

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green, Social and Sustainability Bonds framework

Banco BPM
5 July 2021

VERIFICATION PARAMETERS

| | |
|-------------------------------------|--|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">• Green, Social and Sustainability Bonds |
| Relevant standards | <ul style="list-style-type: none">• ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines |
| Scope of verification | <ul style="list-style-type: none">• Banco BPM Green, Social and Sustainability Bonds Framework (as of July 2021)• Banco BPM asset pool (as of July 2021). |
| Lifecycle | <ul style="list-style-type: none">• Pre-issuance verification |
| Validity | <ul style="list-style-type: none">• As long as Banco BPM's Green, Social and Sustainability Bonds Framework remains unchanged |

CONTENTS

| | |
|--|----|
| SCOPE OF WORK | 3 |
| ISS ESG SPO ASSESSMENT | 5 |
| PART I: FRAMEWORK'S LINK TO BANCO BPM'S SUSTAINABILITY STRATEGY | 5 |
| A. ASSESSMENT OF BANCO BPM'S ESG PERFORMANCE | 5 |
| B. CONSISTENCY OF THE INSTRUMENT WITH BANCO BPM'S SUSTAINABILITY STRATEGY | 7 |
| PART II: ALIGNMENT WITH THE GBPs, SBPs AND SBGs | 10 |
| PART III: SUSTAINABILITY QUALITY OF ELIGIBLE CATEGORIES AND ASSET POOL | 16 |
| 1. CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGS AND COVID-19 CRISIS MANAGEMENT..... | 16 |
| 2. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE GREEN AND SOCIAL BOND ASSET POOL..... | 18 |
| ANNEX 1: Methodology | 22 |
| ANNEX 2: ISS ESG Corporate Rating Methodology | 22 |
| ANNEX 3: Quality management processes | 25 |
| About ISS ESG SPO | 26 |

SCOPE OF WORK

Banco BPM commissioned ISS ESG to assist with its Green, Social and Sustainability Bonds Framework by assessing three core elements to determine the sustainability quality of the framework:

1. The framework's link to Banco BPM's sustainability strategy – drawing on Banco BPM's overall sustainability profile and issuance-specific Use of Proceeds categories
2. Banco BPM's Green, Social and Sustainability Bonds Framework (July 2021 version) – benchmarked against the International Capital Market Association's (ICMA) GBPs, SBPs and SBGs.
3. The eligible projects categories and asset pool – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).

ISS ESG ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ¹ |
|---|---|---|
| Part 1: Framework's link to issuer's sustainability strategy | According to the ISS ESG Corporate Rating published on 18.02.2021, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Commercial banks and Capital Markets sector. As of 12.04.2021, the company obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated C- and ranks 84 th out of 287 companies within its sector. | Consistent with the issuer's sustainability strategy |
| Part 2: Alignment with GBPs, SBPs and SBGs | The issuer has defined a formal concept for its Green, Social and Sustainability Bonds Framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs, SBPs and SBGs. | Positive |
| Part 3: Sustainability quality of the asset pool and eligible categories | Under the Green, Social and Sustainable Bonds Framework, the issuer will (re-) finance eligible project categories which include green buildings, renewable energy, energy efficiency, pollution prevention and control, sustainable water infrastructure, clean transportation, SME financing, third and public sector, and healthcare facilities. The overall sustainability quality of the identified green and social asset pool is good in terms of sustainability benefits, risk avoidance and minimization, based upon the ISS ESG assessment. The proposed financing falls within the categories SME loans to alleviate the impact of the Covid 19 crisis, and private mortgages for energy efficient buildings. For this last category, Banco BPM has engaged a third-party consultant to identify the top 15% of energy efficient buildings in the Italian market, exceeding market practices. | Positive |

¹ ESG's evaluation is based on Banco BPM's Green, Social and Sustainability Bonds Framework (July 2021 version), on the analysed asset pool, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 18.02.2021).

ISS ESG SPO ASSESSMENT

PART I: FRAMEWORK'S LINK TO BANCO BPM'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF BANCO BPM'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

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

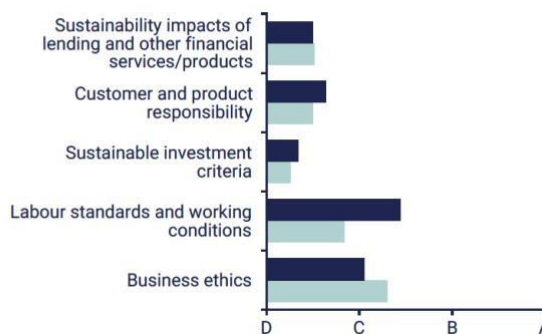
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the 'Commercial Banks and Capital Markets' Sector and obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 12.04.2021, this Rating places Banco BPM 84th out of 287 companies rated by ISS ESG in the Commercial Banks and Capital Markets sector.

Key Challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Legend: Industry (light blue), Company (dark blue)

Sustainability Opportunities

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. However, these business activities are still negligible vis à vis the group's overall social and environmental product footprint.

Sustainability Risks

For financial companies, the most relevant sustainability issues are the systematic integration of environmental and social aspects in relevant business areas as well as a responsible conduct towards clients and employees. The company has established an armaments and a gambling policy.

Furthermore, in 2020, Banco BPM's asset management partner began to incorporate environmental, social and corporate governance aspects into their investment process. Basic exclusion criteria are also implemented to prevent investments in securities of issuers that manufacture or sell the weapons prohibited by UN Conventions and governmental issuers sanctioned by the United Nations due to human rights violations. However, Banco BPM does not seem to have a comprehensive approach to manage the social and environmental risks in its lending business. In the field of customer and product responsibility, Banco BPM's debt rescheduling initiatives allow companies and individual customers to benefit from an easing of the commitments, preserving the continuity of the relationship and preventing a possible default.

However, Banco BPM has not yet taken significant measures to ensure and monitor responsible sales practices. In recent years, the company has been in a major restructuring process leading to significant job cuts. It has implemented some measures to ensure responsible workforce restructuring. Banco BPM has established a code of conduct covering several important topics, such as corruption, insider dealings and conflicts of interest in varying degrees of detail. The company conducts compliance trainings as well as compliance risk assessments and offers its employees confidential channels to report on non-compliance issues.

Governance opinion

The company's governance structure is designed to ensure the separation of managerial and supervisory functions, with separate persons holding the positions of CEO and chair of the supervisory board. The chair, Mr. Massimo Tononi is not considered to be independent (as at April 1, 2021). The majority of the supervisory board directors are considered to be independent. The supervisory board has set up largely independent committees in charge of audit, nomination and remuneration (as at April 1, 2021). Compensation of the executive management is publicly disclosed on an individual basis and sub-divided according to fixed amounts, variable performance-related components and long-term incentive components. Regarding the company's sustainability governance, there is a largely independent board committee responsible for sustainability matters. The company's variable remuneration policy for its CEO and Top Management includes an ESG element. Banco BPM has established a code of conduct covering several important issues, such as corruption, insider dealings and conflicts of interest in varying degrees of detail. The company conducts compliance trainings as well as compliance risk assessments and offers its employees anonymous channels to report on non-compliance issues.

Breaches of international norms and ESG controversies

The company is not facing any severe controversy.

B. CONSISTENCY OF THE INSTRUMENT WITH BANCO BPM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Banco BPM has over the last years developed several initiatives showing its commitment to sustainability.

Banco BPM integrates Sustainability in the Group's business model through an effective Governance system.

- The Group's sustainability is monitored by the Board of Directors which defines the management and coordination policies regarding non-financial disclosure, the socio-environmental policies and approves annually the Consolidated non-financial statement and the associated materiality analysis.
- The Internal Control and Risks Committee supervises, in the first instance, sustainability issues as well as – also through the Director delegated by the Committee itself on ESG, “sustainability and social responsibility” issues (the activities connected with the drafting of the consolidated non-financial statement). The Committee also provides with a preliminary opinion to the Board of Directors on such document. With the aim to underline the strong commitment of Banco BPM on ESG issues, on 6 May 2021 the Board of Directors approved to change the name of the Committee to “Internal Control, Risks and Sustainability Committee”.
- The Environmental, Social and Governance (ESG) Managerial Committee, established by the Board of Directors, is chaired by the Chief Executive Officer and counts two Joint General Managers among its permanent members. Its main tasks include evaluating the Group's positioning and coordinating all the activities required to achieve the strategic sustainability objectives.
- The Sustainability Structure assists the ESG Committee and oversees the definition of the relevant themes and the monitoring of sustainability indicators. It also evaluates the sustainability impacts stemming from the Group's initiatives and provides support to the corporate structures. It drafts the Consolidated non-financial statement and promotes sharing of the ESG culture within and outside the Group

Banco BPM intends to play an active role together with his stakeholders for the transition to a low carbon economy and protection of the environment.

The Group aims to help safeguard the environment by reducing the impact of its activities, mainly through:

- its energy management: 100% of electricity consumed within the Group was entirely generated from certified renewable sources (avoiding the emission of around 23.239 tCO₂e into the atmosphere); its corporate mobility: Banco BPM aims to implement initiatives which, taking into account people's needs, are oriented to increase sustainable mobility. From this perspective, in July 2020, a website dedicated to mobility management was set up on the company portal through which colleagues can consult benefits and initiatives available to them (mobility sharing, public transport, marketing of environmentally sustainable vehicles) as well as news and useful information relating to the world of mobility. A Commuting plan for the Verona district has been completed. The goal of this effort is to optimize commuting and promote alternative urban mobility solutions and services. The renewal of the car fleet continued with the progressive introduction of new Plug-in and Mild Hybrid Electric vehicles. Furthermore, in 2020 the video calls

improved considerably, and the release of a new unified communication and collaboration platform represented for employees, when the pandemic began, an important tool available for working remotely and interacting via chats, videos and conference calls;

- actions to limit consumption and virtuous behaviors, including: streamlined and centrally controlled management of paper and toner supplies; the procurement of recycled and Blue Angel certified paper; predominant use (over 90%) of regenerated toner; initiation of projects for the digitalisation of the main processes for the products acquisition adopting a paperless approach.

In the course of 2020, the Group successfully concluded the implementation activities required for the adoption of three ISO Management Systems relating to thematic areas strictly correlated with the ESG context. The Bureau Veritas certification body positively performed the audit process, issuing the relative certificates of compliance with the ISO 45001 - occupational Health and Safety, ISO 50001 - Energy and ISO 14001 – Environment standards. The decision to manage the three systems, although established separately, in a single framework, made it possible to identify contextual synergies across the various areas, guaranteeing high levels of organisational and operational efficiency.

Further details about the sustainability commitment of the issuer are described in Banco BPM Green, Social and Sustainability Bonds Framework, available on its website.

Rationale for issuance

The development of a Green, Social and Sustainability Bonds Framework (the “Framework”) is thus fully complementary with Banco BPM commitment and strategy to address climate change and to provide a positive social outcome in its business conduct.

Under this Framework, Banco BPM can issue three thematic bonds (the “Bonds”): Green Bonds, Social Bonds and Sustainability Bonds, as follows:

- An amount equivalent to the net proceeds of the Green Bonds will be exclusively allocated to Eligible Green Loans;
- An amount equivalent to the net proceeds of the Social Bonds will be exclusively allocated to Eligible Social Loans;
- An amount equivalent to the net proceeds of the Sustainability Bonds will be allocated to Eligible Green Loans and Eligible Social Loans.

Bonds, as defined in this Framework are either public or private placements, senior preferred, non-preferred bonds and Ties 2 under the Banco BPM EMTN Programme, as well as secured bonds (such as Covered Bonds). The Bonds are intended to fund new and existing financings that have explicit environmental and/or social benefits.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Commercial Banks and Capital Markets sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

| USE OF PROCEEDS CATEGORY | SUSTAINABILITY OBJECTIVES FOR THE ISSUER | KEY ESG INDUSTRY CHALLENGES | CONTRIBUTION |
|--|--|-----------------------------|-------------------------------------|
| Private mortgages for energy efficient buildings | ✓ | ✓ | Contribution to material objectives |
| SME loans to alleviate the impact of the Covid 19 crisis | ✓ | ✓ | Contribution to material objectives |

Opinion: *ISS ESG finds that Use of Proceeds financed through the bonds issued under this Framework are consistent with the issuer’s sustainability strategy and to material ESG topics for the issuer’s industry. The bond’s Use of Proceeds category is appropriately linked to the issuer’s strategy and with material ESG topics for its sector. The rationale for issuing Green, Social and/or Sustainability Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH THE GBPs, SBPs AND SBGs

1. Use of Proceeds

Eligible Green Loans and Eligible Social Loans constitute the Eligible Loans. These are described in the tables below.

Green eligible loans

Eligible Green Loans financed by Banco BPM are loans aligned with the Eligibility Criteria listed below. The financing of such Eligible Green Loans is expected to create substantial environmental benefits by enabling significant reduction in GHG emissions and energy consumption.

| GREEN ELIGIBLE CATEGORY | | ELIGIBILITY CRITERIA |
|-------------------------|--------------------|--|
| Green buildings | Residential | <ul style="list-style-type: none"> • 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/sq m)². • Loans to finance the renovation of buildings in case 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 | <ul style="list-style-type: none"> • Loans to finance acquisition of commercial buildings belonging to the top 15% in Italy of the most carbon efficient buildings (kg CO₂e/sq m) • Loans to finance the construction of new commercial buildings which have received at least one (or more) of the following classifications: <ul style="list-style-type: none"> ○ LEED “Gold” or above; ○ BREAM “Very Good” or above; ○ HQE “Excellent” or above; or ○ Any other comparable international green building certifications • Loans to finance the renovation of commercial buildings to reach an energy efficiency improvement of at least 30% of energy savings |
| 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 <ul style="list-style-type: none"> ○ Wind energy: Onshore and offshore wind energy generation facilities ○ Solar energy: Solar energy Photovoltaics (PV), and solar power (CSP) ○ Hydro power: acquisition, construction, upgrade and refurbishment of hydro power plants with a power density |

² 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 residential real estate in Italy (as of December 2019), in order to specify the eligibility criteria implemented by Banco BPM is available at <https://gruppo.bancobpm.it/sostenibilita/>

| | |
|--|---|
| | <p>above 5 W/m² or operating at life cycle emissions lower than 100gCO₂e/kWh</p> <ul style="list-style-type: none"> ○ Bio energy: Facilities producing energy³ such as biofuel preparation, pre-treatment and bio-refinery facilities (limited to facilities operating above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator) ○ Geothermal energy: Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of ≤ 100g CO₂e/kWh) ○ Electricity transmission and distribution infrastructure (limited to infrastructure with an average grid emission factor below the threshold value of 100 gCO₂e/kWh over a rolling five-year average period) |
| <p>Energy efficiency</p> | <ul style="list-style-type: none"> ● Loans to finance the development and distribution of and/or upgrades to equipment or technology such as: <ul style="list-style-type: none"> ○ Smart grid⁴; ○ District heating and cooling⁵; ○ Energy storage; and ○ Efficient LED lighting appliances and systems |
| <p>Pollution prevention and control</p> | <ul style="list-style-type: none"> ● Loans to finance the development, construction and maintenance of waste management activities that contribute to the reduction of GHG emission intensive waste treatment systems, such as waste prevention, waste reduction and waste recycling |
| <p>Sustainable water infrastructure</p> | <ul style="list-style-type: none"> ● Loans to finance the development, construction and maintenance of water infrastructures that contribute to GHG emissions savings through low specific energy consumption in the water collection, treatment and supply system |
| <p>Low carbon transportation</p> | <ul style="list-style-type: none"> ● Loans financing public land transport and clean transportation loans such as: <ul style="list-style-type: none"> ○ Public transport (e.g. subways, trains, trams, electric, biofuel or hybrid buses), including: infrastructure (e.g. rail networks, station upgrade) and non-diesel rolling stock (excluding fossil fuel transportation) ○ Commercial and passengers electric vehicles (e.g. truck fleets, automobiles, charging infrastructure) |

³ with feedstocks:

- not originated from fields resulting reconverted carbon sinks (such as forests, marshy areas)
- not originated from high diversity fields (such as primary forests)
- not suitable for human consumption
- and only channeled through sustainable transport means (excessive recourse to fossil fuel transport)

⁴ including (i) smart meters (ii) smart thermostat systems and (iii) Building Management Systems (BMS) and Energy Management Systems (EMS)

⁵ limited to district heating and cooling systems using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat.

Social eligible loans

Eligible Social Loans financed by Banco BPM are loans aligned with the Eligibility Criteria listed below. In alignment with the Social Bond Principles, the Social Eligible Projects aim 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.

| ELIGIBLE SOCIAL CATEGORY | ELIGIBILITY CRITERIA | TARGET POPULATION |
|--------------------------------|---|---|
| SMEs | <ul style="list-style-type: none"> Loans to SMEs⁶ that include SMEs located in areas with a GDP per capita below national average, and in areas impacted by natural disasters. Loans granted to SMEs with the Government Guarantee to help borrowers to fight difficulties due to the emergency due to the Covid – 19 global pandemic | <ul style="list-style-type: none"> People working in SMEs to maintain jobs and create capacity for new jobs |
| Third and public sector | <ul style="list-style-type: none"> Loans to finance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors: <ul style="list-style-type: none"> Healthcare and scientific research Education Clean transportation and environmental protection Art, culture and recreational activities (including also amateur sport, touristic activities of social and cultural interest, etc) Solidarity and Social Activities (including also welcoming and integrating migrants, inclusiveness of disadvantages workers by law, animal protection, etc...) Fair Trade and international cooperation for the sustainable development, human rights and peace | <ul style="list-style-type: none"> People benefitting from positive socio-economic outcomes, in priority in sensitive areas, and in priority to youth, elderly and people with disabilities. |
| Healthcare | <ul style="list-style-type: none"> Loans to finance the construction, development, maintenance or renovation of activities that strengthen the capacity of free or subsidized healthcare, and early warning, risk reduction and management of health crises | <ul style="list-style-type: none"> Aiming at benefitting to all |

⁶ Small-Medium Enterprises as defined by the European Commission

- ❖ <250 employees
- ❖ ≤ €50m turnover or ≤ €43m total Balance sheet

Exclusion criteria

Certain activities will be automatically excluded under this framework due to their potentially controversial or negative environmental and/or social impact. In particular:

- Any kind of investment connected to fossil fuel, to nuclear power generation, and to the armament sector are excluded from Eligible Green Loans.
- SMEs connected with the sector of armaments, tobacco, and gambling are excluded from Eligible Social Loans

Opinion: *ISS ESG considers the Use of Proceeds provided by Banco BPM as aligned with the GBPs, SBPs and SBGs. ISS ESG finds that the eligibility criteria set by the issuer's framework ensure adequate sustainability quality for both projects and loans (re-)financed through eventual Sustainability Bonds. Clear exclusion criteria have been defined in order to avoid potential investments in controversial activities reflecting best market practices.*

2. Process for Project Evaluation and Selection

The Eligible Portfolio that will be financed and/or refinanced via the Green, Social and Sustainable Bonds issued under this Framework will be reviewed, monitored and updated by an appointed Funding ESG Working Group (“the Working Group”), constituted of participants from relevant functional areas including Business Departments, the Funding and Capital Management team, the Risk Management team, the Sustainability team, the Investor relations department and the Energy Manager.

The Working Group's scope of work will include the following:

- The monitoring of the Eligible Portfolio: Business Department will propose a portfolio of loans compliant with the criteria set out in the Use of Proceeds section. The Working Group will review and approve the proposed portfolio of loans (the “Eligible Portfolio”), based on the aforementioned criteria.
- Updating the Framework: The Working Group 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.

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.*

3. Management of Proceeds

In order to track the Eligible Portfolio, Banco BPM will implement an internal system to identify Eligible Loans.

The 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. In particular, Banco BPM will make every effort to ensure that:

- the aggregated nominal value of Green Eligible Loans exceeds the aggregated nominal value of all outstanding Green Bonds at any time until the maturity of all outstanding Green Bonds;
- the aggregated nominal value of Social Eligible Loans exceeds the aggregated nominal value of all outstanding Social Bonds at any time until their maturity; and
- the aggregated nominal value of Eligible Loans exceeds the aggregated nominal value of all outstanding Green Bonds, Social Bonds and Sustainability Bonds at any time until the maturity of all Green, Social and Sustainability Bonds issued under this framework.

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.

***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.*

4. Reporting

The allocation and impact reporting (the "Report") will be published annually by Banco BPM, starting a year after the issuance of each Bond on a portfolio approach basis. Banco BPM will make its Report available for investors on its website.

Allocation Reporting

The allocation reporting will include:

- The breakdown of the Eligible Portfolio per Eligible Green Loans and/or Eligible Social Loans categories to which the outstanding Bonds are allocated
- The share of financing and refinancing (in %) of the Eligible Portfolio as of the date of the Bonds issuance
- The geographical split of the Eligible Portfolio
- The amount of unallocated proceeds, if any

Impact Reporting

Banco BPM will communicate the expected impact its Green, Social and Sustainability Bonds have through qualitative and quantitative criteria.

The reporting indicators for Eligible Loans may include aggregated output and impact metrics on a portfolio basis. Output metrics for Eligible Green Loans may include:

- For acquisition of Green Buildings, breakdown per EPC level and/or external certification and/or per year of construction, in volumes of loans and aggregated amount of square meters
- For refurbishment of Green Buildings, expected energy savings or energy performance level reached after refurbishment
- For Renewable Energies: expected annual renewable energy generation in MWh/y
- Expected quantity of waste treated, recycled(tones/year)
- Expected quantity of water supplied, stored (m3/year)

Impact metric for Eligible Green Loans may include the estimated annual GHG emissions reduced/avoided, in tons of CO₂e, and, when relevant, the estimated annual energy savings (MWh/year).

Reporting indicators for Eligible Social Loans may include aggregated impact metrics on a portfolio basis, such as the estimated number of beneficiaries per year.

The methodology used to calculate impact reporting indicators will be provided by Banco BPM in its annual Report.

Opinion: *ISS ESG finds the Reporting description as aligned with the GBPs, SBPs and SBGs. 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. For social loan's impact, the issuer will report on the number of beneficiaries per year.*

External review

Second Party opinion

Banco BPM has mandated leading Second Party Opinion provider to proceed to the evaluation of its Green, Social or Sustainability Bonds Framework.

Second Party Opinion will be made available on Banco BPM's website.

External Verification

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.

PART III: SUSTAINABILITY QUALITY OF ELIGIBLE CATEGORIES AND ASSET POOL







1. CONTRIBUTION OF THE ELIGIBLE CATEGORIES TO THE UN SDGS AND COVID-19 CRISIS MANAGEMENT

Using a proprietary methodology, ISS ESG assessed the contribution of Banco BPM’s Green, Social and Sustainability Bonds Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is an ISS ESG proprietary methodology while taking into account the sustainability quality of the Sustainability Bonds Framework and the issuer’s specific sectorial context.



















This assessment is displayed on 5-point scale (see Annex 1 for methodology):




| | | | | |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|
| Significant Obstruction | Limited Obstruction | No Net Impact | Limited Contribution | Significant Contribution |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-------------------------------------|

Each of the Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--------------------------------------|---|--|
| Eligible green categories | | |
| Commercial green buildings | Significant contribution |  |
| Residential private mortgages | Significant contribution⁷ |  |
| | Limited contribution |  |
| Wind Power | Significant contribution |   |
| Geothermal | Significant contribution |   |

⁷ This assessment differs from the ISS ESG SDG Assessment proprietary methodology due to the nature of the assessed entity and to align with the findings from the EU Taxonomy Technical Annex (March 2020) for the activity 8.4. Acquisition and ownership. As the projects to be financed under the Use of Proceeds category “Residential Private Mortgages” comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, the projects significantly contribute to climate change mitigation.

| | | |
|--|---------------------------------|--|
| Hydropower | Significant contribution |   |
| Solar Power | Significant contribution |   |
| Biomass Electricity Generation | Significant contribution |   |
| Smart Grid | Limited contribution |   |
| District heating and cooling | Limited contribution |   |
| Energy storage | Limited contribution |   |
| Efficient LED lighting appliances and systems | Limited contribution |   |
| Waste treatment | Significant contribution |  |
| Sustainable water infrastructure | Significant contribution |  |
| Clean Transportation | Significant contribution |   |
| Eligible social categories | | |

| | | |
|--|---------------------------------|---|
| SME⁸ financing and employment generation | Significant contribution |  |
| Third and public sector | Significant contribution |  |
| Health and care facilities | Significant contribution |  |

SME financing is dedicated to the COVID-19 health emergency, contributing to address or mitigate social issues wholly or partially emanating from the coronavirus outbreak, as described by the ICMA Group⁹.

2. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE GREEN AND SOCIAL BOND ASSET POOL

Private mortgages for energy efficient buildings

As a Use of Proceeds category, private mortgages for energy efficient buildings has a positive contribution to the SDG 11 “Sustainable cities and communities” and 13 “Climate Action”. The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Energy Efficiency prerequisites

100% of the assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency.

- ✓ Banco BPM has engaged a third-party consultant to identify the most energy-efficient residential buildings, which are eligible to be refinanced under a Green Covered Bond issue. The issuer was therefore able to identify the top 15% of energy efficient buildings in the Italian market.

Construction standards

⁸ The framework-specific assessment is diverging from the ISG ESG SDG assessment proprietary methodology. Based on use of proceeds information provided by the issuer, ISS ESG assessed that the loans to SMEs have a significant contribution to SDG 8 “Decent work and economic growth” when targeting employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises.

⁹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Social-Bonds-Covid-QA310320.pdf>

- ✓ For 100% of the assets, high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

Responsible treatment of customers with debt repayment problems

- ✓ For 100% of assets, pre-emptive actions to prevent client debt repayment problems are in place (e.g. covenants limiting indebtedness, conservative loan-to-value ratios, long-term fixed interest rates).
- ✓ For 100% of assets, sustainable solutions for customers with debt repayment problems are in place (e.g. debt counselling, foreclosure as a last resort).
- ✓ For 100% of assets, the creditor excludes the selling of contractually serviced loans (e.g. required customer consent in case of sale).

Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for private mortgage loans.

SME financing and employment generation

As a Use of Proceeds category, SME financing and employment generation has a significant contribution to the SDG 8 “Decent work and economic growth”, according to the methodology of ISS ESG.

Banco BPM’s aim is to support Italian companies through:

- financing targeting companies affected by the COVID-19 health emergency and the related social and economic downturn, through legislative frameworks put in place by the Italian government.

Banco BPM’s issuance revolves around the following national decree:

- Decreto Legge N. 23 del 8 Aprile 2020 cd. “Decreto liquidità” which promotes loans guaranteed by Fondo Centrale di Garanzia, SACE & ISMEA

All proceeds will be granted in Italy.

The table below presents the financing intentions and the findings of an ISS ESG assessment of the assets (re-)financed against KPIs.

ASSESSMENT AGAINST ISS ESG KPIs

Expected social benefits related to COVID-19 crisis management

100% of applicable assets are targeting populations and groups affected by the COVID-19 crisis. The financing aims at:

- ✓
 - taking steps to contain risk, safeguard the health of employees and customers, guarantee the continuity of critical business processes and implement economic support measures for households and businesses.

Alignment with COVID-19-related national legislative framework

- ✓ 100% of the assets are formulated around the Italian National Decree related to COVID-19 crisis management and supporting employment. ¹⁰

Exclusion of controversial activities

- ✓ Controversial business activities (e.g. coal and fossil fuel) are excluded from financing in accordance with the exclusion criteria set out in the framework.

Labour standards

- ✓ 100% of assets provide for high labour and health and safety standards (e.g. ILO core conventions).

¹⁰ Decreto Legge N. 23 del 8 Aprile 2020 cd. "Decreto liquidità". <https://www.gazzettaufficiale.it/eli/id/2020/04/08/20G00043/s>

DISCLAIMER

1. Validity of the SPO: As long as Banco BPM's Green, Social and Sustainability Bonds Framework remains unchanged.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2021 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

ISS ESG KPIs

The ISS ESG KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Banco BPM’s Green, Social and Sustainability Bonds Framework.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfil the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Banco BPM (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

ASSESSMENT OF THE CONTRIBUTION AND ASSOCIATION TO THE SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which the Banco BPM Green and Social Bond project categories contribute to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

Banco BPM SpA

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

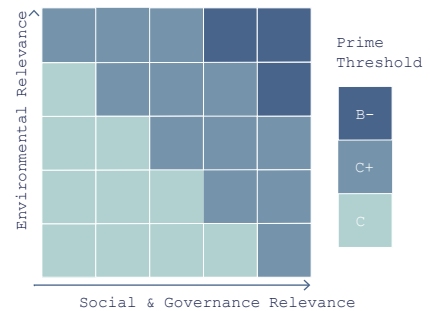
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Banco BPM SpA

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 3: Quality management processes

SCOPE

Banco BPM commissioned ISS ESG to compile a Framework SPO. The Second Party Opinion process includes verifying whether the Green, Social and Sustainability Framework aligns with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs, and SBGs.

ISSUER'S RESPONSIBILITY

Banco BPM responsibility was to provide information and documentation on:

- Framework
- Selection process

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green, Social and Sustainability Framework by Banco BPM based on ISS ESG methodology and in line with the ICMA GBPs, SBPs and SBGs.

The engagement with Banco BPM took place from November 2020 to July 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

Federico Pezzolato

SPO Business Manager EMEA/APAC

Federico.Pezzolato@isscorporatesolutions.com

+44.20.3192.5760

Miguel Cunha

SPO Business Manager Americas

Miguel.Cunha@isscorporatesolutions.com

+1.917.689.8272

For Information about this Green Bond SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead

Damaso Zagaglia
Associate
ESG Consultant

Project support

Giorgio Teresi
Analyst
ESG Consultant

Project supervision

Viola Lutz
Associate Director
Deputy Head of Climate Services