



Investor Presentation -Green SNP

June 2023



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Green, Social and Sustainability Bonds Framework



Green, Social and Sustainability Bonds Framework published in July 2021

GREEN, SOCIAL AND SUSTAINABILITY BONDS FRAMEWORK:

- Aligned with the ICMA Principles 2021
 - Positive Second Party Opinion released by ISS 
- The development of a Green, Social and Sustainability Bonds Framework is fully complementary with Banco BPM's commitment and strategy to **address climate change** and to **provide a positive social outcome** in its business conduct
- In setting up its framework, Banco BPM mandated CRIF Real Estate Services to provide a technical analysis of the Italian residential market, **with the aim to establish a reference framework for the Italian Green Bond market** and to **position the selection of Banco BPM's Green Mortgage loan portfolio at the very best market practices**
- 
- 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 is structured according to the **ICMA Green Bond Principles 2021**, **Social Bond Principles 2021** and **Sustainability Bond Guidelines 2021**¹:
 - **Eligible Green Loans** financed by Banco BPM are expected to create substantial environmental benefits by enabling a significant reduction in GHG emissions and energy consumption
 - **Eligible Social Loans** financed by Banco BPM are expected to support employment generation, access to essential services (e.g. education, health, etc.) and affordable basic infrastructure (e.g. transport) and support socioeconomic advancement and empowerment
- 



¹Note: 1. The International Capital Market Association (ICMA) has defined the 2021 Green Bond Principles, the 2021 Social Bond Principles and the 2021 Sustainability Bond Guidelines on which BBPM's Green Social Sustainability Bonds Framework is built.

Green, Social and Sustainability Bonds Framework: Detailed description

USE OF PROCEEDS

- New and existing financings belonging to the following **Eligible Categories**:
 - Green Buildings
 - Renewable Energy
 - Energy Efficiency
 - Pollution prevention & control
 - Sustainable Water Infrastructure
 - Low carbon transportation
 - SMEs and Covid Loans
 - Third and Public Sector
 - Healthcare

PROJECT EVALUATION & SELECTION

- Appointed **Funding ESG Working Group** in charge of reviewing, monitoring and updating the Eligible Portfolio
- Scope of work includes monitoring the Eligible Portfolio and updating the Framework (including new Eligible Categories or update of eligibility criteria) in alignment to the latest best market practice, which could include obtaining updated Second Party Opinion

MANAGEMENT OF PROCEEDS

- Implementation of internal systems has been made to identify **Eligible Loans**
- The Working Group 'Funding ESG' manages 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

- **Annual allocation and impact reporting**, starting a year after the issuance of each Bond on a portfolio approach basis.
- Banco BPM makes its Reports available for stakeholders on its website

EXTERNAL REVIEW



- **ISS ESG** reviewed the alignment of the Framework with ICMA²'s Green Bond Principles / Social Bond Principles / Sustainable Bond Guidelines
- An **independent auditor** verifies the compliance of the Eligible Portfolio with the framework on an annual basis

²Note: 1. The International Capital Market Association (ICMA) has defined the 2021 Green Bond Principles, the 2021 Social Bond Principles and the 2021 Sustainability Bond Guidelines on which BBPM's Green Social Sustainability Bonds Framework is built.

Green, Social and Sustainability Bonds Framework: Use of proceeds (1/3)



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 CO₂e/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 CO₂e/sqm)²**
 - 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**



Green, Social and Sustainability Bonds Framework: Use of proceeds (2/3)



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**)



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



Green, Social and Sustainability Bonds Framework: Use of proceeds (3/3)



SMEs³ 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

Target population: people working in SMEs to maintain jobs and create capacity for new jobs



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**

Target population: people benefitting from positive socio economic outcomes, in priority in sensitive areas, and in priority to youth, elderly and people with disabilities



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**

Target population: aiming at benefitting to all



³Small-Medium Enterprises as defined by the European Commission:

- <250 employees
- ≤EUR50m turnover or ≤EUR 43m total balance sheet

Green, Social and Sustainability Bonds Framework: Project selection



Funding ESG Working Group

- Constituted of participants from **Business Departments**, the **Funding and Capital Management** team, **Risk Management** team, **Sustainability** team, the **Investor relation** department and the **Energy Manager**
- Reviews and approves 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

- Investments connected to:
 - ☐ fossil fuel
 - ☐ nuclear power generation
 - ☐ armament sector
- SMEs connected with the following sectors:
 - ☐ 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 Bonds Framework."

Green, Social and Sustainability Bonds Framework: Management of proceeds



Banco BPM actions

- Implementations have been made on **internal systems and processes to identify Eligible Loans** (Green Mortgages, eligible Renewable Energy Projects, ...)
- Banco BPM will ensure the 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 are **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."

Green, Social and Sustainability Bonds Framework: 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 Guidelines. The issuer has stated clear commitment for the allocation reporting and environmental impact metrics indicators have been set for each use of proceed categories, reflecting best market practices"

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)
- Banco BPM published the first Green, Social & Sustainability Bond Reporting last July 2022. Please see the report at https://gruppo.bancobpm.it/media/dlm_uploads/GreenSocialSustainabilityBonds_2022.pdf

Green, Social and Sustainability Bonds Framework: External review



Highlights from ISS ESG's Second Party Opinion



Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
<ul style="list-style-type: none">• Banco BPM offers financing for renewable energy projects, energy efficiency & eco-efficient houses and also financial services for female entrepreneurs.			<div><div><div>7 AFFORDABLE AND CLEAN ENERGY</div></div><div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div><div><div>13 CLIMATE ACTION</div></div></div> <div><div><div>3 GOOD HEALTH AND WELL-BEING</div></div><div><div>4 QUALITY EDUCATION</div></div><div><div>6 CLEAN WATER AND SANITATION</div></div><div><div>7 AFFORDABLE AND CLEAN ENERGY</div></div><div><div>8 DECENT WORK AND ECONOMIC GROWTH</div></div><div><div>10 REDUCED INEQUALITIES</div></div><div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div><div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>13 CLIMATE ACTION</div></div></div>	
SPO Section	ISS Evaluation			
Framework's link to issuer's sustainability strategy	Consistent with issuer's sustainability strategy			
Alignment with GBPs, SBPs and SBGs	Positive			
Sustainability quality of the asset pool and eligible Categories	Positive			

Green Loans: focus on the residential building loans portfolio (1/4)

TOP 15% using EPC labelling scheme

- CRIF methodology on the identification of the portfolio's eligible residential buildings is based on **Climate Bonds Initiative (CBI) Taxonomy**. CRIF has also developed a methodology that is aligned with the criteria of the EU taxonomy.
- 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.**
- Thus, CRIF has applied the following criteria to identify the eligible dwellings complying with the best-in-class approach.

Criterion 1

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

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

CRIF Rationale

- The Italian most important database on buildings' energy performance (SIAPE) confirms that EPC labels A+, A, B and C represent 16.8% of the existing residential stock, complying with the top 15% best-in-class approach. The C label straddles the top 15% of the national distribution of EPC labels. In this case, the thresholds on Primary Energy Demand (PED) are used to assess the eligibility of the building for green financing. These thresholds have been defined by CRIF-CTI following the EU taxonomy, which sets technical criteria for sustainable activities.
- 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

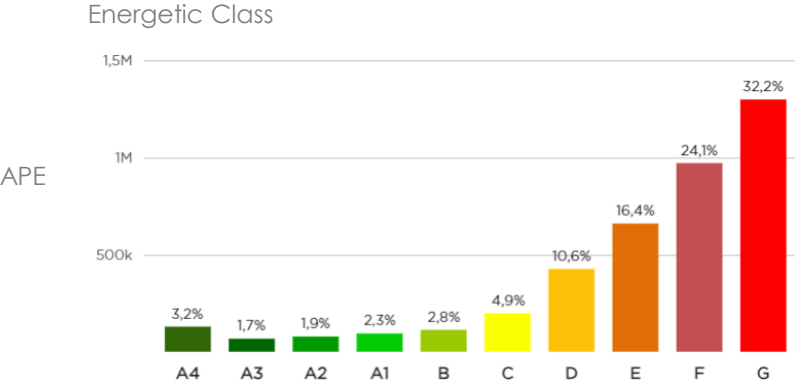
- According to SIAPE database, 98.3% of residential properties built after 1st of January 2016 have an EPC of A+, A, B and C.
- The energy performance of the Italian new buildings increases over time, in line with national regulations (e.g. the Ministerial Decree 26/06/2015) and European energy efficiency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

1. The top 15% is one of the technical screening criteria of the European Taxonomy for the acquisition and ownership regarding buildings built before 31 December 2020. This criteria has been used for mortgages already in the Use of Proceeds of bonds issues.

Green Loans: focus on the residential building loans portfolio (2/4)

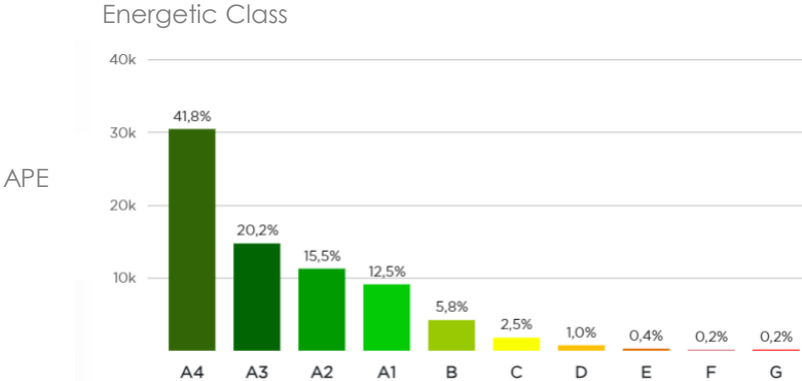
Criterion 1

Distribution of residential buildings' EPCs according to SIAPE data



Criterion 2

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



Green Loans: focus on the residential building loans portfolio (3/4)

TOP 15% using Primary Energy Demand



In the following slide is reported the CRIF methodology to implement the Substantial Contribution Criteria of the Delegated Acts of Regulation (EU) 2020/852 (EU Taxonomy), related to the Acquisition and ownership of buildings. In particular, the methodology focuses on the requirement related to the “the top 15%” of the national or regional building stock expressed as operational Primary Energy Demand (PED) and the threshold of the NZEB – 10% criterion.

Criterion 3

Top 15% most energy efficient buildings (PED)

To identify the energy performance “threshold” below which a building can be considered to be part of the subset of the top 15% most energy efficient buildings of a specific set of buildings CRIF follows this steps:

- Calculate the percentage of EPCs that meet the following criteria
- Analyse the percentiles, from which it is then possible to identify the energy class in which the 15% of EPCs fall
- Identify the average values for each class and the boundaries between classes
- Calculate the EP value corresponding to the 15% threshold

Criterion 4

NZEB – 10%

To identify the energy performance “threshold” below which a building can be considered to be part of the subset of buildings having a performance that is 10% better than the set of so-called “NZEBs” (nearly Zero-Energy Buildings), which in turn can be identified as a subset of the national or regional building stock.

The verification that a building has all the characteristics to be called NZEB is something that requires a series of data in terms of performance parameters and indexes, and possibly other information that is not all available and stored in SIAPE.

Instead, the EPC clearly and explicitly specifies whether a building is an NZEB or not

Green Loans: focus on the residential building loans portfolio (4/4)

Definition of climatic zones



Key: GG= Degree for day

- Area A
GG ≤ 600 (Lampedusa, Porto Empedocle)
- Area B
601 ≤ GG ≤ 900 (Agrigento, Reggio Calabria, Messina, Trapani)
- Area C
901 ≤ GG ≤ 1400 (Napoli, Imperia, Taranto, Cagliari)
- Area D
1401 ≤ GG ≤ 2100 (Firenze, Foggia, Roma, Ancona, Oristano)
- Area E
2101 ≤ GG ≤ 3000 (Aosta, Torino, Milano, Bologna; L'Aquila)
- Area F
GG ≥ 3001 (Belluno, Cuneo)

The threshold that identify the green share of the Italian building stock differs according to the year of construction of the property, the climatic zone and intended use.

As you can see on the map, Italy is currently divided into six climatic zones, ranging from climatic zone A (the hottest) to climatic zone F (the coldest). The subdivision into climatic zones is carried out on a municipality level, based on degree days. This means that for every Italian municipality, the degree days are calculated, and a climatic zone assigned.

The thresholds established in order to identify the top 15% PED or NZEB-10% vary for each climatic zone. In the table are described the identified threshold of Residential properties classified for climate zone, year of construction and classification criterion (Top 15% - Ped and NZEB – 10%)

Residential properties			Climate zone					
			A	B	C	D	E	F
Type of threshold	Year of construction	Label A						
	<=2020	TOP 15% - PED	65	65	70	75	100	105
	>2020	NZEB - 10%	45	45	50	55	70	70

Green and Social issuances from Banco BPM

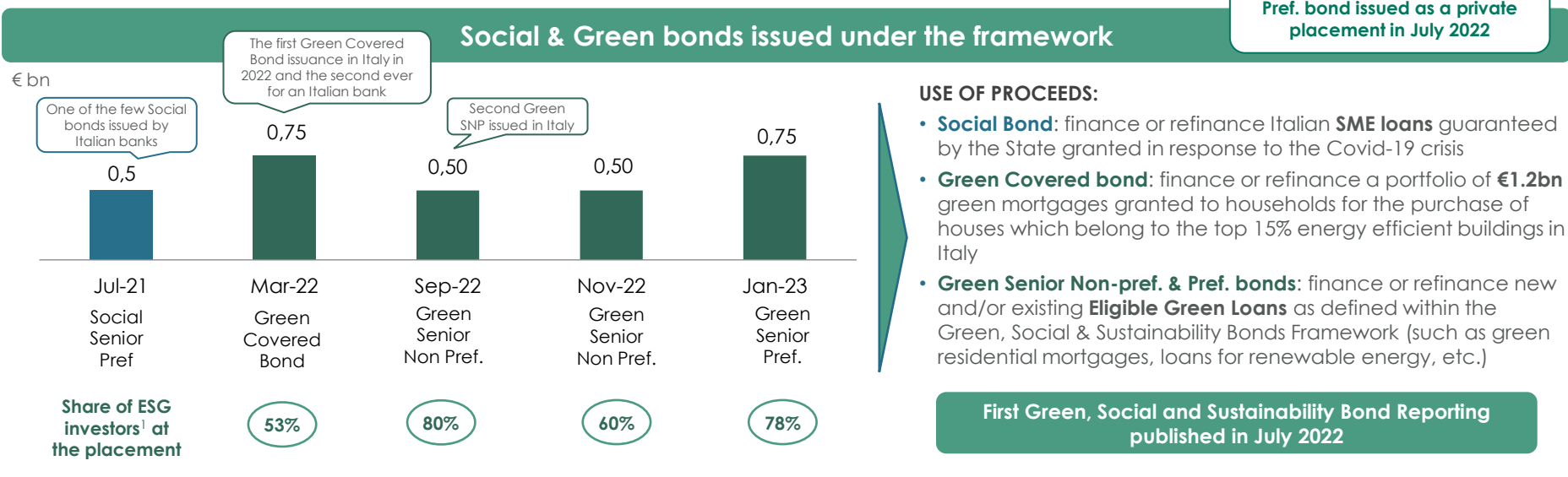


Banco BPM #1 Green bond issuer among Italian banks in 2022

SIGNIFICANT ISSUANCE ACTIVITY OF SOCIAL & GREEN BONDS:

- **€3.3bn Social & Green bonds issued in the period 2021-Jan. 2023** (o/w **€3.0bn** under the **Green Social & Sustainability Bonds Framework**), already above the target for 2021-2024

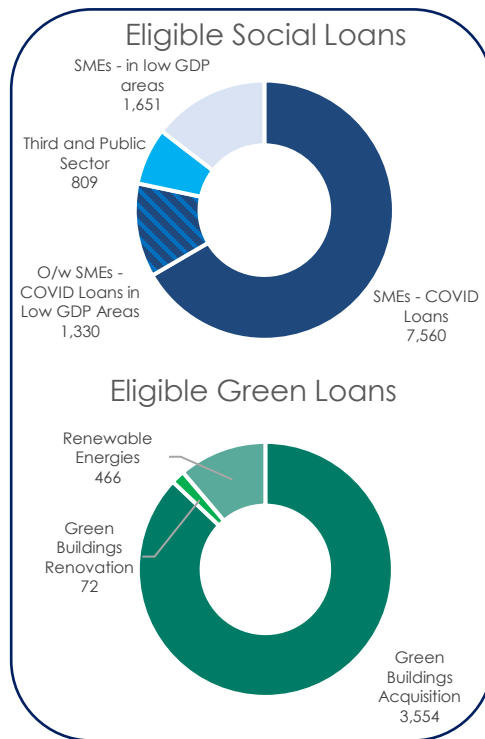
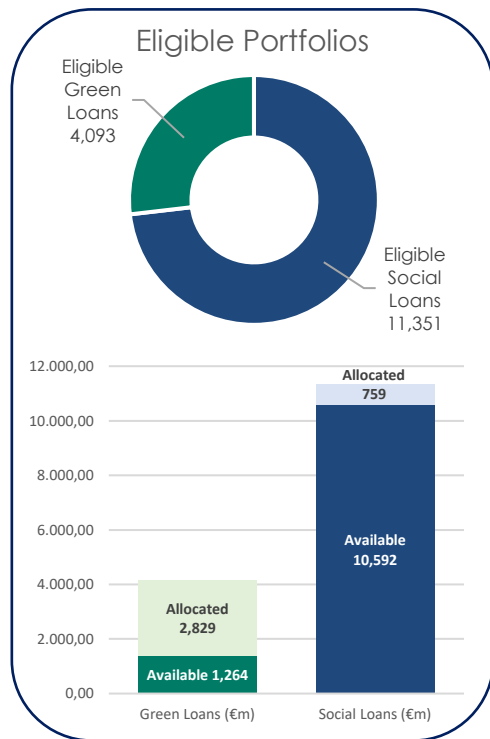
Additional €300m Green Senior Pref. bond issued as a private placement in July 2022



Eligible Portfolios

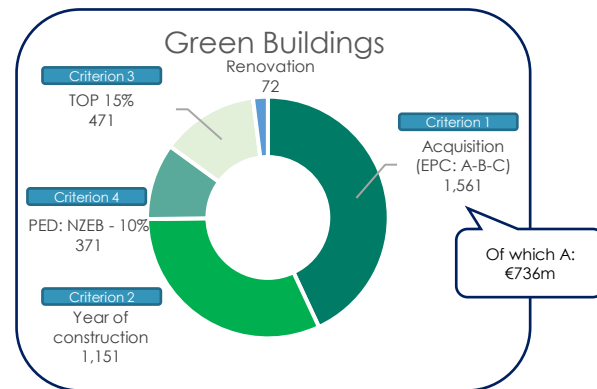


GSS Bonds Framework – Eligible Assets



Here the total amount of eligible assets under the current Green, Social & Sustainability Bonds Framework is presented. As at **31 March 2023**, Banco BPM's total eligible portfolio amounted to about **€15.4bn** of which **€4.1bn** consisting of **Eligible Green Loans** and approximately **€11.4 bn of Eligible Social Loans**.

With the 5 outstanding issues, green and social assets are allocated for more than **€3 bn**.



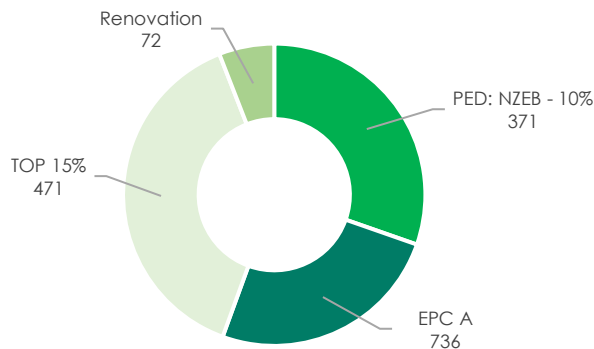
Data in million of euros

Focus on Eligible Green Loans – Green Residential Buildings (Green Mortgages)

Green Building Residential categories	Outstanding amount (€m)	Average ticket size (€k)	# Loans	o/w Allocated (€m)
Buildings Acquisition (year of construction<2021 EPC: A-B-C). Of which EPC A 736m	1,561	133	11,707	1,253
Buildings Acquisition (year of construction 2016-2020)	1,151	141	8,173	1,151
Buildings Acquisition (year of construction>=2021 PED: NZEB - 10%)	371	187	1,984	0
Buildings Acquisition (year of construction<2020 TOP 15% PED)	471	129	3,644	0
Renovation of Buildings	72	189	383	0
Green Building Residential	3,626	943	25,891	2,404



EU Taxonomy criteria



Banco BPM finalized the implementations in order to align the criteria to identify Green Residential Buildings with the SCC established by the EU Taxonomy. The criteria include:

- ❖ Mortgages for the purchase of buildings built before 1.1.2021, which have EPC label "A" or is in the top 15% in terms of energy consumed (Primary Energy Demand-PED)
- ❖ Mortgages for the purchase of buildings built after 1.1.2021, which have an energy consumption (Primary Energy Demand-PED) at least 10% lower than a NZEB building
- ❖ Mortgages for the renovation of buildings that achieve the energy saving target of at least 30% (alternatively the improvement of at least two EPC labels).

According with market practice Banco BPM will keep the previous classification for the assets already allocated in the Use of Proceeds of 4 green bonds issued, which in our case includes mortgages falling into the following categories:

- ❖ Mortgages for the purchase of houses with an energy class (EPC) A, B or C;
- ❖ Mortgages for the purchase of houses (if an EPC is not available) with were built between 2016 and 2020.

Data in million of euros

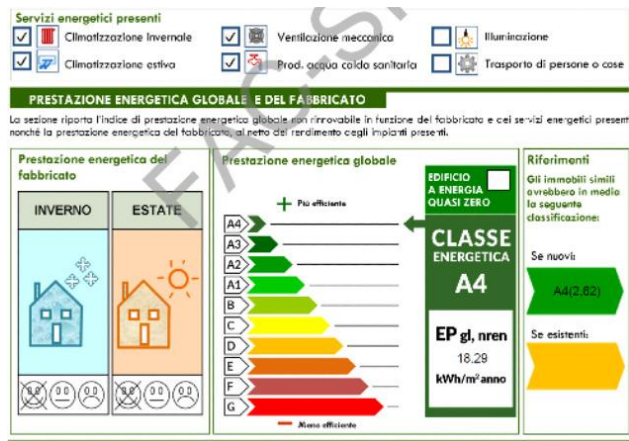
Eligible Green Loans – Green Residential Buildings (example)

In January 2021 the borrower applied for a € 350,000 mortgage to purchase a new house built in 2020 and located in Lombardy in a small town north of the city of Milan.

The building is a terraced house of around 200 m².

The electricity used for the management of the house is produced by solar photovoltaic panels on the roof and provided by the electricity grid. There is an electrical heat pump system to warm the house during winter and cool the rooms during summer.

Thanks to low energy consumption together with self production of energy with solar panels the calculated EPC level is (A4), the highest EPC class with an estimated energy consumption (EP_{gl, nren}) of 18.29 kWh/m² year and CO₂ equivalent of 4.06 kg/m² year.

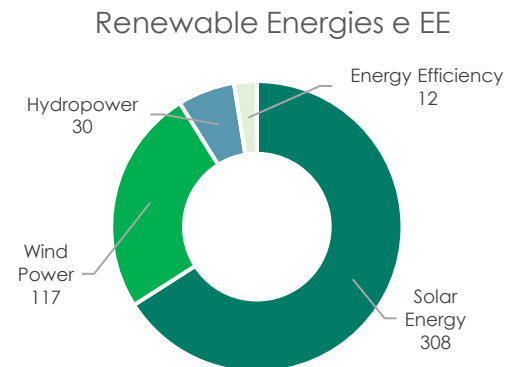


Prestazioni energetiche degli impianti e stima dei consumi di energia

FONTI ENERGETICHE UTILIZZATE		Quantità annua consumata in uso standard (specificare unità di misura)	Indici di prestazione energetica globali ed emissioni
<input checked="" type="checkbox"/>	Energia elettrica da rete	1200.50 kWh	Indice della prestazione energetica non rinnovabile EP _{gl,nren} kWh/m ² anno 18.29
<input type="checkbox"/>	Gas naturale		
<input type="checkbox"/>	GPL		
<input type="checkbox"/>	Carbone		
<input type="checkbox"/>	Gasolio e Olio combustibile		
<input type="checkbox"/>	Biomasse solide		Indice della prestazione energetica rinnovabile EP _{gl,ren} kWh/m ² anno 37.91
<input type="checkbox"/>	Biomasse liquide		
<input type="checkbox"/>	Biomasse gassose		
<input checked="" type="checkbox"/>	Solare fotovoltaico	25/1.86 kWh	
<input type="checkbox"/>	Solare termico		
<input type="checkbox"/>	Eolico		Emissioni di CO ₂ kg/m ² anno 4.06
<input type="checkbox"/>	Teleriscaldamento		
<input type="checkbox"/>	Teleraffrescamento		
<input checked="" type="checkbox"/>	Altro (specificare) pompe di calore	3629.90 kWh	

Eligible Green Loans – Renewable Energies e Energy Efficiency

Green Portfolio categories	Outstanding amount (€m)	# Projects	# Loans	o/w Allocated (€m)
Solar Energy	308	15	78	308
Wind Power	117	8	14	117
Hydropower	30	4	22	0
Energy Efficiency	12	1	5	0
Total Renewable Energies and Energy Efficiency	466	28	119	425



During the past year, some of the projects financed by the bank were analyzed and 28 projects were identified to finance initiatives in the renewable energy sector (solar, wind and hydroelectric energy), which meet the eligibility criteria of the Framework, as well as a construction of a district heating system which potentially falls into the «Energy Efficiency».

Of the 28 just mentioned, 22 photovoltaic and wind projects were refinanced with the issues of 3 Green Bonds made in the period 2022-23. From the documentary analysis that we carried out, it emerged that the projects have around 600 solar and wind energy plants.

Data in million of euros

Eligible Green Loans – Renewable Energies (example)

WINDROSE HOLDING SRL



Plant type: wind and photovoltaic plants

Characteristics:

- 4 wind plants – for a total production of 114.6 MW
- 3 photovoltaic plants - for a total of 3 MW

Location (Italy):

- Region of Puglia and Molise (wind plants)
- Region of Marche (photovoltaic plants)

Scope of the financing: refinancing of the debt and revamping of the plants

Amount: EUR 27 m

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