomberg
- CDP Climate Change Program

Finally, an external independent auditor releases a limited review on the annual UniCredit Sustainability Report.

For further information on UniCredit’s monitoring, refer to:

| UniCredit Sustainability Reports |
| Group website → Sustainability → Environmental Management System, Sustainability Report Assurance and Indexes & ratings |

7.2 TRANSPARENCY

UniCredit values transparency in each phase of its business operations, including those that directly or indirectly affect the environment.

To communicate on environmental and social topics, our Group has adopted the following initiatives:

- annual publication of Group Sustainability Report, reviewed by an external auditor, and the UniCredit SpA Environmental Statement
- public dissemination and the updating of UniCredit’s environmental-related commitments, activities and data on our Group website
- dedicated intranet section for employees about Group environmental strategy and commitment
Additionally, UniCredit promotes an ongoing dialogue on social and environmental topics with our stakeholders, including customers, investors, rating agencies and civil society organizations. This dialogue is maintained to help understand their legitimate expectations and enable UniCredit to better analyze global and local challenges and macro trends, and their relevance for our Group.

For further information on UniCredit’s transparency, refer to:

- UniCredit Sustainability Reports
- UniCredit S.p.A. Environmental Statement (Italian only)
- Group website → Sustainability → Reporting & metrics


8 PARTNERSHIP/MEMBERSHIP

UniCredit plays an active role in major relevant international and local environmental initiatives, taking part in working groups focused on the development of methodologies to integrate environmental protection considerations into financial products and services.

The following are our major partnerships and memberships:

- The United Nations Environment Programme Finance Initiative (UNEP FI). UniCredit works with UNEP FI to understand the impacts of environmental and social considerations on financial performance.
- Natural Capital Declaration (NCD), committed to the integration of natural capital considerations into financial sector reporting, accounting and decision-making by 2020. UniCredit participates in “Understanding natural capital risks for financial institutions and embedding them in credit risk assessment,” the NCD project supported by the International Finance Corporation.
- The Principles for Responsible Investment, an international network of investors working to put the six principles for responsible investment into practice.
- The Equator Principles Association. UniCredit is one of the first signatories to the EP, which is a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social project risks in projects.
- WWF supporting research on climate change and sustainable development, reducing the degradation of the planet’s natural environmental and build a future in which humans live in harmony with nature.
- CDP climate change program, which works to prevent dangerous climate change and protect planet natural resources.

For further information on UniCredit memberships, refer to:
- UniCredit Sustainability Reports
- Group website → Sustainability → Commitment & membership