Pillar III Disclosure - ESG

June 2023

Unicaja Banco Group

This document is a free translation of the Pillar III Disclosure originally issued in Spanish. In the event of a discrepancy, the Spanish version shall prevail

Content

Acronyms

ACGR - Annual Corporate Governance Report

CCAC - Collective Commitment for Climate Action

CCINIF – Centro de Coordinación de la Información Nacional de Incendios Forestales (Coordination Centre for National Forest Fire Information)

CRD - Capital Requirements Directive

CRR - Capital Requirements Regulation

EBA - European Banking Authority

EEC - Energy Efficiency Certificate

EPC - Energy Performance Certificate

ESG - Environmental, Social & Governance

GAR - Green Asset Ratio

GBP - Green Bond Principles

GHG - Greenhouse Gases

ICAAP - Internal Capital Adequacy Assessment Process

IEA - International Energy Agency

INE – Instituto Nacional de Estadística (National Statistics Institute)

IRP - Pillar III Disclosure

NACE –National Classification of Economic Activities

NFI - Non-Financial Information Statement

PCAF - Partnership for Carbon Accounting Financials

1. Introduction

In December 2019, the Basel Committee on Banking Supervision (BCBS) published the consolidated Basel Framework including the updated Pillar III disclosure requirements, which were incorporated into Regulation (EU) 575/2013 by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. In addition, Directive 2013/36/EU was amended through Directive (EU) 2019/878 of the European Parliament and of the Council.

Pursuant to the above, the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosure by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) 575/2013 of the European Parliament and of the Council was published in the Official Journal of the European Union on 15 March 2021, applicable from 28 June 2021, which constitutes a coherent and comprehensive Pillar III disclosure framework.

In November 2022, Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance (ESG) risks was published, effective in December 2022.

This regulation provides for the disclosure of qualitative information related to environmental, social and governance risks and a number of quantitative templates, with a transitional disclosure period for some of them.

Article 449a of Regulation (EU) 575/2013 requires ESG risk disclosures to be disclosed from 28 June 2022, on an annual basis for the first year and semi-annually thereafter, with the first annual disclosure reference date being 31 December 2022.

In accordance with the aforementioned regulations, the 2022 Pillar III Disclosure already incorporated these ESG disclosure requirements. In order to comply with current regulations regarding half-year disclosure, Unicaja Banco Group has developed this report, called "Pillar III Disclosure - ESG - June 2023", which can be consulted on the Bank's corporate website (www.unicajabanco.com). Certain information required by current regulations to be included in this report is referenced to the consolidated annual accounts and management report of Unicaja Banco Group for 2022, mainly the Statement of Non-Financial Information (hereinafter also referred to as NFI), available in the Sustainability and CSR/Social Responsibility Reports section of the corporate website, and the Annual Corporate Governance Report (ACGR), available on the Bank's corporate website in the Investors and Shareholders/Audited Annual Accounts section of the main menu.

2. Qualitative information on risks related to environmental, social and governance factors

Unicaja Banco considers that the proper management of environmental and social issues, as well as the governance of institutions, represent some of the most relevant challenges for society, people and the global economy.

Environmental, social and governance factors may have a material impact on the Institution's financial performance or solvency. The scope of these factors extends to those involved in the marketing of financial products and their exposure to the public, as well as to the Institution's own exposures.

The proper management of ESG factors by the Institution is conditioned, from a risk perspective, by the economic activity and by the classification of its assets (such as the sector and geographical location of its counterparties or issues of financial instruments invested) and liabilities (such as the issues of financial instruments or the investment horizon).

ESG factors can affect the Institution's financial performance by manifesting themselves in prudential financial or non-financial risks, such as credit, market, operational, liquidity, interest rate, reputational or liability risk, respectively. Therefore, while ESG factors can have positive or negative impacts, ESG risks are defined, from a prudential perspective, in the context of supervisory review, as the negative materialisation (on the Institution or its counterparties) of ESG factors.

For the proper management of ESG risks (which includes climate-related and environmental risks), the Institution has started a series of initiatives, including an Action Plan on Sustainable Finance, approved in June 2020 and reviewed in April and November 2021, which aim to measure the impact of such risks on its financial structure and enable it to act effectively in this area in the medium and long term. During the first half of 2023, the Institution completed the development and implementation of the most relevant milestones set out in its Action Plan on Sustainable Finance.

The Institution also has a specific structure for promoting sustainability, currently comprising the ESG Business Directorate and the Sustainability and Corporate Social Responsibility (CSR) -Directorate. It also has a Sustainability and CSR Committee, which is the body that brings together, in addition to these, other divisions of the Bank with responsibilities in the management of ESG factors.

This Committee has coordination, advisory, consultative and proposal responsibilities in the areas of CSR, sustainability, climate change and the environment. The Committee incorporates these areas as objectives, ensuring their effective materialisation and monitoring their inclusion in the Institution's strategy, for which its main competencies include the following:

i. To propose corporate strategies and policies related to sustainability to the Governing Bodies.

ii. To promote the integration of sustainability criteria in the different areas of action of the Institution.

iii. To overview the degree of compliance with basic principles included in corporate policies related to sustainability.

iv. To monitor and analyse regulatory requirements, industry trends and best practices in sustainability.

v. To propose the information to be disclosed to the market regarding sustainability.

vi. To validate the reasonableness of non-financial environmental, social and governance (ESG) indicators.

It should be noted that in 2022, the Sustainability Committee was set up as a support committee of the Board of Directors, with the following functions:

i) To oversee that the Company's sustainability-related practices are in line with the strategy, the policies set and the commitments made.

ii) To report on the sustainability policies to be submitted to the Board of Directors for approval, in order to foster the inclusion of corporate culture and fulfil the mission of promoting social interest, taking into account the different stakeholders.

iii) To ensure the integrity of the content of the sustainability reports, as well as compliance with applicable regulations and international benchmark standards. With respect to the non-financial information contained in the annual management report, to assess its content prior to its review and report by the Audit and Regulatory Compliance Committee, for its subsequent preparation by the Board of Directors.

iv) To monitor the processes of risk identification, assessment, control and management in the field of sustainability.

v) To evaluate the periodic sustainability reports submitted to it by the corresponding areas of the Company.

vi) To be aware of the documents, reports or communications from supervisory bodies relating to sustainability and to issue the corresponding reports and/or proposals, as the case may be.

vii) To advise the Board of Directors in decision-making on sustainability matters, as well as to provide such assistance as may be required, within the framework of their respective competencies, by the Audit and Regulatory Compliance Committee and the Risk Committee, and to act in coordination with both Committees.

(viii) To submit sustainability proposals to the Board of Directors.

The implementation of the aforementioned Action Plan on Sustainable Finance was included in Axis 5 of the 2022-2024 Strategic Plan approved by the Institution in December 2021. The new challenge of sustainability, in all its aspects, is assumed by Unicaja Banco as an opportunity for development and improvement in its daily management, for which the Institution is working on a renewed offering of products and services, on reducing its carbon footprint, while promoting the culture of sustainability, the identification and management of climate and environmental risk, among other ESG risks, which denotes a holistic approach to the management of these risks.

For Unicaja Banco, the appropriate management of ESG risks is part of a global work programme, which serves to analyse the financial and non-financial, marketing and good governance impacts, in order to position itself as an Institution committed to sustainability and its derived impacts.

The following sections include information on each of the ESG risk typologies. However, Unicaja Banco Group’s 2022 NFI, which is available on its corporate website, provides more information on ESG risk processes, strategy, governance and management. The 2022 ACGR is also available for consultation.

2.1. Climate risk

2.1.1. Business strategy and processes

Climate-related and environmental risks (ESG environmental factor) are risks arising from the Institution's exposure to counterparties that may potentially contribute to or be adversely affected by environmental factors, including factors resulting from climate change and other environmental degradation. These risks are generally considered to comprise two main risk factors affecting economic activities, which, in turn, impact the financial system. These are:

- Physical risk, which refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution, loss of biodiversity and deforestation.

  Physical risk is, in turn, classified as:

  - ‘Acute’, when it results from extreme events, such as droughts, floods and storms, and,

  - ‘Chronic’, when it results from progressive changes, such as rising temperatures, sea level rise, land use change, habitat destruction and resource scarcity.

  This can directly cause, for example, damage to goods or a decrease in productivity, and can also indirectly lead to further incidents, such as the disruption of supply chains.

- Transition risk refers to the Institution’ss potential financial losses that may arise, directly or indirectly, from the process of adjusting to a lower carbon and more environmentally sustainable economy. This may be triggered, for example, by a relatively abrupt adoption of environmental policies, technological advances or changes in the market climate and consumer preferences.

Physical and transition risks may additionally trigger further damage, directly or indirectly arising from legal claims (liability risk) and loss of reputation, if the public, counterparties or investors associate the Institution or its customers, particularly corporate or institutional customers, with adverse environmental effects (reputational risk).

Accordingly, physical and transition risks are factors of existing risk, in particular credit risk, operational risk, market risk and liquidity risk, as well as risks outside Pillar 1, such as migration risk, credit spread risk in the investment portfolio, real estate risk and strategic risk.

Supranational actions carried out by bodies such as the United Nations or the Intergovernmental Panel on Climate Change have led to important global agreements, such as the Paris Agreement, with the aim of combating climate change, favouring a transition towards an economy low in carbon emissions and other polluting gases. The so-called ’European Climate Law’ [Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021], under the umbrella of the 2019 European Green Deal, establishes the binding framework for the continent to achieve climate neutrality by 2050, which will entail, reflexively, a regulatory review of practically all economic sectors. This impetus has been given concrete form in our country through Law 7/2021, of 20 May, on Climate Change and Energy Transition.

In line with this institutional consensus, Unicaja Banco considers it essential to support its customers and the economy and society as a whole in this important transition, establishing a management model aimed at favouring business options aligned with sustainability objectives, as well as a risk management model aimed at adequately measuring and managing climate, social and governance risks, through continuous improvement of information that contributes to making management decisions aligned with the objectives of decarbonising the economy.

In order to meet these objectives, Unicaja Banco has incorporated sustainability as one of the main axes of its 2022-2024 Strategic Plan, developing a Sustainable Finance Plan that establishes a roadmap for the establishment of policies, processes and metrics for the management, measurement and control of climate and environmental risks, including the consideration of these risks in key processes such as capital assessment, the performance of stress testing exercises, the inclusion of metrics related to these risks in the risk appetite framework and the consideration of climate and environmental risks in corporate objectives and corporate remuneration policies[1] .

[1] Further information on the Group's Action Plan on Sustainable Finance can be found in the Statement of Non-Financial Information under ’Sustainable Finance’ / ’Sustainability Policy. Action Plan on Sustainable Finance ’ on the corporate website.

In addition, last July, the Institution's Board of Directors approved a review and update of its Corporate Sustainability Policy. With regard to environmental and climate factors, the Policy contains a series of specific management aspects or principles to be considered, including the following:

- Consideration of the impacts of these risks in the prepararation of the Group's business strategy, having policies for the approval and development of new products that consider climate and environmental risks, as well as procedures and methodologies for the classification of sustainable activities and products.

- Incorporation of climate and environmental risk-related objectives into the Institution's overall objectives.

- Promoting partnerships with both the private and public sectors to achieve the Institution's sustainable business objectives.

- Definition and allocation of functions in the Insitution's organisational structure for the management and control of all aspects related to climate and environmental factors, with the human, technical and material resources necessary for the achievement of the strategic objectives in terms of sustainability, including adequate staff training.

- Integration of environmental risks, including those arising from climate change, into the analysis and decision-making processes in credit and investment risk management, as well as in investment project financing and asset management.

  For further information, please consult the Sustainability Policy on the Institution's corporate website in the Sustainability and Corporate Responsibility / Sustainability section.

The Institution has also adopted other initiatives, such as those contemplated in the aforementioned plans for their implementation, the availability of a range of sustainable financial products, based on an internal taxonomy aligned with the European Union's Environmental Taxonomy, and the framework for issuing green bonds[2] .

2.1.2. Governance

From a governance point of view, Unicaja Banco has established a Sustainability Committee within the Board of Directors, whose main function is to supervise the Company's practices related to sustainability in relation to the strategy, the policies set and the commitments made.

As mentioned in section 2, the Institution has a Sustainability and CSR Committee, which in the specific area of climate and environmental risk has the following functions:

i. To approve the evaluation and selection processes of eligible financial assets in the categories included in the Green and/or Sustainable Bond Issuance Frameworks.

ii. To monitor the corporate carbon footprint and the carbon footprint of the credit and investment portfolios, as well as the plans for their reduction and, where appropriate, the commitments voluntarily undertaken to achieve the Institution's climate neutrality.

Similarly, targets have been set for ESG matters, in particular climate risk, in the corporate variable remuneration systems. Periodic reporting systems have also been established, generally on a quarterly basis, which include the presentation of various reports on climate risk, including information on physical and

[2] The 'Green Bond Framework' can be consulted in the 'Investors and Shareholders' section of the corporate website.

transition risks, in line with the development of metrics and information detailed in Unicaja Banco's consolidated NFI for 2022.

Likewise, an in-depth review of all the Bank's internal bodies (Committees or Departments) has been carried out in relation to the functions attributed to them in terms of technological infrastructure and resources, information systems, management and control of climate and environmental risks.

Further information on climate risk governance can be found in the consolidated 2022 NFI, in particular under the heading Global Risk Management / Climate Risk Governance.

2.1.3. Risk management

From the point of view of the business model, the information systems established enable the identification of the economic sectors most exposed to physical and transition risks, guiding business decisions. In this regard, Unicaja Banco has developed a methodology for measuring the carbon footprint of investment portfolios, which enables it to identify those sectors with the highest emissions, and has made it possible to establish exposure reduction policies and emission reduction targets in the economic sectors, as included in section 3.1.3 Harmonisation Parameters, in this document.

Unicaja Banco has also developed a methodology for incorporating climate and environmental risks in the investment decision analysis processes, both for physical and transition risk, with the aim of favouring operations consistent with global ecological transition objectives. These processes involve interaction with (initially corporate) clients in order to obtain information and assess their sustainability strategy. For more details, see section 2.4.

In this context, product portfolios have also been reviewed, with the aim of establishing sustainability-friendly options as well as procedures to advise customers on these options, in particular in relation to access to public aids for the ecological transition for individuals and companies.

Another important focus of development is the analysis of the alignment of corporate investment portfolios with the EU Environmental Taxonomy, gathering information on projects aligned with climate change mitigation and adaptation objectives, complying with climate change disclosure requirements, as well as integrating the regulation into internal management processes. More information can be found in the 2022 consolidated NFI, section 'Indicators of Art. 8 of the European Union (EU) Environmental Taxonomy Regulation'.

The Institution considers that these climate risks may materialise in the different risks considered transversally, as a risk factor that is subsequently materialised in the different types of risk, with the effect on credit risk being particularly significant, and not material in the rest of the types in the time horizon under estimation. Within credit risk, both transition risk and physical risk are considered for the corporate portfolio (NACEs more intensive in CO_2 emissions) and the retail mortgage portfolio.

Within credit risk, both transition risk and physical risk are considered. In the case of physical risk, the materiality studies focus on the three acute risks, i.e. water stress or drought, river flooding and forest fire, as these are more evident in the short/medium term, the time horizon considered in the materiality studies included in the Institution's ICAAP. In this respect, chronic physical risks involve longer-term risks, with much lower materiality in shorter periods. To this end, the Institution has estimated their materiality by taking into account the influence of the three acute risks on the various collateral securing the Institution's mortgage exposures in those sectors most affected by climate risk (in line with those considered by the ECB's climate 'stress test' conducted in 2022[3]), as well as their effect on the value of the Institution's foreclosed assets.

Accordingly, the Institution has applied haircuts to the values considered in the expected loss on both collateral and foreclosed assets. In order to consider the materiality of transition risk, the Entity has based itself on the work carried out in the aforementioned climate stress test. Transition risk is reflected in the macroeconomic variables that in turn have an impact on the expected loss of lending transactions.

[3] Unicaja Banco participated in the European Central Bank's first climate stress test in 2022.

In addition, the Group's Risk Appetite Framework (RAF) contains a series of risk metrics and indicators related to climate and environment. The RAF metrics are regularly monitored and escalated to the governing and management bodies.

Similarly, the Group's approved corporate objectives for 2023 include, for the first time, objectives related to climate and environmental risk.

For further information on procedures, management, methodologies, metrics and analysis of climate risk, see the ‘Climate risk management’ section of the Unicaja Banco Group's NIF, with data as of December 2022.

2.2. Social Risk

2.2.1. Business strategy and processes

As mentioned above, Unicaja Banco considers it essential to support its customers and the economy and society as a whole, establishing a management model aimed at favouring business options aligned with sustainability objectives, as well as a risk management model aimed at measuring and adequately managing, specifically, social risks in companies, through continuous improvement of policies and procedures, as well as information and management decision-making.

The consideration of sustainable growth has governed the development of business activity and relations with stakeholders for years, as reflected in the CSR Policy, which makes this vocation explicit, and, above all, in the Sustainability Policy, which is more oriented towards sustainable finance, based on the Group's values and the relationship and expectations of *stakeholders.* Both documents can be found on the Bank's corporate website in the Sustainability and Corporate Social Responsibility section.

The Values set out in the CSR Policy explicitly include a commitment to sustainable finance and to the development and distribution of sustainable financial products and services.

The Sustainability Policy recently revised and updated by the Institution’s Board of Directors, for its part, determines that the purpose of sustainable finance is, in a broad sense, that the financing and investment decisions of both financial institutions and the other economic agents that relate to them, take due consideration of ‘the three dimensions of sustainable development’, in order to contribute to the achievement of solid, balanced and inclusive growth.

The policy outlines some basic principles to be taken into account in the management of social factors, including the following[4]:

- Strategic commitment to society: The Group considers social issues to be one of the most important challenges and commitments in its relationship with society, people and the global economy, and will therefore support its customers and the economy and society as a whole, establishing a management model aimed at favouring business options aligned with social objectives**.**

- Integration of social risks into the Group's business strategy, creating and offering products and services aligned with an inclusive and sustainable development model.

- Integration of social risks into the analysis and decision-making processes in credit risk management, as well as in investment project financing and asset management.

[4] For more information, see the Sustainability Policy on the Bank's corporate website, in the Sustainability and Corporate Social Responsibility section.

Likewise, in order to meet ESG objectives, Unicaja Banco has incorporated sustainability as one of the main axes of its 2022-2024 Strategic Plan, including the consideration of these social risks in its policies and procedures.

On the other hand, in 2022 the Board of Directors of Unicaja Banco approved the CSR Master Plan, which establishes a set of management guidelines and a series of initiatives for the appropriate advancement of the integration of environmental, social and governance criteria in the Group's activity. The main objectives of this plan are as follows:

- To establish, for the period 2022-2024, the strategic lines of Unicaja Banco's CSR strategy, reinforcing, as far as possible, the work in this field within the Group.
- To point out socially and environmentally responsible actions aligned with the Institution’s strategy.
- To move towards a business model that maximises the creation of long-term shared value for all stakeholders (shareholders and investors, customers and users, staff, suppliers, territories, society, environment), satisfactorily meeting their needs and expectations.
- To promote the integration of CSR into the Group's strategy as an element of competitiveness.
- The coordination and implementation of the Master Plan is the responsibility of the Sustainability and CSR Committee.

An important guiding element in the strategy of promoting the social factor and human rights more generally is the Bank's membership of the United Nations Global Compact, as well as the promotion of the Sustainable Development Goals (SDGs). Unicaja Banco became a signatory to the Global Compact in July 2013 and, in April 2017, a member of the Spanish Global Compact Network. This membership means supporting the actions promoted by the UN to achieve its objectives and goals, including the SDGs. Over the years, Unicaja Banco has integrated these principles and the SDGs into its Corporate Social Responsibility policy, through which it aims to contribute to the creation of sustainable value for its stakeholders. This is achieved through an effective management and a culture of ethical, responsible and transparent banking. The consolidated NFI 2022 identifies the priority SDGs for the Bank, as well as initiatives aligned with them.

2.2.2. Governance

In the area of governance, the Institution has created, as described above, a Sustainability Committee within the Board of Directors, with the main function of overseeing the Company's sustainability-related practices in relation to the strategy, the policies set and the commitments made.

A review was also carried out of all the Bank's internal bodies (committees or departments) in relation to the functions attributed to them in terms of technological infrastructure and resources, information systems, management and control of sustainability risks.

Unicaja Banco also has a Sustainability and CSR Committee, with the presence of a large part of the Bank's senior management.

The functions of this Committee, specifically in social risk matters, include the following:

- To prioritise recommended actions to control social risks.
- To establish the methodology, data collection techniques and stakeholder consultation for the identification and assessment of social and occupational risks in the organisation.

Further information on governance can be found in the consolidated 2022 NFI, in particular in the sections on ’Sustainability Management Structure’ and ‘Climate Risk Governance’ in the ‘Global Risk Management’ section.

2.2.3. Risk management

From the point of view of policies and procedures, as a starting point for management of the social risk of companies, in 2022 Unicaja Banco's Board of Directors approved a series of policies aimed at establishing the basic principles, responsibilities and management and reporting systems for the consideration of sustainability factors in the management of the different types of traditional financial risks: credit, market, liquidity and operational.

In relation to credit risk, given its importance, a specific policy has been defined for the integration of sustainability factors in credit risk management, with particular emphasis on the management procedures to be implemented to consider, among others, social risks of companies, in the global processes of granting and monitoring credit risk, all of which will be described in section 2.4 below.

The Bank's activity in this area aims to create value in a sustainable manner for the stakeholders with whom it operates, through an effective management and a culture of responsible and transparent banking. The 'Corporate Social Responsibility Policy', together with the 'Sustainability Policy' and the 'Environmental, Energy and Climate Change Policy', all approved by the Board of Directors, establish the general framework for the management of environmental, social and governance (ESG) aspects, the alignment of the business strategy and the reduction of negative impacts by continuously increasing positive ones, while at the same time meeting its commitment to the Global Compact Principles, the 2030 Agenda and the United Nations Sustainable Development Goals (SDGs), which represent the international frameworks of reference followed by the Bank.

Furthermore, in accordance with the provisions of the Accounting Directive (Directive 2013/34/EU), following its amendment by Directive 2014/95/EU, and without prejudice to the provisions of the recent Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022, as regards corporate sustainability reporting, which will be in force from 2024, as defined in the 2022 NFI, Unicaja Banco has prepared a new materiality analysis in the area of sustainability in 2022, in order to ascertain the general expectations of stakeholders. The most relevant non-financial risks for stakeholders from a sustainability perspective include some related to the social component: diversity, equality and commitment to sustainable development and the 2030 Agenda.

The 'Code of Ethics' is another document approved by the Board of Directors which explicitly considers social aspects and their management[5] .

For further information on aspects relating to actions with a social impact carried out by the Institution, please refer to the NFI 2022, specifically to the section 'Exercise of Corporate Social Responsibility'.

2.3. Governance Risk

2.3.1. Governance

Unicaja Banco's risk management model aims, among other things, to adequately measure and manage internal governance risks in companies, through continuous improvement of policies and procedures, as well as of information and management decision-making.

Commitment to the principles of good corporate governance, both in relation to the Group's own activity and in relation to respect for these same principles in the different stakeholders, are essential elements in the Group's corporate strategy.

The importance of these issues is reflected in the incorporation of a series of basic principles for managing governance-related factors to be taken into account in the recent revision of the Corporate Sustainability Policy approved by the Institution's Board of Directors, including the following:

- Consideration of transparency, independence, diversity and sustainability-related factors as essential elements for the Group's corporate governance.

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[5] For further information, please refer to the Group's NFI 2022, section 'Prevention of unlawful conduct'. The aforementioned policy is also available on the Institution's corporate website, in the 'Sustainability and Corporate Social Responsibility' section.

- Integration of risks related to corporate governance of companies and institutions into the Group's processes, including analysis of the materiality of risks and establishing, where appropriate, targets and limits in relation to sustainability risks.

- Integration of risk related to the corporate governance of companies and institutions into the analysis and decision-making processes in credit risk management, as well as in investment project financing and asset management.

- Unequivocal commitment to compliance with current legislation and human rights, the prevention of corruption and other illegal conducts, as well as basing its tax policy on principles of responsibility, prudence and transparency.

As regards the Group's internal governance for the management of sustainability-related issues, in general, the Group has set up a departmental structure to promote sustainability, currently comprising the ESG Business Directorate and the Sustainability and Corporate Social Responsibility Directorate. The Sustainability and CSR Committee is the body that brings together, in addition to these, other divisions of the Bank with responsibilities in the management of ESG factors. Other areas expressly include the management of these risks among their responsibilities.

It should be noted that in 2022 the Sustainability Committee was set up as a support committee of the Board of Directors, with powers to supervise that the Company's practices related to sustainability are in line with the strategy, the policies set and the commitments made. More details on the composition and functions of this Committee is available on Unicaja Banco's corporate website. For more information, see the 'Climate risk management' section of the Group's NFI 2022.

On the other hand, in the NFI 2022, aspects relating to the general governance of Unicaja Banco (corporate and internal governance) are developed, specifically on pages 30 and following of the said document. This information is complemented, in general terms, by the 'Corporate Governance Policy of Unicaja Banco, S.A.', which establishes the necessary premises to ensure that the Institution's corporate governance model guarantees its sound and prudent management at all times. In addition, Unicaja Banco's ACGR for 2022 provides an account of sustainability management, limited to the said financial year. The 'Corporate Governance and Remuneration Policy' section can also be consulted on the Bank's corporate website.

2.3.2. Risk management

From the point of view of policies and procedures, as a starting point for the management of governance risk of companies, in 2022 Unicaja Banco's Board of Directors approved a series of policies aimed at establishing the basic principles, responsibilities and management and reporting systems for the consideration of sustainability factors in the management of the different types of traditional financial risks: credit, market, liquidity and operational.

In relation to credit risk, given its importance, a specific policy has been defined for the integration of sustainability factors in credit risk management, with particular emphasis on the management procedures that must be carried out to consider, among others, the social risks of companies in the global processes of granting and monitoring credit risk.

To this end, a series of methodological processes have been developed and are described in the following section.

2.4. Methodology for the integration into management of risksrelated to environmental, social and governance factors

As mentioned in the previous sections, as regards credit risk, the Institution has defined a corporate policy for the integration of sustainability factors, including those related to environmental, social and corporate governance risks, in the processes and procedures for managing this risk. This policy emphasises the management procedures to be applied in the credit risk admission and monitoring processes to consider, among others, the social and governance risks to which its main borrowers may be exposed.

The methodological processes that have been developed can be summarised as follows:

- Definition of a series of ESG due diligence questionnaires to be included in the credit admission process, in order to understand and assess the profile and exposure to climate and environmental, social and governance risks of its main borrowers.
- An internationally recognised methodology has been used for the definition of these questionnaires and the subsequent risk assessment process. This methodology establishes specific standards or questionnaires for 77 industries, according to a fundamental view of their business model, their resource intensity and sustainability impacts, and their potential for innovation in sustainability. Of these, the Entity has identified 72 sectors that are mapped to the NACE codes commonly used in Spain.
- The questionnaires are adapted, through specific questions, to the characteristics of each sector and the consideration of its environmental, social and governance risks.
- With regard to environmental factors, the questionnaires include 4 common questions for all sectors and 47 additional questions depending on the sector in which the borrower carries out its activity. In the case of social factors, there are 8 common questions and 34 industry-specific questions. Finally, in the case of governance factors, there are 3 common questions and 14 industry-specific questions.
- Based on the information collected, the methodology assigns a total ESG score and a disaggregated score for the environmental, social and governance sections, depending on the sector of activity of the borrower.
- The questionnaires and the scores obtained are incorporated into the Institution’s administrative and technological processes and the information generated is in turn integrated into corporate databases and reporting systems for monitoring purposes.

During the first half of 2023, the Institution has incorporated the completion of these questionnaires on a recurring basis in the credit risk admission and monitoring processes for borrowers who meet the following conditions:

- **Activity sector (NACE):** customers that carry out their activity in one of the 22 sectors (NACE groups) considered to be most exposed to sustainability factors.
- **Commercial or management segment:** borrowers classified in Corporate Banking or Business Banking; they have a specialised manager, with full knowledge of the company's situation in relation to these factors.
- **Minimum exposure** determined, so that the effort to gather information, knowledge and analysis can be focused on the Institution’s main borrowers.

3. Quantitative information on environmental, social and governance risks

As required by Article 449a of the CRR, institutions shall disclose quantitative information on environmental, social and governance (ESG) risks, including physical and transition risks.

3.1. Potential climate change transition risk

3.1.1. Credit quality of exposures by sector, emissions and residual maturity

The risk indicators for exposures to non-financial companies operating in carbon-related sectors, as well as the credit quality of these exposures as at 30 June 2023, are shown below:

Table 1 Template 1. Banking book. Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity (€m)

		a	b	c	d	e
		Gross carrying amount (EUR million)				
			Of which: exposures to companies excluded from EU Paris-aligned benchmarks in accordance with points (d) to (g) of Article 12(1) and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which: environmentally sustainable (CCM)	Of which: stage 2 exposures	Of which: non-performing exposures
1	**Exposures toward sectors that highly contribute to climate change**	**7,880**	**230**		**1,384**	**651**
2	**A - Agriculture, forestry and fishing**	**596**	**2**		149	**46**
3	**B - Mining and quarrying**	**43**	**4**		6	**3**
4	B.05 - Mining of coal and lignite	*1*	*0*		**0**	*1*
5	B.06 – Extraction of crude petroleum and natural gas	*4*	*4*		**0**	*0*
6	B.07 - Mining of metal ores	*14*	*0*		**0**	*0*
7	B.08 - Other mining and quarrying	*22*	*0*		**6**	*1*
8	B.09 – Mining upport service activities	*1*	*0*		**1**	*0*
9	**C - Manufacturing**	**1,232**	**148**		237	**126**
10	C.10 – Manufacture of food products	*385*	*0*		**58**	*40*
11	C.11 - Manufacture of beverages	*100*	*0*		**28**	*10*
12	C.12 – Manufacture of tobacco products	*0*	*0*		**0**	*0*
13	C.13 – Manufacture of textiles	*12*	*0*		**5**	*2*
14	C.14 - Manufacture of wearing apparel	*8*	*0*		**3**	*1*
15	C.15 – Manufacture of leather and related products	*6*	*0*		**2**	*2*
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*30*	*0*		**9**	*5*
17	C.17 – Manufacture of pulp, paper and paperboard	*27*	*0*		**2**	*1*
18	C.18 – Printing and service activities related to printing	*14*	*0*		**5**	*3*
19	C.19 - Manufacture of coke oven products	*148*	*148*		**0**	*0*
20	C.20 – Production of chemicals	*25*	*0*		**3**	*4*
21	C.21 - Manufacture of pharmaceutical preparations	*11*	*0*		**1**	*1*
22	C.22 - Manufacture of rubber products	*26*	*0*		**3**	*3*
23	C.23 - Manufacture of other non-metallic mineral products	*45*	*0*		**11**	*9*
24	C.24 - Manufacture of iron, steel and ferro-alloy products	*111*	*0*		**26**	*2*
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	*83*	*0*		**31**	*17*

		a	b	c	d	e
		Gross carrying amount (EUR million)				
			Of which: exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which: environmentally sustainable (CCM)	Of which: stage 2 exposrures	Of which: non-performing exposures
26	C.26 - Manufacture of computer, electronic and optical products	22	0		2	2
27	C.27 - Manufacture of electrical equipment	20	0		1	9
28	C.28 - Manufacture of machinery and equipment n.e.c.	23	0		9	2
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	29	0		7	5
30	C.30 - Manufacture of other transport equipment	20	0		2	2
31	C.31 - Manufacture of furniture	14	0		2	2
32	C.32 - Other manufacturing	59	0		25	2
33	C.33 - Repair and installation of machinery and equipment	13	0		4	2
34	D - Electricity, gas, steam and air-conditioning supply	**1,422**	**49**		30	**2**
35	D35.1 - Electric power generation, transmission and distribution	1,290	15		29	1
36	D35.11 - Production of electricity	292	0		12	0
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	129	35		1	0
38	D35.3 - Steam and air-conditioning supply	3	0		0	1
39	E - Water supply; sewerage, waste management and remediation activities	**223**	**0**		5	**2**
40	F – Construction	**1,387**	**1**		216	**199**
41	F.41 - Construction of buildings	875	0		146	164
42	F.42 - Civil engineering	189	0		19	12
43	F.43 - Specialised construction activities	323	1		52	23
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	**1,089**	**25**		258	**90**
45	H - Transportation and storage	**550**	**0**		102	**61**
46	H.49 - Land transport and trasnport via pipelines	335	0		50	20
47	H.50 - Water transport	28	0		0	10
48	H.51 - Air transport	26	0		0	25
49	H.52 - Warehousing and support activities for transportation	159	0		50	5
50	H.53 - Postal and courier activities	2	0		1	0
51	I – Accomondation and food service activities	**404**	**0**		188	**68**
52	L - Real estate activities	**934**	**0**		192	**54**
53	**Exposures towards sectors other than those that highly contribute to climate change**	**3,358**	**0**		**238**	**131**
54	K - Financial and insurance activities	**1,460**	**0**		5	**2**
55	Exposures to other sectors (NACE codes J, M - U)	**1,898**	**0**		233	**129**
56	TOTAL	**11,237**	**230**		**1,622**	**781**

		f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EUR million)		
			Of which: stage 2 exposures	Of which: non-performing exposures
1	**Exposures to sectors that are highly contribute to climate change*.**	**-410**	**-87**	**-273**
2	**A - Agriculture, forestry and fishing**	**-25**	**-11**	**-10**
3	**B - Mining and quarrying**	**-3**	**-1**	**-2**
4	B.05 - Mining of coal and lignite	*-1*	*0*	*-1*
5	B.06 – Extraction of crude petroleum and natural gas	*0*	*0*	*0*
6	B.07 - Mining of metal ores	*0*	*0*	*0*
7	B.08 - Other mining and quarrying	*-2*	*0*	*-1*
8	B.09 – Mining support service activities	*0*	*0*	*0*
9	**C - Manufacturing**	**-71**	**-14**	**-48**
10	C.10 – Manufacture of food products	*-24*	*-4*	*-17*
11	C.11 - Manufacture of beverages	*-4*	*-2*	*-2*
12	C.12 - Manufacture of tobacco products	*0*	*0*	*0*
13	C.13 - Manuffacture of textiles	*-1*	*0*	*-1*
14	C.14 - Manufacture of wearing apparel	*-1*	*0*	*0*
15	C.15 – Manufacture of leather and related products	*-1*	*0*	*0*
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*-3*	*0*	*-2*
17	C.17 – Manufacture of pulp, paper and paperboard	*-1*	*0*	*0*
18	C.18 - Printing service activities related to printing	*-1*	*0*	*-1*
19	C.19 - Manufacture of coke oven products	*-1*	*0*	*0*
20	C.20 – Production of chemicals	*-1*	*0*	*-1*
21	C.21 - Manufacture of pharmaceutical preparations	*0*	*0*	*0*
22	C.22 - Manufacture of rubber products	*-1*	*0*	*-1*
23	C.23 - Manufacture of other non-metallic mineral products	*-7*	*-1*	*-6*
24	C.24 - Manufacture of iron, steel and ferro-alloy products	*-2*	*-1*	*-1*
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	*-6*	*-2*	*-4*
26	C.26 - Manufacture of computer, electronic and optical products	*-1*	*0*	*0*
27	C.27 - Manufacture of electrical equipment	*-4*	*0*	*-4*
28	C.28 - Manufacture of machinery and equipment n.e.c.	*-2*	*-1*	*-1*

		f	g	h
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (EUR million)		
			Of which: stage 2 exposures	Of which: non-performing exposures
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	-3	-1	-2
30	C.30 - Manufacture of other transport equipment	-1	0	-1
31	C.31 - Manufacture of furniture	-2	0	-1
32	C.32 - Other manufacturing	-3	-2	-1
33	C.33 - Repair and installation of machinery and equipment	-1	0	-1
34	**D - Electricity, gas, steam and air-conditioning supply**	**-12**	**-2**	**-1**
35	D35.1 - Electric power generation, transmission and distribution	-11	-2	0
36	D35.11 - Production of electricity	-4	-1	0
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	-1	0	0
38	D35.3 - Steam and air-conditioning supply	0	0	0
39	**E - Water supply, sewerage, waste management and remediation activities**	**-2**	**0**	**-1**
40	**F - Construction**	**-137**	**-14**	**-114**
41	F.41 - Construction of buildings	-113	-11	-98
42	F.42 - Civil engineering	-11	-1	-7
43	F.43 - Specialised construction activities	-13	-3	-9
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	**-47**	**-14**	**-27**
45	**H - Transportion and storage**	**-29**	**-7**	**-19**
46	H.49 - Land transport and transport via pipelines	-11	-3	-6
47	H.50 - Water transport	-5	0	-4
48	H.51 - Air transport	-8	0	-8
49	H.52 - Warehousing and support activities for transportation	-5	-4	-1
50	H.53 - Postal and courier activities	0	0	0
51	**I – Accomodation and food service activities**	**-39**	**-8**	**-29**
52	**L - Real estate activities**	**-45**	**-16**	**-21**
53	**Exposures towards sectors other than those that highly contribute to climate change**	**-216**	**-72**	**-71**
54	**K - Financial and insurance activities**	**-7**	**0**	**-1**
55	**Exposures to other sectors (NACE codes J, M - U)**	**-209**	**-71**	**-70**
56	**TOTAL**	**-627**	**-159**	**-344**

		i	j
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of Co2 equivalent)	
			Of which: scope 3 financed emissions
1	**Exposures towards sectors that highly contribute to climate change *.**	**3,163,471**	**1,837,709**
2	**A - Agriculture, forestry and fishing**	**320,654**	**67,812**
3	**B - Mining and quarrying**	**8,963**	**2,271**
4	B.05 - Mining ofcoal and lignite	*193*	*21*
5	B.06 – Extraction of crude petroleum and natural gas	*0*	*0*
6	B.07 - Mining of metal ores	*42*	*28*
7	B.08 - Other mining and quarrying	*7,919*	*2,005*
8	B.09 – Mining support service activities	*809*	*217*
9	**C - Manufacturing**	**1,148,294**	**931,408**
10	C.10 – Manufacture of food products	*209,891*	*182,157*
11	C.11 - Manufacture of beverages	*23,641*	*17,768*
12	C.12 – Manufacture of tobacco products	*0*	*0*
13	C.13 – Manufacture of textiles	*4,137*	*3,029*
14	C.14 - Manufacture of wearing apparel	*2,389*	*1,620*
15	C.15 – Manufacture of leather and related products	*3,334*	*2,070*
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*13,648*	*7,167*
17	C.17 – Manufacture of pulp,paper and paperboard	*11,906*	*6,748*
18	C.18 - Printing and service activities related to printing	*2,755*	*788*
19	C.19 - Manufacture of coke oven products	*574,689*	*528,034*
20	C.20 – Production of chemicals	*12,628*	*6,587*
21	C.21 - Manufacture of pharmaceutical preparations	*4,421*	*2,724*
22	C.22 - Manufacture of rubber products	*9,352*	*7,199*
23	C.23 - Manufacture of other non-metallic mineral products	*38,106*	*11,761*
24	C.24 - Manufacture of basic metals	*152,010*	*90,422*
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	*30,615*	*24,502*
26	C.26 - Manufacture of computer, electronic and optical products	*6,731*	*4,709*
27	C.27 - Manufacture of electrical equipment	*3,676*	*2,965*
28	C.28 - Manufacture of machinery and equipment n.e.c.	*8,804*	*6,648*

		i	j
		GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of Co2 equivalent)	
			Of which: scope 3 financed
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*9,976*	*8,133*
30	C.30 - Manufacture of other transport equipment	*5,255*	*4,208*
31	C.31 - Manufacture of furniture	*4,517*	*2,333*
32	C.32 - Other manufacturing	*11,189*	*6,532*
33	C.33 - Repair and installation of machinery and equipment	*4,623*	*3,305*
34	**D - Electricity, gas, steam and air-conditioning supply**	**1,088,102**	**431,243**
35	D35.1 – Electric power generation, transmission and distribution	*892,819*	*285,729*
36	D35.11 - Production of electricity	*76,222*	*18,467*
37	D35.2 – Manufacture of gas, distribution of gaseous fuels through mains	*192,820*	*144,958*
38	D35.3 - Steam and air-conditioning supply	*2,463*	*556*
39	**E - Water supply, sewerage, waste management and remediation activities**	**81,376**	**49,884**
40	**F – Construction**	**293,583**	**221,552**
41	F.41 - Construction of buildings	*110,152*	*87,524*
42	F.42 - Civil engineering	*30,164*	*25,721*
43	F.43 - Specialised construction activities	*153,267*	*108,308*
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	**87,871**	**58,714**
45	**H - Transportation and storage**	**85,931**	**58,489**
46	H.49 - ILand transport and transport via pipelines	*41,393*	*29,510*
47	H.50 - Water transport	*16,035*	*3,724*
48	H.51 - Air transport	*1,527*	*481*
49	H.52 - Warehousing and support activities for transportation	*26,738*	*24,583*
50	H.53 - Postal and courier activities	*238*	*191*
51	**I – Accomodation and food service activities**	**25,951**	**13,101**
52	**L - Real estate activities**	**22,746**	**3,234**
53	**Exposures towards sectors other than those that highly contribute to climate change**		
54	**K - Financial and insurance activities**		
55	**Exposures to other sectors (NACE codes J, M - U)**		
56	**TOTAL**	**3.163.471**	**1.837.709**

		k	l	m	n	o	p
		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
1	**Exposures towards sectors that highly contribute to climate change*.**	**24**	**4,046**	**1,524**	**1,412**	**899**	**6**
2	**A - Agriculture, forestry and fishing**	**0**	**265**	**139**	**131**	**62**	**6**
3	**B - Mining and quarrying**	**0**	**10**	**3**	**3**	**27**	**6**
4	B.05 - Mining of coal and lignite	*0*	*1*	*0*	*0*	*0*	*4*
5	B.06 – Extraction of crude petroleum and natural gas	*0*	*0*	*0*	*0*	*4*	*0*
6	B.07 - Mining of metal ores	*0*	*0*	*0*	*0*	*14*	*4*
7	B.08 - Other mining and quarrying	*0*	*8*	*2*	*3*	*9*	*6*
8	B.09 – Mining support service activities	*0*	*1*	*0*	*0*	*0*	*3*
9	**C - Manufacturing industry**	**18**	**829**	**253**	**56**	**94**	**4**
10	C.10 – Manufacture of food products	*0*	*227*	*94*	*16*	*48*	*4*
11	C.11 - Manufacture of beverages	*20*	*60*	*27*	*4*	*10*	*4*
12	C.12 – Manufacture of tobacco products	*0*	*0*	*0*	*0*	*0*	*0*
13	C.13 – Manufacture of textiles	*0*	*8*	*3*	*1*	*0*	*4*
14	C.14 - Manufacture of wearing apparel	*0*	*5*	*2*	*0*	*1*	*4*
15	C.15 – Manufacture of leather and related products	*0*	*5*	*1*	*0*	*0*	*3*
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	*0*	*20*	*4*	*3*	*3*	*4*
17	C.17 – Manufacture of pulp, paper and paperboard	*0*	*23*	*2*	*0*	*1*	*3*
18	C.18 - Printing and service activities related to printing	*0*	*7*	*3*	*2*	*1*	*6*
19	C.19 - Manufacture of coke oven products	*96*	*100*	*48*	*0*	*0*	*3*
20	C.20 – Manufacture of chemicals	*0*	*19*	*4*	*2*	*0*	*4*
21	C.21 - Manufacture of pharmaceutical preparations	*0*	*11*	*0*	*0*	*1*	*3*
22	C.22 - Manufacture of rubber products	*8*	*20*	*4*	*1*	*1*	*4*
23	C.23 - Manufacture of other non-metallic mineral products	*0*	*22*	*7*	*8*	*8*	*5*
24	C.24 - Manufacture of basic metals	*36*	*99*	*4*	*2*	*7*	*2*
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	*0*	*59*	*14*	*5*	*5*	*4*
26	C.26 - Manufacture of computer, electronic and optical goods	*0*	*19*	*3*	*0*	*0*	*3*
27	C.27 - Manufacture of electrical equipment	*0*	*15*	*2*	*3*	*-1*	*5*

		k	l	m	n	o	P
		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
28	C.28 - Manufacture of machinery and equipment n.e.c.	*0*	*15*	*5*	*3*	*0*	*5*
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	*0*	*24*	*4*	*0*	*1*	*3*
30	C.30 - Manufacture of other transport equipment	*0*	*14*	*0*	*0*	*6*	*3*
31	C.31 - Manufacture of furniture	*0*	*8*	*2*	*2*	*2*	*5*
32	C.32 - Other manufacturing	*29*	*41*	*17*	*1*	*0*	*3*
33	C.33 - Repair and installation of machinery and equipment	*0*	*9*	*2*	*2*	*1*	*5*
34	**D - Electricity, gas, steam and air-conditioning supply**	**69**	**957**	**199**	**193**	**72**	**5**
35	D35.1 - Electricity power generation, transmission and distribution	*72*	*891*	*178*	*192*	*28*	*5*
36	D35.11 - Production of electricity	*1*	*73*	*34*	*180*	*5*	*2*
37	D35.2 – Manufacture of gas; distribution of gaseous fuels through mains	*39*	*64*	*21*	*0*	*44*	*3*
38	D35.3 - Steam and air-conditioning supply	*0*	*1*	*1*	*1*	*0*	*6*
39	**E - Water supply, sewerage, waste management and remediation activities**	**27**	**103**	**41**	**46**	**33**	**7**
40	**F – Construction**	**16**	**541**	**173**	**329**	**345**	**9**
41	F.41 - Construction of buildings	*1*	*238*	*76*	*291*	*269*	*11*
42	F.42 - Civil engineering	*63*	*122*	*16*	*15*	*36*	*4*
43	F.43 - Specialised construction activities	*25*	*181*	*80*	*22*	*40*	*4*
44	**G - Wholesale and retail trade; repair of motor vehicles and motorcycles**	**17**	**732**	**149**	**80**	**129**	**4**
45	**H - Transportation and storage**	**35**	**275**	**181**	**60**	**34**	**5**
46	H.49 – Land transport and transport via pipelines	*34*	*138*	*137*	*42*	*19*	*6*
47	H.50 – Water transport	*0*	*9*	*17*	*1*	*1*	*7*
48	H.51 - Air transport	*0*	*13*	*13*	*0*	*0*	*5*
49	H.52 - Warehousing and support activities for transportation	*50*	*114*	*14*	*17*	*14*	*4*
50	H.53 - Postal and courier activities	*0*	*1*	*0*	*0*	*0*	*5*
51	**I – Accomodation and food service activities**	**1**	**148**	**147**	**100**	**8**	**7**
52	**L - Real estate activities**	**0**	**186**	**241**	**412**	**95**	**10**
53	**Exposures towards sectors other than those that highly contribute to climate change**		**1,827**	**537**	**238**	**755**	**5**
54	**K - Financial and insurance activities**		**827**	**87**	**101**	**444**	**5**
55	**Exposures to other sectors (NACE codes J, M - U)**		**1,000**	**450**	**137**	**311**	**5**
56	**TOTAL**	**24**	**5,872**	**2,061**	**1,650**	**1,654**	**6**

The calculation of emissions financed for all the portfolios is carried out at the asset level, adapting the calculation methodology provided by PCAF (Partnership for Carbon Accounting Financials), a benchmark methodology in the financial sector, based on collaboration, which aims to establish a harmonised and robust approach for the measurement of financed emissions that facilitates the establishment of reduction targets.

The PCAF methodology is initially based on the classification of the Institution's assets and investments into a number of portfolios and sectors.

- For the credit portfolio, a distinction is made between the sub-portfolios of corporate loans, mortgage loans, motor vehicle loans, project finance and loans to public administrations.
- For the fixed income portfolio, a distinction is made between the corporate bond and sovereign bond sub-portfolios.
- For the equity portfolio, a distinction is made between the sub-portfolios of listed and unlisted companies and project finance.

In turn, once these portfolios have been defined, the investments are classified by sector of activity in order to identify those activities that contribute most to climate change. Likewise, the client's global emissions in its scopes 1, 2 and 3 are obtained using different metrics, verified emissions in the event that they are published by the counterparty or estimated based on estimation tables provided by PCAF and considering the quality of the available data ("score"). Finally, it is necessary to define the proportion of these emissions that is allocated to loans or investments, in accordance with a concept known as the attribution factor, which corresponds to the percentage of financing granted by Unicaja Banco to the counterparty over the counterparty's total equity plus the counterparty's debt.

Once the emissions have been obtained, they are classified according to the selection criteria established in the template (non-financial companies) and by sector of activity according to the NACE code, as well as by accounting status of the risk.

These data were calculated for the first time at year-end 2022 and include the estimated emissions of each counterparty in their scopes 1, 2 and 3. These emissions have been updated with data as at 30 June 2023.

The template also requires the identification of exposures excluded from benchmarks aligned with the Paris Agreement. For this purpose, Article 12.1(d) to (g) and Article 12.2 of Commission Delegated Regulation (EU) 2020/1818 have been applied. Companies are identified according to the following criteria:

- At least 1% of their revenues derive from exploration, mining, extraction and distribution or refining of hard coal and lignite.
- At least 10% of their revenues derive from the exploration, extraction, distribution or refining of oil fuels. At least 50% of their revenues derive from the exploration, extraction, production or distribution of gaseous fuels.
- At least 50% of their revenues derive from electricity generation with a GHG intensity of more than 100 g CO_2 equivalent/kWh.

In order to apply these criteria to the Institution's portfolio, a review of the exposures in the aforementioned activity sectors has been carried out, verifying the characteristics of the various counterparties.

Likewise, in order to manage any impact of exposures linked to climate change, among other considerations, during financial year 2022 the Institution approved a series of policies aimed at managing the different types of traditional financial risks: credit, market, liquidity and operational; specifically, the Policy on the Integration of sustainability into liquidity, market and operational risk. In relation to credit risk, due to the importance of this, a specific policy has been defined for it ("Policy for the integration of sustainability factors in credit risk management").

Furthermore, information as at 30 June 2023 is presented on the gross carrying amount of commercial and residential real estate collateralised loans and of real estate collateral repossessed, including information on the level of energy efficiency of the collateral measured in terms of energy consumption in kWh/m², , with regard to the Energy Performance Certificate (EPC) label of the collateral referred to in Article 2(12) of the Directive 2010/31EU for Member States, or as defined in any relevant local regulation for such exposures outside the European Union, where there is a correlation with the Union EPC label:

3.1.2. Loans collateralized by immovable property - Energy efficiency of the collateral

Table 2 Template 2. Banking book. Indicators of potential climate change transition risk: loans collateralized by immovable property - Energy efficiency of the collateral

	Counterparty sector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount (in millions of euros)															
			Level of energy efficiencyl (energy performance score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC level of collateral	
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400 ; <= 500	> 500	A	B	C	D	E	F	G		Of which level ov energy efficiency (EP score in kWh/m² of collateral) estimated
1	**Total EU área**	**36,109**	**5,099**	**11,711**	**9,277**	**2,130**	**726**	**464**	**219**	**368**	**498**	**1,760**	**6,778**	**1,044**	**1,217**	**24,223**	**72**
2	*Of which: loans collateralised by commercial immovable property*	*2,544*	*248*	*155*	*97*	*33*	*19*	*15*	35	95	71	98	74	21	16	2,134	*7*
3	*Of which: loans collateralised by residential immovable property*	*32,654*	*4,791*	*11,355*	*9,056*	*2,069*	*687*	*429*	184	267	422	1,637	6,636	1,010	1,188	21,310	*80*
4	*Of which: collateral obtained by taking possession: residential and commercial immovable properties*	*911*	*60*	*201*	*124*	*28*	*20*	*21*	0	6	5	26	68	14	13	779	*41*
5	*Of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated*	*17,524*	*2,680*	*7,515*	*5,416*	*1,101*	*473*	*336*								*17,524*	*100*
6	**Total non-EU area**	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21**	**-**
7	*Of which: loans collateralized by commercial immovable property*	*21*	-	-	-	-	-	-	-	-	-	-	-	-	-	*21*	-
8	*Of which: loans collateralised by residential immovable property*	*0*	-	-	-	-	-	-	-	-	-	-	-	-	-	*0*	-
9	*Of which: collateral obtained by taking possession: residential and commercial immovable properties*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	*Of which: level of energy efficiency (EP score in kWh/m² of collateral) estimated*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

With respect to the mortgage portfolio of individuals, transition risk is measured mainly on the basis of the information provided by the Energy Efficiency Certificate (EEC) of the homes financed. Accordingly, 85.8% of the homes financed by the Institution have either an EEC or an estimate of this obtained through a model developed by a specialised third party.

3.1.3. Harmonisation parameters

In December 2019, Unicaja Banco adhered to the Collective Commitment for Climate Action (CCAC), promoted by the United Nations Climate Change Conference (COP 25), whose main objective is to align the books of the signatory institutions with the objectives set out in the Paris Agreement by 2030. This adhesion involves, among other matters, on the one hand, the calculation and disclosure of the Institution's carbon footprint, in all its scopes, 1, 2 and 3, including that generated by all its financed portfolios, and, on the other hand, the establishment of decarbonisation targets for these books in line with the aforementioned Agreement.

In order to establish these targets, the Institution calculated the carbon footprint of the financed portfolios at the end of 2022, using the methodologies and databases of the most commonly used international organisations and institutions in the sector.

Based on the analysis of the emissions of the different books and sectors, in April 2023 the Institution's Board of Directors approved the establishment of intermediate decarbonisation targets for those sectors that are more intensive in Greenhouse Gas emissions and have a greater contribution to its carbon footprint: Fossil Fuels ("Oil & Gas"), Energy and the residential mortgage book.

These targets imply a reduction in intensity of emissions of 28% for the residential mortgage book and of 62% and 28% for the Energy and Fossil Fuels sectors, respectively.

Sector / Cartera	Escenario de referencia	Alcance de emisiones	Métrica	Año base 2022	Objetivo 2030	% descarbonización
Cartera hipotecaria residencial	IAE Net Zero 2050	1 + 2	$KgCO_2eq/m^2$	54	39	- 28%
Oil & Gas	IAE Net Zero 2050	1 + 2 + 3	tCO_2eq/ M€	3.013	2.169	- 28%
Energía	IAE Net Zero 2050	1 + 2	$KgCO_2eq$/MWh	115	44	- 62%

In order to establish these targets, the application of carbon footprint calculation methodologies has been combined with the use of reference climate scenarios for the decarbonisation of the different sectors, considering the expected evolution of the portfolios and the Institution's business strategy, as well as the intermediate decarbonisation targets set by the different counterparties.

The targets have been established exclusively for the loan book, taking 2022 as the base year. In the three sectors, the 1.5ºC or "Net Zero by 2050" scenario has been considered, this being the most ambitious scenario accepted by the sector, complying with the requirements of sectoral initiatives such as the NZBA ("Net Zero Banking Alliance").

Once these targets have been set, Unicaja Banco will develop various initiatives within the context of its business strategy to achieve them and will regularly monitor the commitments undertaken. The Institution has defined these targets as a first step in its strategy to promote the decarbonisation of the most emission-intensive sectors included in its loan book. To do so, it has taken into account the information currently available, the methodologies commonly applied by the sector, its business strategy and the emission intensities and reduction targets of its main counterparties.

Therefore, these targets may be subject to possible modifications depending on new market information, changes in the decarbonisation targets published by the counterparties or the development of methodological improvements.

Template 3 of Implementing Regulation (EU) 2022/2453, Banking book: indicators of potential climate change transition risk: Alignment metrics, as at 30 June 2023 presents the following information.

Table 3 Template 3. Banking book. Indicators of potential climate change transition risk: alignment metrics

	a	b	c	d	e	f	g
	Sector	NACE sectors (at minima)	Portfolio gross carrying amount (EUR million)	Alignmet metric[6]	Year of reference year	Distance to IEA NZE2050 in % ***	Target (year of reference+3 years)
1	Power	3511, 3512, 3513, 3514, 3530	1,445	108.92 KGCO2e/MWh	2022	0%	
2	Fossil fuel combustion	610, 620, 910, 990, 1920, 2014, 3521, 3522, 3523, 4612, 4671	292	2605.42 TnCO2e/M€ Asset	2022	22%	
3	Automotive						
4	Aviation						
5	Maritime transport						
6	Cement, clinker and lime						
7	Iron and steel, coke and metal ore production						
8	Chemicals						
9	Mortgage-Individuals		31,868	52.69 KgCO2e/m2	2022	271%	

***PIT distance to the 2030 NZE2050scenario in % (for each metric)

[6] The alignment metrics are estimated by considering only the drawn balance of the loan portfolio. Debt securities and equity instruments are not included.

The process followed by the Institution to set its intermediate decarbonisation targets is described below.

In this regard, it should be noted that both the process and the methodology have been applied for the first time by the Institution and may not be fully aligned with the various columns in the template.

- **Determination of target sectors:** Once the carbon footprint generated by the Institution's corporate and individual loan book at year-end 2022 had been estimated, the sectors or sub-portfolios with the greatest contribution to the estimated emissions at that date were selected as the sectors or sub-portfolios for the establishment of intermediate decarbonisation targets. The sectors or sub-portfolios chosen were: the energy sector, with 24.2% of total emissions, the residential mortgage portfolio, with 21.4%, and the fossil fuel sector with 14.5%. The three sectors or sub-portfolios thus account for 60.1% of the total emissions estimated for the Institution's corporate and individual loan book.

- **Establishment of metrics:** Based on the available information, the metrics to be used to calculate the intensity of emissions in each of the three sectors or sub-portfolios discussed above were selected:

Sector / Sub-portfolio	Metric
Energy	$KgCO_2$ eq/Mwh
Fossil fuels	$TnCO_2$ eq/M€ Assets
Residential mortgage portfolio	KgCO eq/m_2^2

- **Selection of climate scenarios and determination of the reference pathway:** The reference pathway refers to the set of levels of intensity needed in the future to limit global warming to certain degrees. This pathway serves as the basis for knowing by how much and by how long the intensities in the portfolio need to be reduced. The reference pathway used in setting decarbonisation targets for the Institution is the International Energy Agency's 1.5ºC scenario or "Net Zero by 2050".

- **Establishment of the decarbonisation or aspirational pathway:** Once the initial intensities of emissions had been calculated, with data as at year-end 2022, the Institution proceeded to set its decarbonisation or aspirational pathway by applying the benchmark methodology for the financial sector for the definition of targets based on a scientific basis: the Science-Based Targets initiative (SBTi). Within this methodology, the Sectoral Decarbonization Approach (SDA) has been used. Therefore, the Institution's decarbonisation or aspirational pathway is the result of applying the SDA methodology, i.e. the intensity curve from the starting point in 2022 to convergence with the reference pathway in 2050.

- **Setting of intermediate decarbonisation targets (2030):** Once the decarbonisation or aspirational pathway has been established, the Institution has assessed the real capacities of the assets and counterparties included in the chosen sectors or sub-portfolios. To this end, analyses and projections have been carried out from the reference year (2022, until to 2030), based on the following axes:

    - Current portfolio: The analysis considers the current composition of the portfolio and the expected evolution of the exposures (e.g. expected amortisation of transactions). In this regard, the consideration in the projections of the decarbonisation targets of the main counterparties included in the energy and fossil fuel sectors is very relevant.

    - Expected evolution of the portfolios (new production): In this case, the definition of targets has been considered for each sector or sub-portfolio, both in terms of volume and expectations regarding the expected characteristics of the main operations.

    - Market variables or conditions: In this section, several variables have been considered which may affect each sector or sub-portfolio and which represent their possible evolution (such as the forecast evolution of the technological mix in the energy and fossil fuel sectors, or the variables of energy consumption, improvement in energy efficiency, and evolution of the emission factor in the residential mortgage portfolio) and which do not depend on the Institution.

Based on the projections made, the Institution has set its intermediate decarbonisation targets to be achieved by 2030 in the energy, fossil fuels and residential mortgage portfolio sectors.

3.1.4. Exposures against the top twenty carbon-emitting companies

In relation to template 4 "Banking book. Indicators of potential climate change transition risk: exposures to top 20 carbon-intensive firms ", Unicaja Banco has compared the positions in the Institution's investment portfolio with the 20 companies considered to be the top 20 emitting companies in the world according to the study conducted by the *Carbon Disclosure Project.* As a result of this comparison, no investments have been detected in these counterparts.

3.2. Potential climate change physical risk: exposures subject to physical risk

The table below presents the exposures of Unicaja Banco's banking book as at 30 June 2023, vis-à-vis non-financial corporations, on loans collateralized by immovable property and on repossessed immovable property collaterals, exposed to chronic and acute climate-related hazards, with a breakdown by sector of economic activity and by geographical location of the counterparty's activity or collateral, for sectors and geographical areas subject to acute and chronic climate change phenomena.

Table 3 Template 5. Banking book. Indicators of potential climate change physical risk: exposures subject to physical risk

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Spain	Gross carrying amount (EUR million)													
			Of which: exposures sensitive to impact from climate changephysical events												
			Breakdown by maturity bucket					Of which exp. sensitive to impact from chronic climate change events	Of which: exposures sensitive to impact from of acute climate change events	Of which: exposures sensitive to impact both from chronic and acute climate change events	Of which: stage 2 exposures	Of which: non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity							Of which: stage 2 exposures	Of which: non-performing exposures
1	A - Agriculture, forestry and fishing	596	249	131	129	29	6	47	10	482	144	40	-25	-11	-10
2	B - Mining and quarrying	38	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	1,214	5	4	-	0	4	-	9	-	2	1	-0	-0	-0
4	D - Electricity, gas, steam and air-conditioning supply	1,422	0	0	-	0	7	-	0	-	-	-	-0	-	-
5	E - Water supply; sewerage, waste management and remediation activities.	212	0	-	-	-	3	-	0	-	-	-	-0	-	-
6	F – Construction	1,377	0	0	4	1	14	-	5	-	0	0	-0	-0	-0
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,037	5	1	2	0	5	-	8	-	3	1	-1	-0	-0
8	H - Transportation and storage	550	0	0	-	0	5	-	0	-	0	0	-0	-0	-0
9	L - Real estate activities	927	0	4	1	0	9	-	5	-	0	-	-0	-0	-
10	Loans collateralized by residential immovable property	32,601	7	27	87	132	20	1	249	4	13	6	-2	-0	-2
11	Loans collateralised by commercial immovable property	3,231	58	197	240	16	10	56	26	429	83	47	-19	-3	-15
12	Repossessed collaterals	1,734	-	-	-	56	-	2	7	46	-	-	-36	-	-
13	Other relevant sectors (NACE codes J, M - U)	3,265	1	-	-	-	25	-	1	-	-	-	-	-	-

In the above table, reference is made only to Spain, as this is the only geographical area of the Institution whose real estate assets and collaterals are subject to acute and chronic events. Likewise, immovable property outside Spain is residual.

To measure physical risk, Unicaja Banco Group has developed a methodology based on assessing the exposure of real estate collateral, properties for own use and foreclosed assets to adverse environmental events, according to their geographical location (low-risk, medium-low, medium-high, high or very high) for each type of risk for which there is public information with sufficient granularity.

The methodology has been defined based on the analysis of the geolocation of the properties and their relation with the physical risk maps offered by the World Resources Institute on its *Aqueduct* platform, and by the National Forest Fire Information Coordination Centre (CCINIF), attached to the Forest Fire Defence Area (ADCIF), dependent on the Ministry for Ecological Transition and Demographic Challenge, based on the annual information supplied by the Autonomous Communities.

The typology of climate events considered is based on the identification of the climate phenomena analysed in various studies carried out by the ECB, combined with the study conducted by the World Resources Institute, which also analyses two particularly relevant risks for Spain, namely water stress and desertification. Thus, the classification of events was as follows:

- Acute events: These are those caused by extreme weather events whose frequency and intensity would increase due to global warming. Their effects are manifested to a greater extent in the short term:
    - Water stress or drought events: It measures the relationship between the demand for freshwater (total withdrawals) and the available quantity (available surface and groundwater reserves). Therefore, there will be water stress events when there is a deficit in the available quantity of water reserves with respect to consumption or withdrawal.
    - River flooding: This measures the percentage of the population expected to be affected by river flooding in the year average, taking into account existing flood protection standards. Higher values indicate that a higher proportion of the population is expected to be affected by river flooding on average.
    - Forest fire: It measures the probability of forest fires occurring in a given locality. Higher values are indicative of a higher probability of forest fires.
- Chronic events: These are events that result from a medium- to long-term change in climate behaviour, in particular due to a general increase in temperatures, the effects of which are manifested in the medium- to long term:
    - Desertification: This indicates where chronic droughts are likely to occur and the vulnerability of population and assets to adverse effects. Higher values indicate a higher risk of drought.
    - Coastal flooding or sea level rise: This measures the percentage of the population expected to be affected by coastal flooding on average over the year, taking into account existing flood protection standards. Higher values indicate that a higher proportion of the population is expected to be affected by coastal flooding on average.

Given that the analysis of exposure, by geographical location, only takes into account the different impact of physical risks due to the geolocation of the property, it is necessary to complement this analysis with the degree of sensitivity of physical risks in the different property types. Various studies, such as that conducted by MSCI Research in its report "Climate risk in private real estate portfolios: What's the exposure?", show that different physical risk events do not affect all properties in the same way, as this will depend on their typology.

Therefore, once the exposure by geographical location has been obtained, for the different types of acute and chronic physical risks, a qualitative analysis of the sensitivity of each property to each of these risks is carried out, considering the type of property: housing, rural property, development, land, and properties linked to economic activities. For each of these types of property and for each type of risk event, levels of sensitivity of the property are determined on a scale with three values: high, medium and low.

The crossing of these values at high sensitivity levels and exposure per event at very high or high levels determines a high risk level for each type of event. For each property, the highest value in the event types classified as acute or chronic risks is taken to obtain the final value of the property.

In the section of the template corresponding to the exposure to physical counterparty risk without collateral, the following two criteria have been followed:

- Identification of the head office of the counterparty and assignment of the corresponding physical risk value considering the typology of real estate corresponding to real estate linked to economic activities.
- Consideration of the agricultural and livestock sector as sector that is particularly affected by physical risk events and at high risk.

3.3. Other climate change mitigating actions

The following template shows as at 30 June 2023 the other climate change mitigating measures, and includes counterparty exposures that do not comply with the Environmental Taxonomy within the meaning of Regulation (EU) 2020/852, including green bonds; sustainable bonds linked to climate change aspects; sustainability-related bonds linked to climate change aspects; green loans; sustainability-related loans linked to climate change aspects; sustainability-related loans linked to climate change aspects; sustainability-related loans linked to climate change aspects:

Table 4 Template 10. Other climate change mitigating actions that are not covered in Regulation (EU) 2020/852

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (EUR million)	Type of risk mitigated (climate change transition risk)	Type of risk mitigated (climate change physical risk)	Qualitative information on the nature of the Mitigating actions
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	
2		Non-financial corporations	-	-	-	
3		*Of which: loans collateralized by commercial immovable property*	-	-	-	
7		Other counterparties	-	-	-	
8	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	-	-	-	
9		Non-financial corporations	378	YES	YES	Operations granted in which there are improvements in the financial conditions linked to the improvement or fulfilment of sustainability criteria.
10		*Of which: loans collateralized by commercial immovable property*	-	-	-	
11		Households	1	YES	YES	Operations granted for sustainable purposes.
12		Of which: loans collateralised by residential immovable property	-	-	-	
13		*Of which: building renovation loans*	-	-	-	
14		Other counterparties	35	YES	YES	Operations granted in which there are improvements in the financial conditions linked to the improvement or fulfilment of sustainability criteria.

In relation to section of Corporate Bonds, all bonds that are part of the Institution’s fixed-income investment portfolio and that are considered green bonds according to the *Green Bond Principles (GBP*) have been identified. For these counterparties, an individualised review has been carried out of the information disclosed by these companies in order to determine the part of the company's activities that are aligned with the EU Environmental Taxonomy, for the purposes of their information in the GAR, proceeding to the exclusion of this template 10 and considering the remaining part.