

## GREEN COVERED BOND

February, 2022

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# AGENDA



- ① Green Social Sustainability Bonds Framework (July 21)
- ① Green Eligible Portfolio

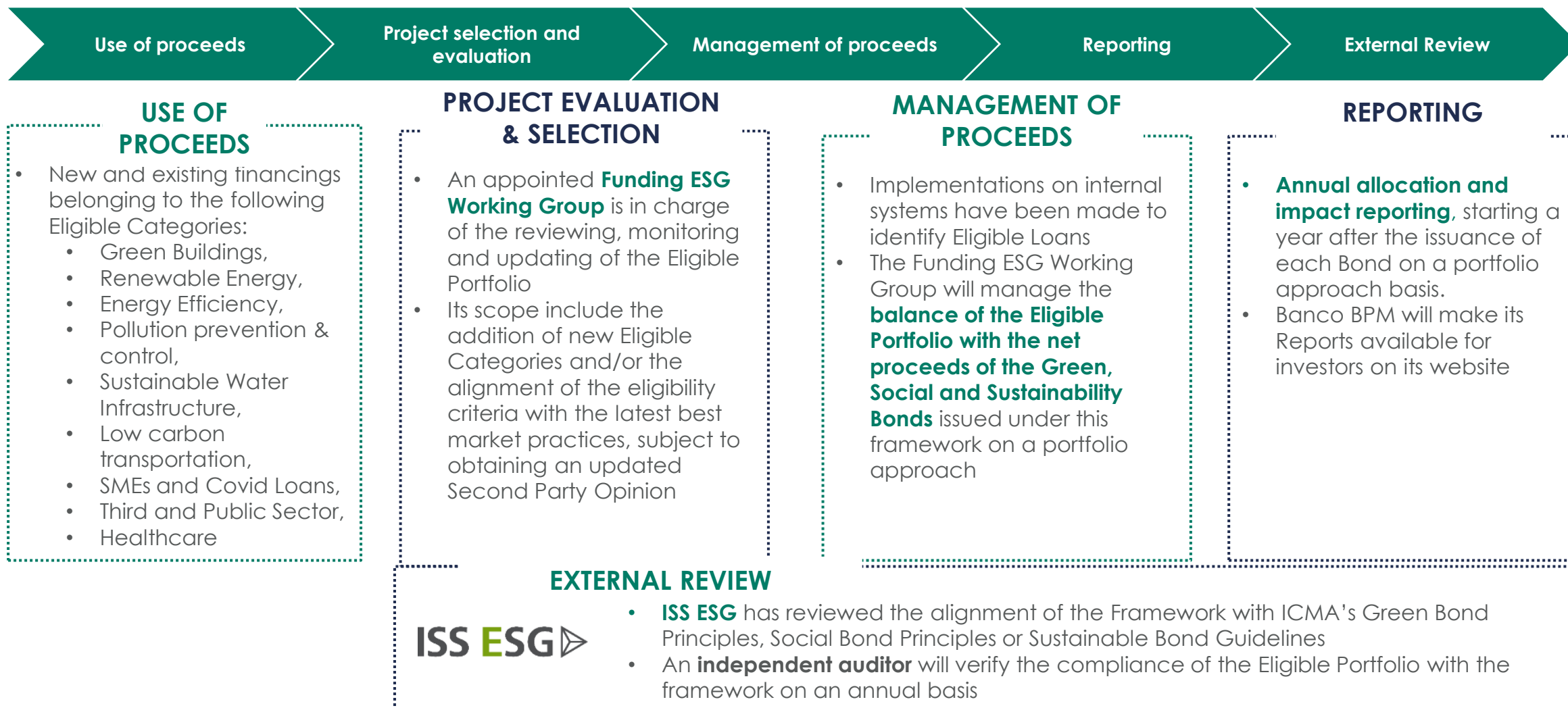
# GREEN SOCIAL SUSTAINABILITY BONDS FRAMEWORK



- ⑦ The development of the Green, Social and Sustainability Bonds Framework published in July 2021 is fully complementary with Banco BPM commitment and strategy to **address climate change** and to **provide a positive social outcome** in its business conduct.
- ⑦ In building up its framework, Banco BPM has mandated CRIF Real Estate Services (CRIF) to provide a technical analysis on the Italian residential market, **with the aim to establish a reference framework for the Italian Green Bond market**, and to **position Banco BPM Green Mortgage loan portfolio selection at the very best market practices**
- ⑦ 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**
- ⑦ The Framework is structured accordingly to the **Green Bond Principles 2021**, the **Social Bond Principles 2021** and the **Sustainability Bond Guidelines 2021**
  - ⑦ **Eligible Green Loans** financed by Banco BPM are expected to create substantial environmental benefits by enabling significant reduction in GHG emissions and energy consumption
  - ⑦ **Eligible Social Loans** financed by Banco BPM are expected to support employment generation, access to essential services (e.g. education, health, ...) and affordable basic infrastructure (e.g. transport) and support socioeconomic advancement and empowerment



# GREEN SOCIAL SUSTAINABILITY BONDS FRAMEWORK



# USE OF PROCEEDS



## Residential Green Buildings

- Acquisition of new or existing residential housing aligned with current environmental regulation and belonging to the **top 15% in Italy of the most carbon efficient buildings (kg CO<sub>2</sub>e/sqm)\***
- Renovation of buildings if the renovation works produce the improvement of at least two energy classes, or a **Global Non-renewable Energy Performance Index (EP gl, nren) at least 30% lower than that resulting from the pre-works EPC.**



## Commercial Green Buildings

- Acquisition and construction of commercial buildings:
  - belonging to the **top 15% in Italy of the most carbon efficient buildings** (kg CO<sub>2</sub>e/sqm)
  - with LEED (Gold), BREAM (Very Good), HQE ("Excellent") or other international **green building certifications**
- Renovation which achieved an **energy efficiency improvement of 30%** of energy savings



## Renewable Energies

- Construction, acquisition, development and maintenance of facilities generating and/or distributing energy from renewable sources such as: **wind energy (i), solar energy (ii), hydro power (iii), bio energy (iv), geothermal energy (v), electricity transmission and distribution infrastructure (vi)**



## Energy Efficiency

- Development and distribution of and/or upgrades to equipment or technology such as: **smart grid, district heating and cooling, energy storage, and Efficient LED lighting appliances and systems**



## Pollution prevention and control

- Development, construction and maintenance of **waste management activities** contributing to GHG emissions reduction of intensive waste treatment systems (**waste prevention, waste reduction and waste recycling**)



\*The definition of the top 15 of the most carbon efficient buildings varies over time and location depending on the energy performance and on the year of construction of existing building stock. The analysis provided by CRIF to the real estate in Italy as of July 2021 in order to specify the eligibility criteria implemented by BBPM, is available at BBPM public website.

# USE OF PROCEEDS



Use of  
proceeds

Project  
selection and  
evaluation

Management  
of proceeds

Reporting

External  
Review

## Sustainable Water Infrastructure

- Development, construction and maintenance of **water infrastructure contributing to GHG emissions savings** through low specific energy consumption in the water collection, treatment and supply system



## Low Carbon Transportation

- Public land transport including infrastructure and non-diesel rolling stock
- Exclusion of fossil fuel transportation
- Commercial and passenger electric vehicles



## SMEs and Covid Loans

- SMEs located in areas with a GDP per capita below national average, and in areas impacted by natural disasters, emergency
- SMEs with the Government Guarantee due to the Covid – 19 global pandemic



## Third and Public Sector

- Companies of the third and public sector dedicated to financing projects with positive social impact in the following sectors: **healthcare and scientific research, education, clean transportation and environmental protection, art and culture, solidarity and social activities, and fair trade**



## Healthcare

- Development, construction, maintenance or renovation of activities that **strengthen the capacity of free or subsidized healthcare**, and **early warning, risk reduction and management of health crises**





# PROJECT SELECTION



Use of  
proceeds

Project  
selection and  
evaluation

Management  
of proceeds

Reporting

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Review

## Funding ESG Working Group

- Constituted of participants from **Business Departments**, the **Funding and Capital Management** team, **Risk Management** team, **Sustainability**, the **Investor relation** department and the **Energy Manager**
- Review and approve the portfolio of loans proposed by the Business Department
- Will oversee any future updates of the current Framework including the addition of new Eligible Categories and/or the alignment of the eligibility criteria with the latest best market practices; and obtaining an updated Second Party Opinion.

## Excluded Activities

- Investment connected to:
  - ☐ fossil fuel,
  - ☐ nuclear power generation,
  - ☐ armament sector
- SMEs connected with the sector of:
  - ☐ armaments,
  - ☐ tobacco,
  - ☐ gambling

### Second Party Opinion:

“**ISS ESG** finds that the Process for Evaluation and Project Selection description provided by Banco BPM aligns with the GBPs, SBPs and SBGs. Various departments are involved in the Project Evaluation and Selection Process, thanks to an appropriate Working Group. Additionally, a quality check of the loan data is conducted on a regular basis to ensure compliance with the Green, Social and Sustainability Bond Framework.”

# MANAGEMENT OF PROCEEDS



## Banco BPM Intentions

- Implementations have been made on **internal systems to identify Eligible Loans**
- Balance the Eligible Portfolio with the net proceeds of the Green, Social and Sustainability Bonds on a **portfolio approach**
- Banco BPM will make every effort to ensure that the **aggregated nominal value of Green/Social Eligible Loans exceeds the aggregated nominal value of all outstanding Green/Social/Sustainability Bonds** at any time until the maturity of all outstanding Green/Social /Sustainability Bonds
- Until full allocation, the **proceeds** of the Bonds will be **kept in Banco BPM's own treasury**, invested in the form of cash or cash equivalent and in accordance with the Treasury special policy.

### Second Party Opinion:

"ISS ESG finds that the Management of Proceeds description provided by Banco BPM aligns with the GBPs, SBPs and SBGs. Earmarking is ensured and Intended types of temporary investment instruments for unallocated proceeds are disclosed. However, no ESG criteria for unallocated proceeds have been put in place."

# REPORTING



## Allocation Reporting

- Until full allocation, Banco BPM will publish an annual report on:
  - ❑ Breakdown of the Eligible Portfolio per Eligible Green/Social categories to which the outstanding Bonds are allocated
  - ❑ Share of financing and refinancing (in %) of the Eligible Portfolio as of the date of the Bonds issuance
  - ❑ Geographical split of the Eligible Portfolio
  - ❑ Amount of unallocated proceeds, if any

## Second Party Opinion:

“ISS ESG finds that the Reporting description is aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Principles.”

## Impact Reporting

- Banco BPM will provide some aggregated output and impact metrics such as:
  - ❑ Breakdown per EPC level and/or external certification and/or per year of construction
  - ❑ Energy savings or energy performance level reached after refurbishment
  - ❑ Expected annual renewable energy generation (MWh/y)
  - ❑ Expected quantity of waste treated, recycled(tones/year)
  - ❑ Expected quantity of water supplied, stored (m3/year)
  - ❑ Estimated annual GHG emissions reduced/avoided (in tons of CO2e)
  - ❑ Estimated number of beneficiaries per year (for Eligible Social Loans)

# EXTERNAL REVIEW



## Highlights from ISS ESG's Second Party Opinion

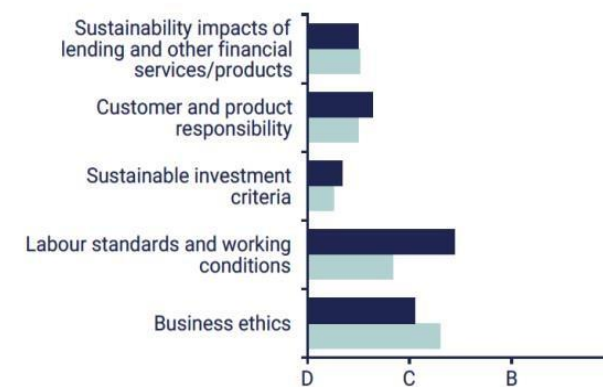
Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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- “The financial sector can provide solutions to global sustainability challenges by offering financial services with a green and/or social value. Banco BPM offers financing for renewable energy projects, energy efficiency and eco-efficient houses and also financial services for female entrepreneurs. In 2020, the group's clients held ESG/SRI products worth EUR 3.5 billion.”

COMPANY	SECTOR	RATING	DECILE RANK	TRANSPARENCY
BANCO BPM	COMMERCIAL BANKS AND CAPITAL MARKETS	C-	3	LEVEL HIGH

## Key Issue Performance



Legend: Industry (Light Blue) Company (Dark Blue)



# AGENDA



## Green Eligible Portfolio

# FOCUS ON THE RESIDENTIAL BUILDING LOANS PORTFOLIO



- ② The methodology focuses on the identification of the portfolio's eligible residential buildings based on **Climate Bonds Initiative (CBI) Taxonomy**.
- ② **The best-in-class approach is implemented by benchmarking the top 15%\* of the existing national stock using the EPC labelling scheme as a proxy.**
- ② Thus, CRIF has applied the following criteria to identify the eligible dwellings complying with the best-in-class approach **within Banco BPM OBG 2 Portfolio**.

## Criterion 1

**Residential Buildings with EPC labels: A+\*, A, B or C**

*\*A4, A3, A2, A1, A+*

### CRIF Rationale

- ② The Italian most important database on buildings' energy performance (SIAPE) confirms that EPC labels A+, A, B and C represent 13.1% of the existing residential stock, complying with the top 15% best-in class approach.
- ② The Italian EPC (*Attestato Prestazione Energetica* - APE) is mandatory for rent, acquisition, construction of new buildings, energy renovation and real estate ads.

## Criterion 2

**For buildings without EPC, new constructions built since 2016 (and until end of 2020)\***

*\*a 2.5% haircut over the portfolio identified under this criterion is applied*

### CRIF Rationale

- ② According to SIAPE database, 98.3% of residential properties built after 1st of January 2016 have an EPC A+, A, B and C.
- ② The energy performance of the Italian new buildings increases over time, in line with national regulations (e.g. the Ministerial Decree 26/06/2015) and European energy efficiency targets.

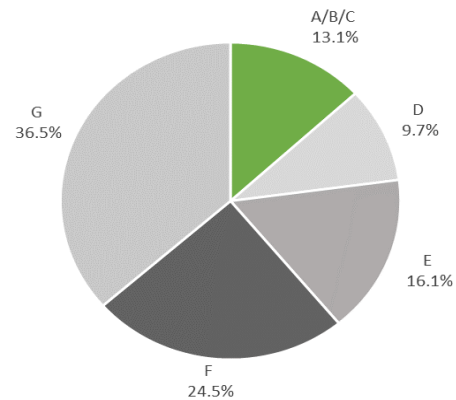
\* The top 15% is one of the technical screening criteria of the European Taxonomy for the acquisition and ownership of buildings for buildings built before 31 December 2020.

# FOCUS ON THE RESIDENTIAL BUILDING LOANS PORTFOLIO



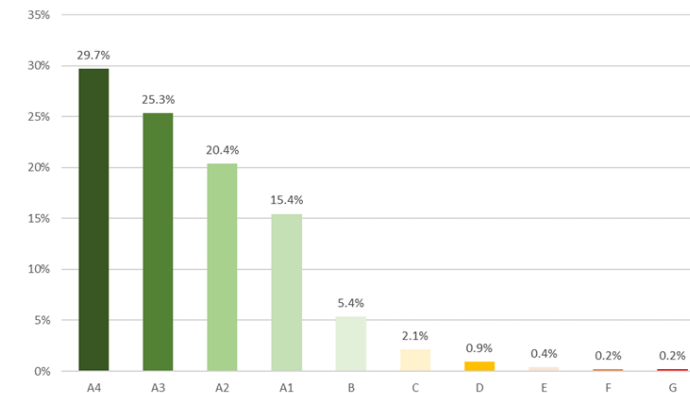
## Criterion 1

Distribution of residential buildings' EPCs according to SIAPE data  
*CRIF elaboration*

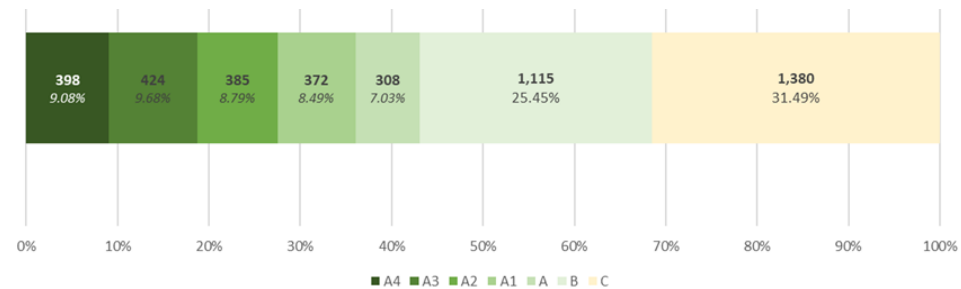


## Criterion 2

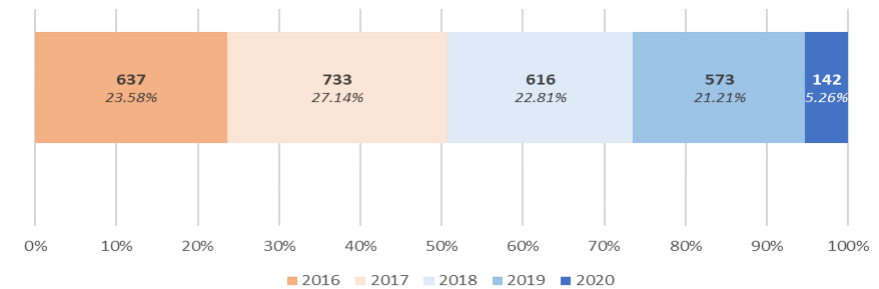
Distribution of new residential buildings' EPCs according to SIAPE data (2016-2020)  
*CRIF elaboration*



Example of distribution of residential EPCs for eligible buildings of Banco BPM portfolio - *CRIF elaboration*





Example of distribution of new eligible residential buildings in the Banco BPM Portfolio - *CRIF elaboration*



# GREEN COVERED BOND



- ② The bond proceeds will be allocated to finance or refinance a portfolio of green mortgages identified by Banco BPM in February 2022.
- ② Banco BPM after implementing EE data of buildings guaranteeing mortgages loan, identified a portfolio of green residential mortgages of around EUR 2.8 bln, out of which it has selected a portfolio eligible for the Covered Bond trade of around EUR 1.2 bln.

Eligible Green Loans categories		Eligibility Criteria
Green Buildings	Residential	 Loans to finance acquisition of new or existing residential housing aligned with current environmental regulation and belonging to the top 15% in Italy of the most carbon efficient buildings (kg CO2e/sqm) <sup>2</sup>
		 Loans to finance the renovation of buildings if the renovation works produce the improvement of at least two energy classes, or a Global Non-renewable Energy Performance Index (EP gl, nren) at least 30% lower than that resulting from the pre-works EPC.

Eligible Green Portfolio	
Outstanding amount	1.188.617.990
o/w Transferred in the Cover Pool	917.025.686
o/w Transferable in the Cover Pool	271.592.304
Number of loans	9.091
Average Life	21,31 years



Indicative Termsheet	
<b>Issuer:</b>	Banco BPM S.p.A.
<b>Exp. Issue Rating:</b>	Aa3 (Moody's)
<b>Format:</b>	Covered Bond
<b>Maturity:</b>	5-years
<b>Size:</b>	Expected EUR 500 mm
<b>Use of Proceeds:</b>	The net proceeds of the bonds will be allocated to finance and re-finance green mortgages, as defined within the Issuer's Green, Social and Sustainability Bond Framework
<b>Listing:</b>	Luxembourg
<b>Green &amp; Social Structuring Advisor/Global Coordinator:</b>	Crédit Agricole CIB
<b>Joint Bookrunners:</b>	Banca Akros, Commerzbank, Crédit Agricole CIB, Deutsche Bank, Natixis, Santander
<b>Docs:</b>	Eur 10,000,000,000 BPM Covered Bond 2 Base Prospectus dated 1 July as supplemented from time to time
<b>Governing Law:</b>	Italian law

\*The definition of the top 15% of the most carbon efficient buildings varies over time and location depending on the energy performance and on the year of construction of existing building stock. The analysis provided by CRIF to the real estate in Italy as of July 2021 in order to specify the eligibility criteria implemented by BBPM, is available at BBPM public website.



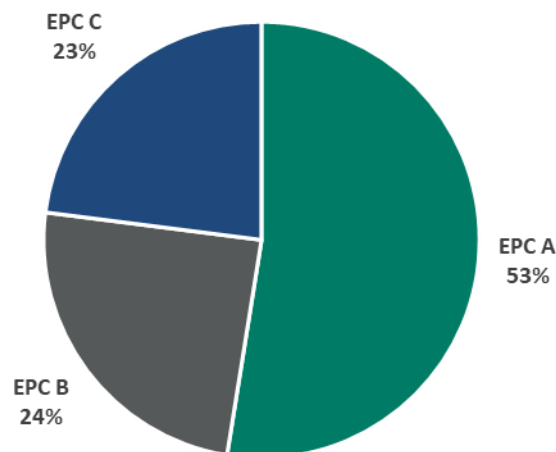
# SELECTED GREEN ELIGIBLE PORTFOLIO – EUR 1.2 bln



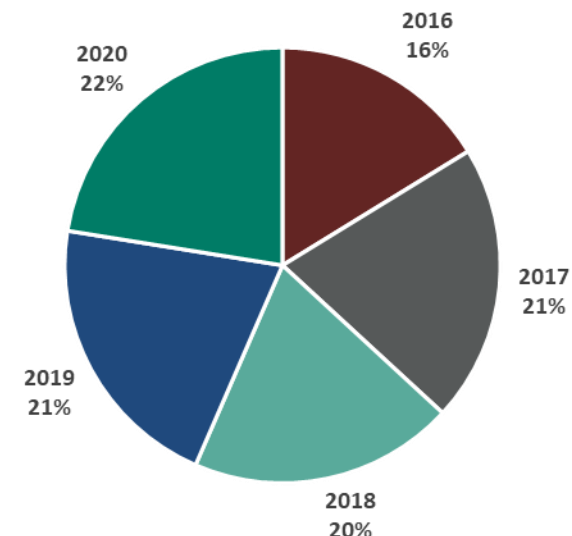
- ② Banco BPM selected the mortgages loans portfolio using the two criteria identified by CRIF RES which are loans to individuals and families for the acquisition of: 1) Residential Buildings with EPC labels: A (A4, A3, A2, A1 and A+), B or C or 2) building without EPC, which are new constructions built between 2016 and 2020.
- ② Mortgages selected with **Criterion 1** represent over 60% of the entire portfolio while Mortgages selected with **Criterion 2** represent around 40% of total Green Eligible Portfolio.

Eligible Green Portfolio	Residual Debt	%
Criterion 1 - EPC A,B,C	730.552.343	61%
Criterion 2 - Year of construction	458.065.647	39%
<b>Total</b>	<b>1.188.617.990</b>	<b>100%</b>

Eligible Green Portfolio  
under Criterion 1



Eligible Green Portfolio  
under Criterion 2



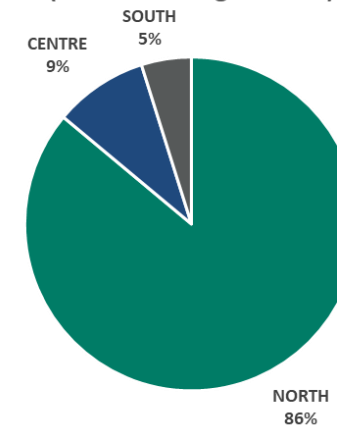
# SELECTED GREEN ELIGIBLE PORTFOLIO – EUR 1.2 bln



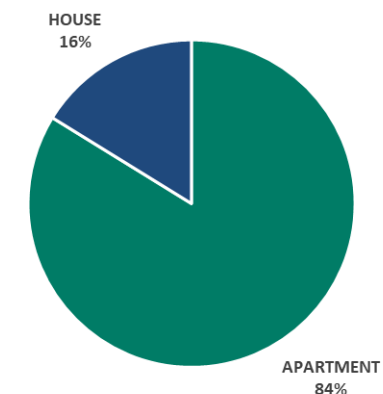
Year of origination	Residual Debt	%
2012	7.596.129	1%
2013	11.153.551	1%
2014	16.070.304	1%
2015	35.167.340	3%
2016	107.294.435	9%
2017	133.386.423	11%
2018	149.846.978	13%
2019	319.452.608	27%
2020	268.995.868	23%
2021	139.654.354	12%
<b>Total</b>	<b>1.188.617.990</b>	<b>100%</b>

Breakdown by Region	Residual Debt	%
LOMBARDIA	638.358.525	54%
VENETO	147.810.258	12%
PIEMONTE	113.181.675	10%
EMILIA ROMAGNA	90.757.827	8%
LAZIO	62.880.842	5%
TOSCANA	40.696.361	3%
SICILIA	23.319.622	2%
TRENTINO ALTO ADIGE	18.613.473	2%
CAMPANIA	11.708.970	1%
PUGLIA	10.079.635	1%
LIGURIA	7.704.288	1%
SARDEGNA	4.919.836	0%
FRIULI VENEZIA GIULIA	4.826.497	0%
ABRUZZO	3.328.690	0%
MOLISE	2.788.966	0%
UMBRIA	2.480.059	0%
MARCHE	2.016.616	0%
VALLE D'AOSTA	1.617.906	0%
BASILICATA	845.727	0%
CALABRIA	682.215	0%
<b>Total</b>	<b>1.188.617.990</b>	<b>100%</b>

Geographic Distribution  
(% outstanding amount)



Breakdown by type of dwelling  
(% outstanding amount)



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# THANK YOU!