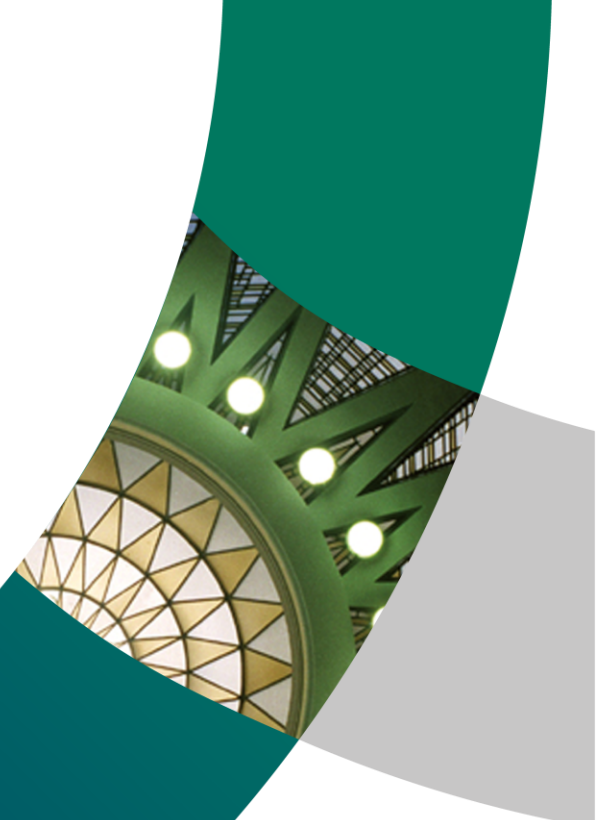




ESG Sustainability at Banco BPM

Presentation for investors and analysts

February 2025



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ESG Sustainability Highlights:

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ESG Sustainability Highlights

**Governance, Ambitions,
Strategy and Achievements**

1



ESG Sustainability Governance

INTEGRATED ESG SUSTAINABILITY GOVERNANCE: FROM THE BOARD OF DIRECTORS TO TRANSITION & SUSTAINABILITY UNIT



- Responsible for ESG strategy and policies
- It approves the Consolidated Non-Financial report

Board sub-committee which supports the BoDs on sustainability strategy, initiatives and, in coordination with IC&RC, ESG risks

ESG Management Committee (chaired by the CEO and with the two Co-General Managers as permanent members) acts the ESG strategy leveraging on ESG internal initiatives

NEW Transition & Sustainability unit?:

- directly reporting to the **Co-General Manager - CFO**
 - organized into two functions called "**ESG Strategy**" and "**ESG Business Advisory**"
 - **coordinates** all the activities performed by internal functions
- Responsible for **ESG approaches, methodologies, metrics, KPIs** and **disclosure**
 - Responsible for **supporting** business functions and Group's subsidiaries in **implementing our ESG strategy**

ESG TARGETS INCLUDED IN SHORT & LONG-TERM INCENTIVE PLANS FOR CEO & TOP MANAGEMENT SINCE 2021

- Our remuneration policy is **gender neutral**
- Within this policy:
 - ✓ variable remuneration is correlated with **strategic actions** addressing **environmental** and **human resource** management issues → ESG Targets **consistent with Strategic Plan** and **monitored at RAF level**
 - ✓ **ESG KPIs** are included also in **variable remuneration of the commercial network since 2023**

ESG Sustainability Ambitions

Included in our Strategic Plan



E

- Supporting our clients in their **transition path** through advisory and commercial offering, consistently with our **ESG Strategy**
- Confirming our strong position in **financing renewable energy projects**
- Strengthening the **C&E risk drivers' identification and treatment**
- Continuing on the path of reducing our **own energy consumptions and GHG emissions**



S

- Further enhancing our strategy for **People, Generational change** and **Women empowerment**
- Strengthening our **leadership position as third sector lender**
- Confirming as a **top Community bank** with strong **impact on our local communities** (school and education-driven)
- Improving our **customers' accessibility** (physical and technological) to the products and services offered by the bank



G

- Supporting our **Digital transformation** with a strong **Privacy & Cybersecurity management**
- Confirming the **use of ESG targets in our Short and Long-term incentive plans** for **managers & employees**
- Keep improving the **inclusion of ESG sustainability drivers** in our operating processes, ensuring consistency among businesses the Group is involved in
- Strengthening our **Risks Materiality assessment** and **Transition Plans development frameworks**

ESG Sustainability Strategy

(1/2)

Our track record

2018 - 2020

- **Internal Control and Risk Committee**¹ in charge of overseeing ESG sustainability topics
- **Energy Manager & Mobility Manager** appointed
- Released the **rules for the environmental policy**, the **Workplace health and safety guidelines** and the **Guidelines on the integration of sustainable risks in the provision of investment services**
- **100% of electricity consumption from certified renewable sources**
- **Extraordinary measures for local communities and social projects in response to Covid-19 pandemic**
- **First ESG lending product** (Plafond for ESG investments)
- **ISO 45001 Occupational Health and Safety**, **ISO 50001 Energy** and **ISO 14001 Environmental certifications** obtained



2021 - 2022

2021

- Activation of the first **"ESG Action Plan"** to fully integrate ESG into our operating model
- **ESG targets** integrated within **ST & LT incentive plans** for CEO & Top Management
- **Green, Social and Sustainability Bonds Framework** published, and **first bond (social)** issued under the framework
- **Integration of lending policies and Risk Management** with ESG factors started
- **Enlarged ESG products offering and integration of ESG risk in Advisory and Wealth Management**
- 2021-2024 Strategic Plan: **ESG as key foundation stone**
- Banco BPM joined the **UNGC** and became a supporter of the **TCFD**



2022

- First **ECB Climate Stress test** performed
- **Fundraising** and other **support measures** for **people from Ukraine**, in cooperation with **Caritas**
- **Update of the Code of Ethics**
- 2022 CNFS wins **"Oscar di Bilancio"**
- **#1 Green bond issuer** among Italian banks

2023 - 2024

2023

- **Banco BPM joins the NZBA and identifies 5 priority sectors identification** (Oil & Gas, Power generation, Cement, Automotive and Coal) in March
- **New Sustainability Committee** established at Board level in April
- **New ESG Action Plan** reshaped in Q3
- **Fundraising** and other **support measures** for **people from Emilia Romagna**
- **NEW GS&S Bonds Framework aligned with Taxonomy** published in November
- **#2 Green bond issuer** among Italian banks in 2023
- Banco Bpm wins in 2023 the prestigious **Award for Impact Reporting** by **Environmental Finance**
- 2023-2026 Strategic Plan: **Sustainability strategy ambitions fully integrated**



2024 - Feb. 2025

- **New "Transition & Sustainability" unit** officially **started in July 2024**, directly reporting to the Co-General Manager – CFO
- **New structure** within Finance department dedicated to **sustainable funding**
- **NZBA: targets approved and released** in terms of **carbon intensity reduction by 2030** for **5 priority sectors**
- **#1 Green bond issuer** among Italian banks in 2024
- **Update of the Strategic Plan with ESG target** expanded to 2027



Key initiatives and targets of our Strategic Plan



ENVIRONMENT

- **ESG Factory:** becoming a reference partner for Corporate & SME clients in their sustainable transition (**ESG Training, Advisory & Offering**)
- **Run-off** in **coal-based sectors** confirmed¹
- **100%** of **electricity supply from renewable sources** to be **maintained** throughout the Plan

	2024	TARGET 2027
Low-Carbon New M/L Term financing ²	€5.7bn	€7.0bn
Direct Energy consumption ³	486 kGJ	< 472 kGJ
Scope 1&2 direct emissions market-based ⁴	11.0 ktCO ₂ e	10.9 ktCO ₂ e



SOCIAL & GOVERNANCE

- **New training Academy** structure to uphold an **improved standard in skills development**
- Involvement of our **employees in corporate community services**
- Promoting activities to **spread financial education and ESG engagement**
- Material investments on **cyber-attack prevention**, leveraging on **Cybersecurity specialists** hirings

	2024	TARGET		2024	TARGET
Women in managerial positions ⁵	30.7%	36.0% YE 2027	ESG Training hours for Employees	#178k	#200k in 2027
New hiring for generational change ⁶	#222	#800 2025-26	New lending to third sector	€202m ⁸	€255m in 2027
Smart-Working for Employees (%) ⁷	33.8%	40.0% YE 2027	Cybersecurity Specialists hirings (% of overall IT hirings)	3%	15% 2025-27

	2024	TARGET		2024	TARGET
Issue of Green, Social & Sustainable Bonds	€1.5bn	€5.0bn 2025-27	ESG bonds issues as Joint Bookrunner/Lead Manager	€9.4bn	€19.5bn 2025-27
Share of ESG bonds in the Corporate bond proprietary portfolio (banking book) ⁹	35.0%	40.0% YE 2027	• WM & Life Bancassurance: strengthening of ESG advisory and enhancement of ESG products range in full compliance with external regulations		

Focus on Environmental Strategy

(1/3)

ESG Factory as key driver of our ESG & Net-Zero business strategy

SUPPORTING OUR CORPORATE AND SME CLIENTS IN THEIR SUSTAINABLE TRANSITION PATH TROUGH:

1. ESG TRAINING

Increase skills and awareness on sustainability and “E” matters

- **ESG training to our corporate & SME customers: workshops and educational initiatives** for both clients and prospects → ~ **3,100 ESG training hours to enterprises in the 2023-2024 period**
- Increase the number of **ESG-skilled Relationship Managers**
- Provide clients with **support for ESG self-assessment**

2. ESG ADVISORY

Identification of needs and solutions

- Full rollout of our **ESG diagnostic tool** (ESG questionnaire) for ESG integration into **credit policies, accompanying customers in their green transition journey** → since 2023 the questionnaire is **mandatory** for **Large Corporate** and/or for counterparts operating in **High/Very High Transition Risk sectors**¹, in sectors considered as **priority within the NZBA** and for those corporates with a **Non-Financial Statement/ Sustainability report**
- **Gap analysis** and **ESG advisory** for corporate & SME customers
- **Partnerships** with an ecosystem of **ESG solutions providers**

3. ESG OFFERING

Support for operating model sustainable transformation

- **Sustainable finance:** suite of sustainable products, including taxonomy-aligned solution aimed at financing specific initiatives (see slide 11)
- **Physical risk assessment and offering of protection solutions**

ESG FACTORY'S MILESTONES ARE SET TO SUPPORT OUR NET-ZERO STRATEGY

Focus on Environmental Strategy

NZBA: targets approved for our 5 priority sectors



(2/3)

TARGETS APPROVED IN TERMS OF CARBON INTENSITY REDUCTION¹ BY 2030 FOR 5 PRIORITY SECTORS



Representing ~75% of the overall financed emissions of the high-intensity emission sectors identified by NZBA

2030 TARGETS

Sector	Emission Intensity		% CHANGE BY 2030
	Metric	Starting point 31/12/2022	
AUTOMOTIVE² (Scope 1, 2 & 3)	Million tons of CO ₂ e per billion passenger-kilometers travelled by vehicles sold	0.45	-48%
CEMENT (Scope 1 & 2)	Tons of CO ₂ e per ton of cement products	0.50	-23%
COAL	RUN OFF OF THE EXPOSURE BY 2026		-100%
OIL & GAS (Scope 1, 2 & 3)	Grams of CO ₂ e per megajoule of oil product/natural gas produced or distributed	60.7	-14%
POWER GENERATION (Scope 1 & 2)	Tons of CO ₂ e per megawatt-hour of energy produced	0.17	-56%

METHODOLOGY APPLIED

- **Physical Weighted Average Carbon Intensity at sectoral level**
→ single debtor emission out of typical sectoral output weighted by drawn amount
- Projections based on **top standard scenarios (International Energy Agency)**

Transition Plans for 5 priority sectors to be published during the three-year Plan period. These plans will outline how Banco BPM intends to achieve the stated targets

N.B. Targets set for 2030 could be updated due to i) the evolution in the methodology for emissions quantification purposes, ii) any updates requested by NZBA, iii) material changes in projections elaborated by International Energy Agency and iv) new guidelines on such a matter

Focus on Environmental Strategy

(3/3)

Growing offering of “Green” loan products

FINALISED LOANS

SLL

Green Taxonomy Loan

- Loan aimed at supporting clients' investments to increase the alignment of their economic activities with EU Taxonomy criteria
- Subject to a due diligence of the "green" project by an independent third party with expertise on ESG issues in order to assess the correspondence with the regulatory principles set forth in the EU Taxonomy

Loans with Green Transition Target

- Loan that enables companies to implement their "low carbon" investment plans, in line with EU environmental objectives
- Summary report by the client regarding the green project for which the financing is requested, with an objective that can be traced to one of those included in the EU Taxonomy

Loans with SACE Guarantee

- Loan with public guarantee from SACE (after verification of the "green" purpose requirements)

Loans for “Beni Strumentali - Nuova Sabatini”

- Subsidised Loans for companies (SMEs) that want to move towards a low-carbon economy (improving the eco-sustainability of products/processes production)

Financing energy production and efficiency

- Specific financial solutions to support SMEs for investment projects in energy production plants from renewable sources
- Financial solutions to support companies in the process towards an efficient, sustainable and renewable energy model

We offer also Leasing for RES plants in partnership with Alba Leasing

Green Residential Mortgages

- Initiatives for high-efficiency property buyers with a discount on mortgage conditions.
- Mortgages for purchase, construction or renovation with green factor¹: a clause that allows for a 10 bps saving on the contracted rate and that can be activated throughout the life of the loan provided that:
 - a reduction in consumption of at least 30% is achieved or
 - the energy rating of the home is improved by two classes

LIVE AT THE BEGINNING OF 2025

Sustainability Linked Loans

- Sustainability Linked Loans granted to corporate with KSI ESG (if chosen "E" KSI)

ENTERPRISES AND CORPORATE CLIENTS

HOUSEHOLDS

We offer also a Green Consumer Finance product in partnership with Agos

Financial Inclusion initiatives

FINANCE TO THIRD SECTOR

- **Ad hoc organizational structures, products, services and expertise** developed for **no-profit clients**
- The funding provided is aimed at **supporting both short-term needs and specific investment projects, many with ESG connotations**

SUBSIDISED FINANCE

- **Loans for SMEs** assisted by the **Guarantee Fund for Small and Medium-Sized Enterprises (FGPMI)**

FINANCIAL SOLUTIONS FOR YOUNG PEOPLE & STUDENTS

- **Mortgages** for people **<36 years** with dedicated terms and conditions, assisted by **CONSAP guarantee**
- **Loans for helping students** to realize their educational projects, assisted by **CONSAP guarantee**

CLIENTS AFFECTED BY CALAMITOUS EVENTS

Measures aimed at **supporting individuals or enterprises damaged by calamitous events**:

- **Suspension of the installments** of mortgages and loans
- **Plafonds** dedicated to supporting local territories affected adversely by natural disasters (Households and Enterprises and Corporate clients)

WOMEN

Measures aimed at **supporting women victims of violence** and in **temporary economic difficulty**:

- **Suspension of the payment** of the principal amount for mortgages and loans for up to 18 months

ANTI-USURY

Financial support, in cooperation with various foundations and anti-usury associations, **to prevent usury cases of families in serious debt situations** by facilitating their access to bank credit

Key recent ESG Achievements

Key results in 2024



ENVIRONMENT

- **Low-Carbon New M/L Term financing: €5.7bn** in 2024 (vs. €5bn FY 2024 target)¹
- **NZBA**: targets approved in terms of intensity emission reduction by 2030 for 5 priority sectors²
- Use of an internally developed **rating “Climate”** for **risk assessment** and **provisioning purposes**
- **Scope 1&2 direct emissions** market-based confirmed **below 11K tCO2e**³

	2023	2024
Direct Energy consumption ⁴	498K GJ	486K GJ



SOCIAL & GOVERNANCE

	2023	2024
Women in managerial positions ⁵	29.7%	30.7%
New young hiring ⁶	#123	#133
ESG Training hours for Employees	~ #164K	~ #178K
New lending to third sector	€169m	€202m ⁷
Donations and contributions for S & E projects	€5.8m	€6.3m
ESG Training hours for companies (ESG factory)	~ #1.3K	~ #1.8K

- **New “Transition & Sustainability” unit** officially started in July 2024, **directly reporting to the Co-General Manager – CFO**; furthermore, **new structure** within Finance department dedicated to **sustainable funding**
- **PAI indicators** included into the **“Guidelines on the integration of sustainability factors in the provision of investment services”**
- **“Policy on the integration of sustainability factors in the provision of investment services”** approved also for our subsidiary **Banco BPM Invest SGR**

	2023	2024
Issue of Green, Social & Sustainable Bonds	€2.0bn	€1.5bn
Share of ESG bonds in the Corporate bond proprietary portfolio (banking book) ⁸	29.1%	35.0%

Two social bonds for a total amount of €1.25bn already issued in Jan.-Feb. 2025

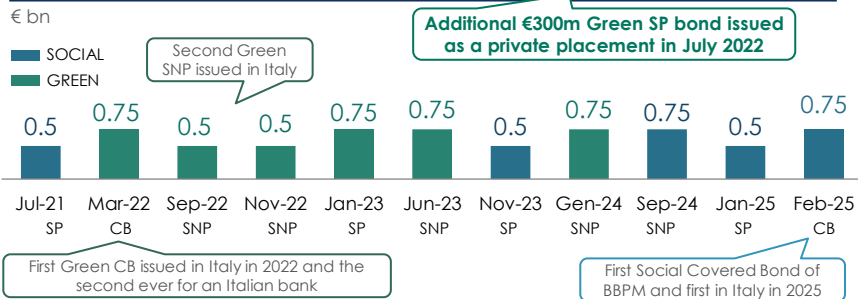
- **2024 GSS Bonds Impact Reporting** released in July
- **“Guidelines on the integration of sustainability factors into the proprietary portfolio investment strategies”** approved

Focus on Green, Social & Sustainability Bonds

FUNDING:

€7.3bn Social & Green bonds issued since 2021

SOCIAL & GREEN BONDS ISSUED UNDER THE GS&S BONDS FRAMEWORK @ €7BN



USE OF PROCEEDS:

- **Social SNP&SP Bonds and Covered Bonds:** refinancing existing **Eligible Social Loans** as defined in the GS&S Bonds Framework (such as SME loans guaranteed by the State granted in response to the Covid-19 pandemic, loans granted to SMEs in low GDP areas and residential mortgages to disadvantaged people)
- **Green SNP&SP Bonds and Covered bonds:** refinancing existing **Eligible Green Loans** as defined in the GS&S Bonds Framework (such as green residential mortgages and loans for renewable energy). Refinance a portfolio of green mortgages granted to households for the purchase of energy efficient houses as defined in the GSS Bonds Framework.

Banco BPM Green bond issuer among Italian banks #1 in 2022 and #2 in 2023 and #1 in 2024

NEW GS&S BONDS FRAMEWORK ALIGNED WITH TAXONOMY RELEASED IN NOV. 2023

- The new Framework, that updates the inaugural July 2021 Framework, is **aligned with best market practices¹**, cover a broader range of activities and include **EU taxonomy alignment for some eligible assets²**

#3 GREEN, SOCIAL AND SUSTAINABILITY BOND REPORTS RELEASED SINCE 2022

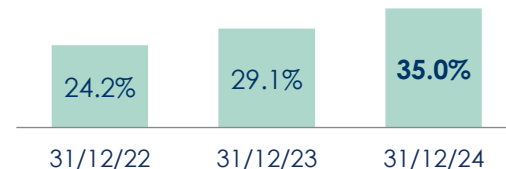


See Annex 2 for details on our Green, Social and Sustainability Bonds Framework

INVESTMENTS:

Increase in ESG Corporate bonds

ESG CORPORATE BONDS IN THE PROPRIETARY PORTFOLIO



Share on the Corporate and Financial securities managed by the Finance department (managerial data based on nominal amount).

ESG CORPORATE BONDS MORE THAN DOUBLED SINCE YE 2022

ESG Sustainability Highlights

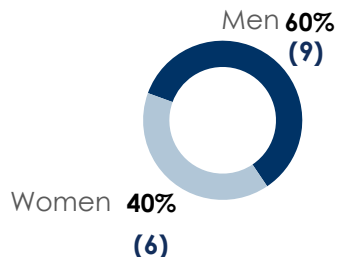
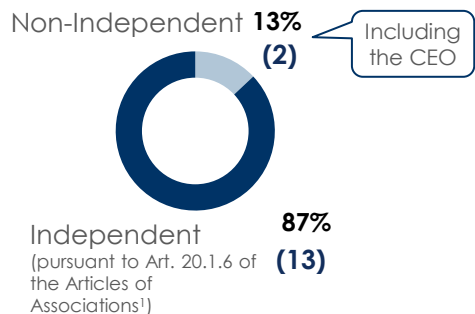
Corporate Bodies and
Key Policies

2



Composition of the main Corporate Bodies

COMPOSITION OF THE BOD: 15 MEMBERS



DIRECTORS DIVIDED BY AREA OF EXPERTISE	#
ESG/social and environmental sustainability	10
Financial and/or banking markets	15
Banking and financial activities and products	13
Domestic and international economic & financial system, trends and prospects of banking, financial and insurance sectors	15
Internal control systems and other operational mechanisms	11
Risk management	13
Accounting and financial reporting	15
Guidance and strategic planning	14
Information technology	5
Regulation in the banking, financial and insurance sector	15
Organisational and corporate governance structures	15
Human resources and remuneration systems and policies	9

Composition of the 5 Board Sub-Committees

Board Sub-Committees	Internal Control and Risk	Remuneration	Appointments	Related Parties	Sustainability
No. of Directors	5	3	3	3	3
o/w Non-executive	5	3	3	3	3
o/w Independent ¹	5	2	3	3	3
o/w Women	1	1	2	2	2
o/w Men	4	2	1	1	1

ESTABLISHED IN APRIL 2023
Its activity was previously carried out by the Internal Control, Risk and Sustainability Committee now renamed the Internal Control and Risk Committee

Composition of the Board of Statutory Auditors

8 members, o/w:

- **5 standing**
- **3 alternate**
- **100% independent²**
- **50% women**

Key Policies and Business Conduct data

OUR POLICIES

GOVERNANCE AND BUSINESS CONDUCT

(All documents published on Banco BPM's website)

1. Articles of Association
2. Code of ethics
3. Organisational, management and control model pursuant to Italian legislative decree 231/01
4. Code of Corporate Governance and Reports on Corporate Governance and Ownership structure
5. Anti-corruption regulation
6. Anti-money laundering regulation
7. Regulation and procedures governing related party transactions
8. Regulation on Internal Dealing
9. Regulation on the management of Inside Information
10. Remuneration Policy
11. Shareholder-Director Engagement Policy
12. Regulation on tax management
13. Whistleblowing Statement

Key Business Conduct Data in 2023

ANTI-CORRUPTION

46,905
Training hours

for
17,166
Employees

0 dismissals related to
corruption events

ANTI-MONEY LAUNDERING

27,446
Training hours

for
6,799
Employees

ENVIRONMENT, HEALTH & SAFETY and HUMAN RIGHTS

(All documents published on Banco BPM's website)

1. Guidelines regarding the management of environmental and energy issues and the fight against climate change
2. Guidelines on workplace health and safety
3. Guidelines on respecting and safeguarding human rights

BUSINESS

1. Lending policies integrated with ESG factors ¹
2. Guidelines on operations in the sector of weapon materials and systems (published on Banco BPM's website)
3. Guidelines on the integration of sustainability risks in the provision of investment services (published on Banco BPM's website)
4. Green Social & Sustainability Bonds Framework (published on Banco BPM's website)
5. Guidelines on the integration of sustainability factors into the proprietary portfolio investment strategies (published on Banco BPM's website)

PRIVACY, DATA GOVERNANCE, IT & BUSINESS CONTINUITY

1. Cybersecurity and Privacy Statement (published on Banco BPM's website)
2. Regulation on information security - in line with PSD2 ²
3. Regulations on ICT Risk and Security - in line with Bol Circular No. 285 ²
4. Regulations on privacy, processing and protection of personal data ²
5. Business continuity plan and related regulations ²
6. Guidelines on IT incident management ²
7. Methodological manuals ³
8. Process standards on: business impact analysis and cyber risk management; IT fraud prevention and management; security incident management and data breach; management of digital certificates ²

Remuneration Policy

ESG Targets included in STI and LTI plans

SHORT-TERM INCENTIVE PLAN

- Between 40% and 60% deferred
- ≥ 50% payable in ordinary shares

~ 150
Top
Managers
involved

ESG
weighting:
20% of
the overall
scorecard

At least 10%
of the
overall
scorecard

CEO

Managers with
control duties

Managers without
control duties

ESG KPIs of the 2024 STI

- Green and low-risk transition new lending¹
 - Share of ESG Corporate Bonds in own proprietary portfolio
 - **Qualitative Sustainability KPIs** linked to NZBA, operational & reputational risk, risk culture and promotion of values coherent with corporate culture
-
- ESG KPIs related to the area of responsibility or to activities carried out in relation to the position + Qualitative performance, also linked to Sustainability
-
- ESG-related KPI (e.g. those associated with the annual performance on the ESG targets of the Strategic Plan) + Qualitative performance, also linked to Sustainability

MORE PEOPLE INVOLVED SINCE 2023:

- ESG KPIs included also in the variable remuneration of the network and of the Corporate & Enterprise commercial functions
- ECAP Reputational risk indicator considered for all employees

LONG-TERM INCENTIVE PLANS

- 40% upfront and 60% deferred
- 100% payable in ordinary shares

~ 80
Top
Managers
involved

ESG
weighting:
15% of the
overall
scorecard

CEO &
Managers

ESG KPIs of the 2022-2024 LTI

- Standard Ethics rating by 2024 (Floor EE+ / Cap EEE-)
- Women in managerial positions as at 2024 (Floor 28% / Cap 30%)
- Social initiatives – dedicated hours¹ (Floor 10K / Cap 12K)

ESG KPIs of the 2024-2026 LTI

- Increase of women in managerial positions at YE 2026 vs. YE 2023 (Floor +15% / Cap +20%)
- Overall issues of Green, Social & Sustainable bonds in 2024-2026 (Floor €3.75bn / Cap €5bn)

- Variable Remuneration limit of 2:1 for the ratio between the variable and fixed component of the remuneration for selected positions (incl. CEO)

ESG QUANTITATIVE TARGETS CONSISTENT WITH STRATEGIC PLAN AND MONITORED AT RAF LEVEL

Annex 1

ESG integration in Lending Policies and Risk Management



Progress in ESG-oriented lending policies

ESG-oriented lending policies since 2022

1. EVALUATION OF ESG AND CLIMATE CHANGE RISK DRIVERS (ESG ANALYSIS) INTEGRATED WITHIN LENDING POLICIES BY MEANS OF:

- **Transition risk analysis:** based on the sector of the debtor
- **Physical risk analysis** base on the geolocation of productive assets and collaterals
- **ESG Questionnaire** → **quali-quantitative diagnostic tool** (differentiated on the basis of the size of the company) aimed at evaluating the ESG profile of a **debtor**

THE RESULTING ESG SCORE IS CONSIDERED WITHIN THE OVERALL CREDIT POLICY STRATEGY

2. SPECIFIC CREDIT STRATEGIES FOR NZBA PRIORITY SECTORS¹
3. RUN-OFF FOR COAL-RELATED SECTORS STRONGLY AFFECTED BY CLIMATE TRANSITION
4. SPECIFIC APPROACH FOR CONSTRUCTION AND REAL ESTATE SECTORS TO EVALUATE THE ENVIRONMENTAL SUSTAINABILITY OF A SPECIFIC ASSETS (e.g. considering the energy efficiency class of the asset)
5. TRANSITION-FINALISED TRANSACTIONS, FOR SUPPORTING SPECIFIC INVESTMENTS

KEY ELEMENTS OF THE ESG QUESTIONNAIRE

- ✓ Collection of **quantitative ESG data** of the company
- ✓ Assessment of sustainability elements that can contribute to **mitigate the ESG risks**, leveraging on questions about:
 - the Transition path of the client (e.g. emission reduction plans & targets)
 - the presence of mitigating factors for Physical risk (presence of a business continuity plan and/or of insurance policies)
 - specific Social and Governance aspects (existence of any pending litigations and/or litigations with negative outcomes concerning "S" & "G" matters)



FURTHER UPGRADE IN 2024

ESG Analysis integrated into the Financial Sustainability Assessment
(evaluation of the ability to financially support the investments for decarbonization and use of a tool for assessing prospective KRIs)

Progress in the integration of ESG into Risk Management

RISK IDENTIFICATION

- Climate-related & Environmental risks
- Governance & Social sustainability risk¹

TRANSITION RISK IMPACTS IDENTIFIED: Legislative, Technological, Market-related and Reputational
PHYSICAL RISK IMPACTS IDENTIFIED: Acute and Chronic and related sub-risks

TIME HORIZONS IDENTIFIED:
 Short Term: up to 1Y
 Mid Term: up to 3-5Y
 Long Term >5Y

IDENTIFIED IMPACTS ON BUSINESS MODEL, COMPETITIVE FRAMEWORK, TARGETS & STRATEGY

Risk Appetite Framework

- Integration of ESG risks within RAF since 2021
- 2023 RAF: further strengthening by introducing new specific ESG KPIs, focused on the Group's energy consumption and gender equality in top roles
- ESG KPIs differentiated into Strategic, Managerial and Early Warning indicators, aimed at overseeing the overall governance and control of the main ESG risk drivers

ICLAAP

- Climate scenarios identified and sensitivity analysis already included in ICAAP and ILAAP frameworks
- The comprehensive process of integrating climate-related risk drivers into capital & liquidity adequacy assessments has been further tightened and completed in 2023

Credit risk

- "C&E" risk scoring calculated for Credit Risk purposes, considering: sectorial information, geographic data and additional info provided by clients
- Integration of Climate risks in the main processes of credit risk quantification (IFRS 9 and ICAAP):
 - PD & LGD stressed with Transition risk and LGD with Physical risk as well
 - Definition of a framework aimed at including climate risks in internal ratings for managerial purposes

Other risks

- Climate-related risk potential impacts are also evaluated in the Market, Operational and Liquidity risk frameworks
- Inclusion of ESG risks also in the Reputational², Strategic, Real Estate and Equity risk frameworks
- New ICT & Security Risk Function created in July 2023 within the Enterprise Risk Management Area

Starting from 2024, use of an internally developed rating "Climate" for risk assessment and provisioning purposes



2023 GAR & Portfolio Transparency

GREEN ASSET RATIO AT 31/12/23

- First disclosure of **GAR** on economic activities for **Climate change Mitigation & Adaptation** (*considering only non-financial corporates with sustainability reporting as per NFRD, financial corporates, households mortgages, local governments, RE collateral obtained by repossession*)
- Coverage of total assets = **70.8%**
- **Total environmentally sustainable assets as at 31/12/2023:**
 - **€2.7bn** based on the **Turnover KPI** of the debtor
 - **€3.0bn** based on the **Capex KPI** of the debtor

2.17%
as at 30/06/24

2.02%
GAR
Turnover-based

2.28%
GAR
Capex-based

For detailed information on GAR, please refer to documentation published on BBPM website:

<https://gruppo.bancobpm.it/download/template-related-to-article-8-eu-taxonomy/>



2023 PORTFOLIO TRANSPARENCY¹

- The materiality of our credit portfolio exposure to **Climate-related & Environmental risks** was constantly monitored during 2023 leveraging on a strengthened and consolidated methodology

KEY FIGURES

TRANSITION RISK

(Loans to NFCs)

- Exposure to sectors with **High and Very High transition risk: 18.4%**

↳ Lower than the level of 19.1% for the Italian system²

Exposure to coal-related sectors strongly affected by climate transition **reduced by 93% Y/Y, to €1.8m at YE 2023**

PHYSICAL RISKS

(Collateral values underlying exposures towards Households and NFCs)

- Exposure to sectors with **High and Very High Acute physical risk: 12.4%**
- Exposure to sectors with **High and Very High Chronic physical risk: 0.2%**

↳ The low exposure to physical risks is driven by the geographical footprint of our credit portfolios, mainly located in the North of Italy

ENVIRONMENTAL RISKS (Loans to NFCs)

- The identified risk drivers are **consistent with the EU taxonomy** (biodiversity loss, circular economy, use of water resources and pollution)
- The BBPM exposure to environmental risks is limited, with **biodiversity loss** and **circular economy** being the drivers to which BBPM is potentially more exposed

2023 Portfolio transparency: Transition Risk

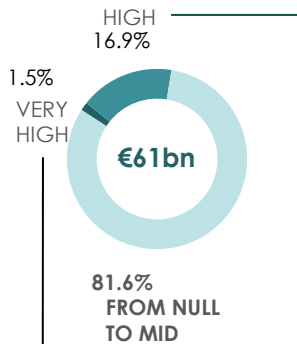
METHODOLOGY

- **Micro-sectorial analysis** (NACE classification), aimed at providing an indication of the **transition risk associated with the Industry** of the counterparty
- For larger corporates or those operating in the sectors most impacted, the methodology **involves also individual data** collected from Non-financial reporting, ESG questionnaires (completed as part of the credit disbursement process) or based on estimates of GHG emissions sourced by qualified external info-providers
- Construction and RE sectors assessed with an ad hoc methodology.
- **Risk scoring from 0 “Very Low” to 4 “Very High”**
- **Exposure to sectors with High and Very High transition risk limited at 18.4%**



TRANSITION RISK (Loans to NFCs)

GBV as at 31/12/2023



High risk exposures:

- include sectors whose companies should make significant investments, in order to realize their transition towards more sustainable business models
- ~68% is represented by counterparties with **sound financial profile** (low or medium-low credit risk categories)

HIGH	GBV in €M.	IN % ON TOTAL LOANS TO NFCs
Crop and animal production, hunting and related service activities	3,284	5.4%
Manufacture of chemicals and chemical products	1,179	1.9%
Manufacture of basic metals	995	1.6%
Land transport and transport via pipelines	874	1.4%
Manufacture of other non-metallic mineral products	854	1.4%
Manufacture of paper and paper products	467	0.8%
Manufacture of motor vehicles, trailers and semi	438	0.7%
Rental and leasing activities	355	0.6%
Manufacture of food products	312	0.5%
Manufacture of leather and related products	210	0.3%
Financial service activities, except insurance and pension funding	186	0.3%
Other	1,177	1.9%
Total High	10,329	16.9%

Very High risk exposures:

- include sectors whose companies will have to gradually reconvert their business or substantially change their production process
- within this cluster, **0.003% relates to sectors heavily impacted by the climate transition linked to coal put in run-off**

VERY HIGH	GBV in €M.	IN % ON TOTAL LOANS TO NFCs
Wholesale trade, except of motor vehicles and motorcycles	379	0.6%
Manufacture of coke and refined petroleum products	269	0.4%
Retail trade, except of motor vehicles and motorcycles	121	0.2%
Other	145	0.2%
Total Very High	946	1.5%

MANAGEMENT OF TRANSITION RISK

- ESG integrated **lending policies & risk management & measurement**
- Development of **lending products for supporting corporates' transition**
- Initiatives of **ESG awareness for our client companies** (>1,300 hours provided in 2023 with ~1,000 entrepreneurs involved)
- **Signing of the NZBA** (March 2023)

2023 Portfolio transparency: Physical Risk

METHODOLOGY

- The analysis is based on:
 - Mapping of the Italian territory** according to exposure to the different risk events considered;
 - Geo-location of the property**, through its address and positioning within the maps of risk;
 - Identification of a risk event score** based on the exposure level of the property
 - Calculation of the synthetic physical risk exposure score** of the property (from 0 "Very Low" to 4 "Very High") through aggregation
- Sources used: public data¹ and third-party proprietary data
- The low exposure to physical risks is driven by the geographical distribution of our credit portfolios, concentrated in the North of Italy**

MANAGEMENT OF PHYSICAL RISK

- Physical risk assessment** on **collaterals** and on **counterparty operations** included in the **evaluation of credit risk**
- ESG questionnaire integrated with **questions regarding the presence of mitigating factors of physical risk** (business continuity plan and/or insurance policies)

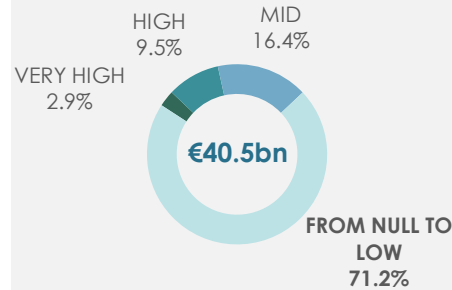


PHYSICAL RISKS

Collateral values underlying exposures towards Households and NFCs

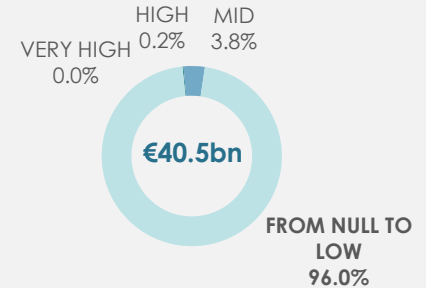
GBV as at 31/12/2023

ACUTE



ACUTE RISK EVENTS ²	Landslide	Flood	Storm
	Fire	Anomalous waves	Frost
	Heat events	Heat waves	Drought

CHRONIC



CHRONIC RISK EVENTS ²	Coastal erosion
	Land erosion
	Sea level rise

Regarding the analysis carried out on **physical risks for the productive assets of NFC clients**, a focus on the exposure towards counterparties operating in the sectors of agriculture, construction and tourism is provided in FY 2023 Consolidated Non-financial Report

2023 Portfolio transparency: Environmental Risks

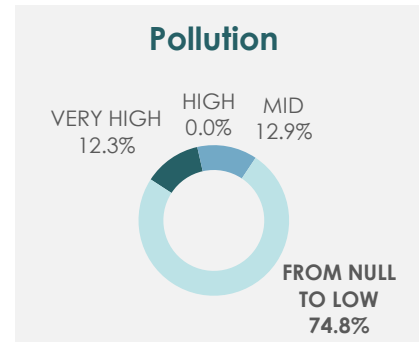
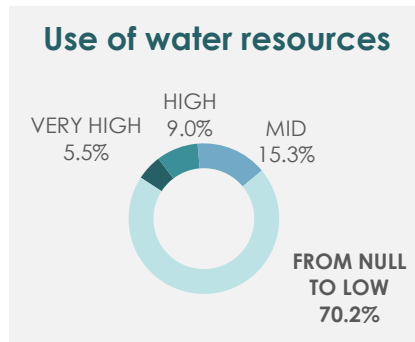
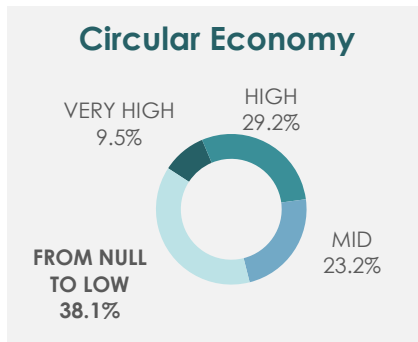
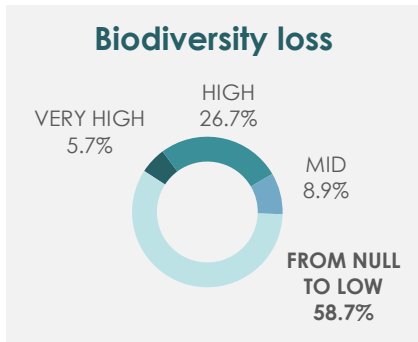
METHODOLOGY

- Exercise aimed at measuring the exposure of our loan portfolio towards NFC clients with respect to environmental risks performed in 2023
- **The variables of environmental risk considered are consistent with the EU taxonomy**
- The methodology is based on **a sectoral approach** aimed at providing an indication of the environmental risks associated with the industry of the counterparty
- When such risks are deemed relevant or when information is available, **the methodology involves the use of public data on individual counterparties (e.g. certifications)**

ENVIRONMENTAL RISKS

Loans to NFCs

€ 61bn, GBV as at 31/12/2023



Annex 2

Green, Social and Sustainability Bonds Framework



GS&S Bonds Framework: Detailed description (1/2)

- On 7th November Banco BPM published its **NEW Green, Social & Sustainability Bond Framework** and **SPO** provided by ISS ESG.
- The development of a Green, Social and Sustainability Bonds Framework is fully complementary with Banco BPM commitment and strategy to **address climate change** and to **provide a positive social outcome** in its business conduct.
- The Framework is an umbrella document that enables Banco BPM to issue Green Bonds, Social Bonds and Sustainability Bonds; **either unsecured, such as Senior Unsecured Bonds, or secured instruments, such as Covered Bonds.**
- The Framework has been developed according to the following latest market standards: ICMA's **Green Bond Principles** (June 2021 with June 2022 appendix), ICMA's **Social Bond Principles** (June 2023), ICMA's **Sustainability Bond Guidelines** (June 2021) and the **EU Taxonomy** for some category of assets in the following activities: Green Buildings, Renewable Energy (Wind, Solar, Hydro and Bioenergy) and Manufacture of organic basic chemicals.



Framework update

- Banco BPM published its inaugural Green, Social & Sustainability Bond Framework in 2021.** The aim of the **2023 update** was to **be aligned with best market practices, cover a broader range of its activities** and include **EU Taxonomy alignment** for some categories of eligible assets. New eligible loans categories have also been added:

New eligible Green Loans categories	New eligible Social Loans categories
Manufacture of organic basic chemicals	Sustainability-linked loans for SMEs
Green Guarantee	
Sustainable Agriculture	Residential Mortgages

External review ISS ESG

- ✓ The Framework has received an **external verification by ISS ESG.**
- ✓ The Framework is aligned with **Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.**
- ✓ ISS ESG confirms that Banco BPM has the processes in place to assure that **some assets are aligned with the Technical Screening Criteria of the EU Green Taxonomy.**

GS&S Bonds Framework: Detailed description (2/2)

The Green, Social and Sustainability Bond Reporting for year 2023 was published in July 2024:
https://gruppo.bancobpm.it/media/dlm_uploads/Green-Social-Sustainability-Bonds-Reporting-2024.pdf

USE OF PROCEEDS

- **Eligible Green Loan Categories:** Green Buildings, Renewable Energies, Manufacture of organic basic chemicals, Energy Efficiency, Pollution Prevention and Control, Sustainable Water Infrastructure, Low Carbon Transportation, Green Guarantee, Sustainable agriculture
- **Eligible Social Loan Categories:** Financing SMEs, Third and Public Sector, Healthcare, Sustainability-linked loans for SMEs, Residential Mortgages

PROJECT EVALUATION & SELECTION

- An appointed **Funding ESG Working Group** is in charge of reviewing, monitoring and updating the Eligible Portfolios
- Its scope includes the addition of new Eligible Categories and/or the alignment of the eligibility criteria with the latest best market practices, subject to obtaining an updated Second Party Opinion

MANAGEMENT OF PROCEEDS

- Implementations on internal systems have been made to identify Eligible Loans
- The Funding ESG Working Group will manage the **balance of the Eligible Portfolio with the net proceeds of the Green, Social and Sustainability Bonds** issued under this framework on a portfolio approach

REPORTING

- **The allocation and impact reporting (the “Report”) will be published annually by Banco BPM, on a portfolio approach basis until the Bond maturity**
- Banco BPM will make its Reports available for investors on its website

EXTERNAL REVIEW



- **ISS ESG** has reviewed and **certified the alignment** of the Framework with ICMA's Green Bond Principles, Social Bond Principles or Sustainable Bond Guidelines
- Banco BPM will mandate on annual basis an independent auditor in order **to verify the compliance of the Eligible Portfolio** with the Framework **and the reporting metrics** as published in the annual Report



Green, Social & Sustainability Bonds Framework: Use of Proceeds

Eligible Green Loans categories		Eligibility Criteria	
		For assets aligned with the Substantial Contribution Criteria of the EU Taxonomy	For assets aligned with other green Eligibility Criteria
Green Buildings	Residential	<ul style="list-style-type: none"> Renovation of existing buildings (7.2) Acquisition and ownership of buildings (7.7) 	<ul style="list-style-type: none"> Renovation of existing buildings Acquisition and ownership of buildings New construction
	Commercial	<ul style="list-style-type: none"> New construction (7.1) Renovation of existing buildings (7.2) Acquisition and ownership of buildings (7.7) 	<ul style="list-style-type: none"> New construction or acquisition, or renovation and ownership of buildings
Renewable Energies		<ul style="list-style-type: none"> Loans to finance the construction, acquisition, development, and maintenance of facilities generating and/or distributing energy from renewable sources such as: Solar energy (4.1) ; Wind energy (4.3) ; Hydro power (4.5) ; Bio energy (4.8) 	<ul style="list-style-type: none"> Loans to finance the construction, acquisition, development, and maintenance of facilities generating and/or distributing energy from renewable sources (geothermal energy & electricity transmission and distribution infrastructure)
Manufacture of organic basic chemicals		<ul style="list-style-type: none"> Manufacture of organic basic chemicals (3.14) 	-
Assets aligned with other green Eligibility Criteria			
Energy Efficiency		<ul style="list-style-type: none"> Loans to finance the development and distribution of and/or upgrades to equipment or technology such as smart grid, district heating and cooling, energy storage for low carbon energy, LED lighting 	
Pollution Prevention and Control		<ul style="list-style-type: none"> Loans to finance the development, construction, maintenance or consulting and advisory of waste management activities 	
Sustainable Water Infrastructure		<ul style="list-style-type: none"> Loans to finance the development, construction and maintenance of water infrastructures that contribute to GHG emissions savings 	
Low Carbon Transportation		<ul style="list-style-type: none"> Loans financing public land transport and clean transportation loans such as: public transport, electric vehicles, sea and coastal or inland freight or passenger water transport, vessels for port operations 	
Green Guarantee		<ul style="list-style-type: none"> SACE's green guarantee with clear eligibility criteria 	
Sustainable agriculture		<ul style="list-style-type: none"> Loans to finance sustainable agriculture project 	

Green, Social & Sustainability Bonds Framework: Use of Proceeds

Banco BPM intends to align some of the eligible green categories with **the EU Taxonomy**. **Some parts of the following Eligible Green Loans categories** will be aligned with the **Substantial Contribution Criteria (SCC)** to Climate Change Mitigation, the **Do No Significant Harm (DNSH)** criteria and the **Minimum Social Safeguards (MSS)** criteria.

- Green Residential Buildings
- Green Commercial Buildings
- Renewable Energy (wind, solar, hydropower and bioenergy)
- Manufacture of organic basic chemicals

For following activities, Banco BPM can have two types of eligible loans:

- **Loans aligned with the criteria (SCC, DNSH, MSS) of the EU Taxonomy Climate Change Mitigation** objective:
 - 3.14 Manufacture of organic basic chemicals
 - 4.1 Electricity generation using solar photovoltaic technology
 - 4.3 Electricity generation from wind power
 - 4.5 Electricity generation from hydropower
 - 4.8 Electricity generation from bioenergy
 - 7.1 Construction of new buildings
 - 7.2 Renovation of existing buildings
 - 7.7 Acquisition and ownership of buildings
- Loans aligned only with the **Substantial Contribution Criteria** of the EU taxonomy or with **Other Green Eligibility Criteria**

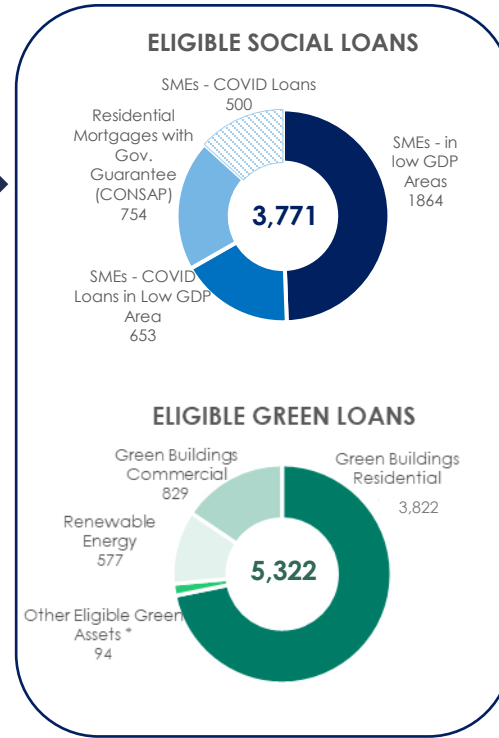
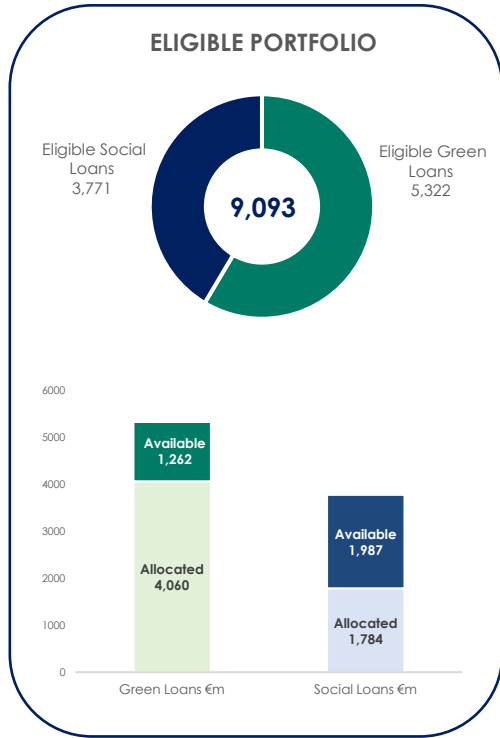
Green, Social & Sustainability Bonds Framework: Use of Proceeds

Eligible Social Loans category	Eligibility Criteria	Target population
SMEs	<ul style="list-style-type: none"> Loans to SMEs: <ul style="list-style-type: none"> located in provinces with a GDP per capita below the national average under the government's Covid-19 borrower guarantee 	<ul style="list-style-type: none"> Maintaining the jobs & creating new jobs for employees working in SMEs
Third and public sector	<ul style="list-style-type: none"> Loans to the third sector & partly state-owned corporates to finance projects with a positive social impact (Education, Healthcare...) 	<ul style="list-style-type: none"> People benefiting from positive socio-economic outcomes (including youth, elderly people & those with disabilities)
Healthcare	<ul style="list-style-type: none"> Loans to finance the construction/ development/ renovation of activities in the healthcare sector 	<ul style="list-style-type: none"> Aiming to benefit all
Sustainability-Linked Loans	<ul style="list-style-type: none"> Sustainability-Linked Loans to SMEs with common guidelines 	<ul style="list-style-type: none"> Aiming to benefit all (but focus on those working in SMEs)
Residential Mortgages	<ul style="list-style-type: none"> Residential Mortgages granted to disadvantaged people with government guarantee to help access to housing (1) 	<ul style="list-style-type: none"> People with an ISEE under a certain threshold; People with age under 36 years; Lone parents; People who live in a social house; Married couples (at least two years of marriage) with one of them with age under 36 years.

(1) See Consap website [Fondo prima casa](#)

GSS Bonds Framework – Eligible Green & Social Portfolio as at 31/12/2024

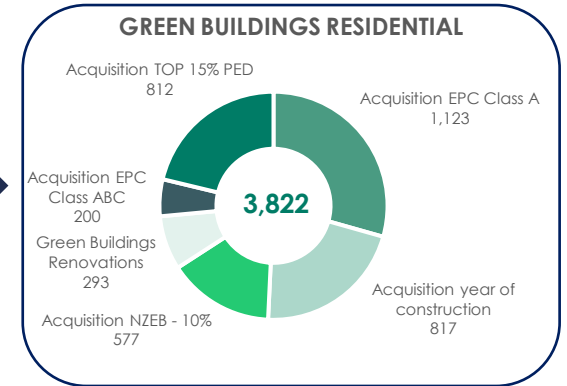
Data as at 31 December 2024, in € m



The total amount of eligible assets under the Green, Social & Sustainability Bonds Framework amounted to ~€9bn as of 31/12/24, of which:

- €5.3bn of Eligible Green Loans
- €3.8bn of Eligible Social Loans

With the 9 outstanding issuances proceeds are allocated to green and social assets for ~€5.8bn.



* Other Eligible Green Assets: Manufacture of Organic Basic Chemicals (€48mln), Energy Efficiency (€22 mln), Low Carbon transportation (€24 mln)

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