



# GREEN, SOCIAL AND SUSTAINABILITY BONDS FRAMEWORK

NOVEMBER 2023



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## SUSTAINABLE DEVELOPMENT GOALS



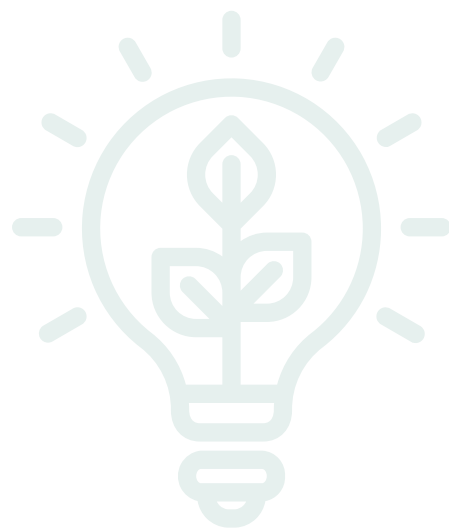
# 1. INTRODUCTION

Banco BPM was established on 01 January 2017, through the merger between former Banco Popolare and former Banca Popolare di Milano, with the concurrent transformation into a joint-stock company and with the listing of the new stock on the Milan Stock Exchange.

Banco BPM is the parent Bank of the Italy's third largest listed banking Group, as measured by total assets, net customer loans as well as direct funding and enjoys a leading position in the productive and wealthy regions of the northern Italy, where almost 76% of its domestic franchise (about 1,400 outlets) is rooted, with a national market share of about 7%<sup>1</sup>.

Banco BPM Group is a fully fledged financial services provider operating in a wide range of businesses, which, on top of the core commercial and retail banking activities, includes its position in various value-added businesses (also through strategic partnerships), such as Private Banking, Wealth Management, Bancassurance, Corporate and Investment Banking and Consumer Credit. Leveraging on a well-integrated multi-channel approach, in which the deeply rooted branch franchise is increasingly supported by digital banking activities, the Group is well positioned to capture cross-selling opportunities through a wide range of products and services related to well-known brands, both through its own product companies as well as through strategic partnerships and joint ventures.

Thanks to roughly 20 thousand employees<sup>2</sup> and its strong business franchise, the Group is focused on providing service quality in its various fields of business to a customer base which is to a significant degree composed of retail customers as well as small and medium-sized businesses. The mission of Banco BPM encapsulates the interests of its stakeholders: shareholders, customers, partners as well as the local communities of reference. It reflects the Group's identity: **a Bank that aims to grow and develop while remaining closely linked and attentive to its home territories, supporting people, businesses and non-profit organizations. This approach is flanked by a full integration of sustainability into its business model and its ESG strategic roadmap.**



<sup>1</sup> Data as at 30/06/2023.

<sup>2</sup> Data as at 30/06/2023.

## 2. BANCO BPM'S SUSTAINABILITY APPROACH

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 Board of Directors is responsible for approving the Regulations, including the ESG ones, and the Code of Ethics. On the other hand, the CEO is delegated to approve the Guidelines, including those related to sustainability issues. The BoD also draws up remuneration and incentive policies (including ESG performance targets), to be submitted to the Shareholders' Meeting for approval, reviews them at least once a year and is responsible for their proper implementation.
- The **Sustainability Committee** oversees the sustainability goals defined by the Bank in coordination with Internal Control and Risk Committee. It also supervises the activities connected with the drafting of the consolidated non-financial statement. The Committee was established in April 2023 and its activity was previously carried out by the Internal Control, Risk and Sustainability Committee now renamed the Internal Control and Risk 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 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.
- The **ESG Ambassador** are ESG contact/focal point in each corporate department, responsible for spreading the sustainability culture, facilitating the implementation of ESG initiatives and the relationship with the Sustainability Structure.

In 2022, the Bank updated its Code of Ethics to fully reflect all the values that guide and characterise its corporate culture. With this update, in fact, the Code of Ethics better represents the importance of ESG issues in the management model and in its identity.

During 2020, Banco BPM has published the rules for the environmental policy, the Workplace health and safety guidelines and the Guidelines regarding the integration of sustainable risks in the provision of investment services.

During 2020, under the leadership of the new ESG Committee, in light of an analysis of Regulatory requirements, and in line with the best practices of national and international competitors, Banco BPM reviewed its strategic ambition and launched an internal assessment intended to involve all the Group's units in an important process of sustainability. In February 2021, 7 areas of activities were therefore initiated which will aim to strengthen and achieve the integration of sustainability within company activities and the business.

In particular, the action areas of the 7 fields of the ESG Programme concern:

- **Governance & Controls:** - Integrating ESG-oriented roles and responsibilities into all activities; - Integrating ESG issues into corporate policies.
- **Risk & Credit:** - Integrating ESG factors into risk management and credit granting processes
- **People:** - Promotion to Diversity&Inclusion, with a focus on women's empowerment; - Strengthening ESG training programmes
- **Corporate and SME:** - Strengthening commercial products to support clients' green transition; - Strengthening client engagement on ESG issues.
- **Wealth management, finance and products:** - Define ESG investment policies; - Strengthening ESG investment advice and product offerings.
- **Environment:** Managing and reducing direct environmental impacts.
- **Stakeholders engagement & Measurement:** - Strengthening relations with international organisations; - Development and disclosure of ESG impact measurement metrics.

In November 2021 the Board of Directors approved the 2021-2024 Strategic Plan with the aims to strengthen the Bank's role as a creator of sustainable and shared value on a path inspired by sustainability, digitalisation and valuing people.

Banco BPM is aiming for commercial growth in the main business areas through an innovative service model based on omnichannel communication and leveraging asset management and consumer credit.

The 2021-2024 Strategic Plan marks a new stage in the progressive integration of ESG issues into the business. The new Strategic Plan's focus on sustainability, as well as the evolution of the Group's governance, is the natural continuation of a conscious path that has been traced and consolidated for some time now.

ESG issues guide the Group's development activity across the five pillars: Business, Risk&Credit, People Strategy, Environment, Community and identify areas of action in which the interventions envisaged by the seven fields of the ESG Programme are distributed.

**BUSINESS:** Proposal of solutions, products and advisory services that support customers in the transition to a sustainable economy.<sup>3</sup>

	TARGET TO 2024
Share of new loans in Green and low-transition-risk sectors <sup>4</sup>	> 65%
Green residential mortgages (cumulated new disbursements) <sup>5</sup>	€ 4 billion
Purchases of property tax credits (cumulative flow) <sup>6</sup>	€ 3 billion
Banca Akros Lead Manager/Bookrunner of ESG Bonds (cumulative)	€ 12.5 billion
Corporate Bond Ownership Portfolio: share of ESG bonds	> 30%
Issue of Green & Social Bonds (cumulative)	€ 2.5 billion

**RISK & CREDIT:** Progressive integration of environmental and climate risks within credit policies and the risk management framework aimed at ensuring more favourable access to capital for green activities or those that intend to undertake a transition process, and conversely, to adopt exclusionary policies and a selective approach towards sectors with a high environmental risk.

	DURING THE PLAN HORIZON
STOP TO NEW DISBURSEMENTS TO SECTORS HEAVILY IMPACTED BY THE CLIMATE TRANSITION:	
<ul style="list-style-type: none"> <li>• Mining of hard coal</li> <li>• Manufacture of coalfired blast furnace products</li> <li>• Power generation from coal</li> </ul>	RUN-OFF
NEW LENDING TO THE FOSSIL FUEL SECTOR DEDICATED TO TRANSITION PROJECTS <sup>7</sup>	> 80%

**PEOPLE STRATEGY:** People-oriented approach characterised by the promotion of a corporate culture based on diversity, inclusion and people's well-being. Internal sharing of ESG awareness and training on sustainability issues.

	TARGET TO 2024
Share of women in managerial positions	> 30%
Share of new hires young people aged 20-30	> 90%
Annual remote work days	500,000
ESG Ambassadors	> 100
Training hours for employees on ESG issues (cumulative)	400,000

<sup>3</sup> 1. New loans to corporate customers belonging green sectors or with low transition risk, and Green financing products to corporate clients. 2. Mortgages granted to customers for property in classes A-B-C or renovated with energy efficiency improvements. 3. Purchase of real estate tax credit related to "Superbonus 110%": tax incentives linked to energy redevelopment and seismic risk reduction operations.

<sup>4</sup> New lending to corporate clients in green or low transition risk sectors and green financing products to corporate clients.

<sup>5</sup> Loans granted to customers for class A-B-C buildings or those renovated for better energy efficiency.

<sup>6</sup> Purchases of property tax credits related to tax incentives for energy upgrading and seismic risk reduction.

<sup>7</sup> Although in the medium to long term the road to the green transition in Italy and Europe seems to be clear and well mapped out, in the short term the energy crisis caused by a general increase in energy costs and the reduced supply of gas and oil products from Russia has prompted governments to review their energy diversification strategy, also taking into account high-impact energy sources to secure the necessary energy supply. In the short term, this change of action has therefore slowed down the adoption of measures to reduce the use of products and energy from fossil sources. This slowdown was reflected in the pursuit of the Strategic Plan target for new disbursements dedicated to transition projects for fossil fuel companies.

**ENVIRONMENT:** Development of actions to fight climate change by reducing consumption and CO<sub>2</sub> emissions with the aim of achieving carbon neutrality (Scope 1 + Scope 2).

	2019	TARGET TO 2024
Total direct and indirect energy consumption (Giga Joule)	732K	<b>588K (-20%)</b> to be improved to -30% by 2030
<b>CONFIRMED 100% USE OF ELECTRICITY FROM CERTIFIED RENEWABLE SOURCES</b>		
Total net direct & indirect emissions (Scope 1 & 2 T-CO <sub>2</sub> equivalent)	17.5K	<b>CARBON NEUTRALITY DURING THE PLAN HORIZON</b>
Indirect commuting emissions (Scope 3 T-CO <sub>2</sub> equivalent)	16.6K	<b>13.1K (-21%)</b>
CDP Rating	B	<b>A</b>

**COMMUNITY:** Continued support for the social fabric of the territory by supporting valuable initiatives and confirming its strong role as a financial partner for the Third Sector.

	DURING THE PLAN HORIZON
Donations and sponsorships for social and environmental projects	<b>~€ 10 million</b>
Institutional Partner AIRC	<b>5,000 researchers &amp; 660 projects</b>
Social initiatives for local communities, schools and students	<b>&gt; 300 initiatives</b>
New disbursements to the Third Sector	<b>&gt; € 700 million</b>
Corporate volunteering, ESG awareness and financial education	<b>&gt; 10,000 hours</b>



It is part of Banco BPM strategic ambition defined in the Strategic Plan 2021-2024 to join international initiatives, through which the Bank aims to contribute, through its activities and the involvement of its stakeholders, to challenging sustainability goals:

## MEMBERSHIP IN DECEMBER 2021

### GLOBAL COMPACT

Launched in 2000, it is a United Nations initiative that, based on 10 principles relating to respect for human and labour rights, environmental protection and the fight against corruption to be integrated into business management, encourages governments, businesses and civil society to work together to create a sustainable and inclusive economic model.

### TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Created in 2015 by the Financial Stability Board (FSB), it is an international organisation aimed at encouraging companies to increase transparency on the risks and opportunities associated with climate change.

## MEMBERSHIP IN MARCH 2023

### NET-ZERO BANKING ALLIANCE (NZBA)

Established in 2021 by the United Nations, it aims to accelerate the sustainable transition through the involvement of the banking sector. Membership of the NZBA commits banks to align their loan and investment portfolios to the goal of net-zero emissions by 2050. In the first days of March the BoD approved the NZBA adhesion and identified the 5 priority sectors for target communication within 18 months after joining: Oil & Gas; Power generation; Cement; Automotive; Coal.

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

In its customer relationship, Banco BPM has developed several commercial initiatives (products, services and loans) supporting people and companies with the aim to protect the environment. The mains include:

- The Group, in line with the principles of the European project (Energy Efficient Mortgages Initiative (EEMI)), has completed the activities to present at the beginning of 2021 a distinctive offer of Green Mortgages, with the aim of favoring the energy efficiency of buildings and responding to the growing demand from part of the clientele, aligning with the market context.
- Banco BPM has activated a series of commercial initiatives as part of the sale of the tax credit thanks to which our customers (individuals, condominiums and businesses) are allowed to anticipate the costs for the energy requalification of buildings. E.g. the so-called "Superbonus" provides tax deductions of up to 110% on energy efficiency interventions and reduction of seismic risk and the possibility of transforming these deductions in a tax credit transferable to third parties, including banks and financial institutions. Other initiatives are aimed at obtaining funding for the implementation of energy efficiency works on buildings.
- The Group, in line with the "Sustainability Linked Loan Principles" (SLLP) provided by the Loan Market Association, issued the "Chirografario Aziende con Obiettivo Sostenibilità" that offers customers the option of adding an "ESG KPI" and linking the cost of the loan to the achievement and/or maintenance of ESG targets.
- As part of an agreement with SACE, the 'SACE Green loan' offer was developed. These are subsidised loans covered by a SACE guarantee destined for green projects.
- The Group has developed specific financial solutions to support SMEs in corporate investment projects in energy production plants from renewable sources.
- The Group has developed specific financial solutions to support corporate client's investments that can be linked to the objectives of the EU Taxonomy.

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

- Its **energy management**: in 2022, 100% of the electricity consumed was generated from certified renewable sources (Guarantee of Origin GO), avoiding the emission of around 25,800 tons of CO<sub>2</sub> equivalent into the atmosphere. In recent years, the figure of the Energy Manager was established, who together with his team contribute to oversee and analyze the processes of generation and use of energy for the Group, being also responsible for the conservation and rational use of energy.
- Its **corporate mobility**: Banco BPM manages corporate mobility with the aim of reducing its ecological footprint and contributing to the development of more sustainable cities.
- During 2022, the phase of listening to employees on the subject of home-work commutes was completed. This engagement activity allowed the Bank to measure the environmental impacts generated by its people to travel to the office, particularly in terms of CO<sub>2</sub> emissions. Currently, smart working is considered the main tool for reducing these emissions. In addition, through increased use of remote connection tools and more careful management of physical travel, it has been possible to reduce the miles traveled by the corporate fleet compared to the pre-pandemic period.
- In recent years, the figure of Mobility Manager was established, he is in charge of planning and implementing strategies for the rationalization of travels and reduction of the use of individual means of transport, with the objective of reducing, monitoring and communicating the impacts on environment and staff awareness for a common discipline on corporate mobility.
- **Actions to limit consumption and virtuous behaviors, including**: streamlined and centrally controlled management of paper and toner supplies; the procurement of 100% recycled and Blue Angel certified paper; the Bank used regenerated toners almost exclusively, and their consumption was reduced by more than 6%.

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 organizational and operational efficiency. Over the following years, also in line with the ESG targets of the 2021-2024 Strategic Plan, Banco BPM Group confirmed the certifications obtained.

For the importance that the environment topic deserves, Banco BPM considers climate and environmental risks to be material to the Bank. Given this, in continuity with the exercises carried out last year, the Bank conducted analyses aimed at measuring its exposure to climate-related risks in key economic sectors and geographic areas.

In 2022, Banco BPM continued with the line drawn in previous years: working in synergy with its reference communities to understand their needs and develop appropriate intervention tools.

Relationship with communities and the single regions is Banco BPM most important asset and one that the Bank wants to protect and develop mainly through:

- Supporting - also by sharing resources and knowledge - initiatives in the culture, social, sports, environment, educational and research fields;
- Offering product and services for the Third Sector in favor of the non-profit associations.

As of July 1, 2022, the period of validity of the "Temporary Framework for State Aid Measures to Support the Economy in the Emergency of COVID-19" ended and the new transitional regime "Temporary Crisis Framework for State Aid Measures to Support the Economy in the Aftermath of Russia's Aggression against Ukraine" took over, and with it, the new related concessional measure was made operational by SACE: the "SACE SUPPORTITALIA Guarantee".

The "unsecured loan with SACE SUPPORTITALIA guarantee" is a subsidized loan that enjoys the guarantee issued by SACE, until 31/12/2022, for financing to enterprises that can demonstrate that the crisis - resulting from the Russian military aggression against the Ukrainian Republic and sanctions imposed by the EU and international partners - entails direct negative economic repercussions on business activity.

Measures aimed at supporting women victims of violence placed on a protection path and in situation of temporary economic difficulty (suspension of the capital portions of mortgages and loans and corresponding extension of the amortization period up to 18 months) and of individuals or businesses damaged by calamitous events (suspension of mortgage and loan repayments or provision of financing, using state funds, for reconstruction/restoration of damaged property/assets or aimed at paying taxes).

Among the most important subsidized finance initiatives towards companies are the EIB "Synthetic Securitization" ceiling of about € 900 m, SACE guarantee lines to support SME and Mid-Cap companies both for liquidity needs and for investments oriented to research and development activities and/or technological innovation, the extension of the FGPMI guarantee to short-term credit facilities.



With reference to the retail segment, specific initiatives dedicated to youth, SMEs and non-profit continued.

### YOUNG PEOPLE

At the end of 2021, the new "Mutuo You Green loan" with garanzia "Fondo Prima Casa" was launched, dedicated to customers aged under 36: during 2022, disbursements for first home loans accounted for about 90% of the mortgages disbursed, 35% of which involved young people "under 36".

During the year Banco BPM also launched the "Fondo studi", an initiative that enables young people between the ages of 18 and 40, who lack sufficient financial means, to undertake a course of study, thanks to the economic support represented by a loan guaranteed by the State.

### SME

Since April 2022, Banco BPM has been offering the "Chirografario Aziende con Obiettivo Sostenibilità".

Initiatives aimed at pursuing financial solutions to support SMEs in their energy transition and investment in renewable energy facilities also continued.

With regard to the latter, the Bank offers financing solutions to companies investing in RES plants (plants for self production of energy renewable sources) also in line with the objectives of the NRRP.

### NON-PROFIT

Banco BPM continues the focus on non-profit clients, to whom the Group dedicate ad hoc organizational structures, products, services and expertise. In 2022 the Bank granted new loans to the non-profit sector, including to face the energy crisis.

Particular attention was paid to the Public Administration's Subsidiaries, especially those operating in the water and waste cycle sectors, and loans were granted to support both short-term needs and specific investment projects.

The Bank has also activated an ESG questionnaire that allows for the informative enrichment of impact metrics related to new loans granted to customers in the Third Sector and Religious Entities.



# 3. BANCO BPM GREEN, SOCIAL AND SUSTAINABILITY BONDS FRAMEWORK

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 Tier 2 under the Banco BPM EMTN Programme, as well as secured bonds (such as Covered Bonds) in various formats and currencies and could be dedicated to institutional or retail investors. The Bonds are intended to fund new and existing financings that have explicit environmental and/or social benefits.

In accordance with **the 2022 Green Bond Principles, the 2023 Social Bond Principles and the 2022 Sustainability Bond Guidelines**<sup>8</sup>, Banco BPM's Framework is structured through the following four core components:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting

Banco BPM has taken into account some of the most recent sustainable finance regulations such as the EU Taxonomy delegated act on Climate change mitigation for its green eligible categories or the definition of "Sustainable investment" as defined under SFDR article 2, point 17 to select the eligible assets and update his Green, Social and Sustainability Bond Framework. In addition, this Framework takes into account some of the key requirements of the the final text for the EU Green Bonds Standards approved by the EU Parliament and the Council (the "Regulation of the European Parliament and of the Council on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds")<sup>9</sup>.



<sup>8</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>.

<sup>9</sup> For the sake of clarity, this sentence in no way indicates alignment with the EU Green Bond Standard regulation.

## 3.1 Use of proceeds

Eligible Green Loans and Eligible Social Loans constitute the Eligible Loans. They correspond to portfolios of new and/or existing loans for projects located in Italy and Belgium<sup>10</sup>.

The distribution of allocated eligible assets by category will be shared to investors as soon as possible or at the latest one year after the date of issue.

The Eligible Green Loans will primarily aim at contributing to the following Sustainable Development Goals Objectives:

SUSTAINABLE DEVELOPMENT GOALS OF GREEN ELIGIBLE LOANS	SUSTAINABLE DEVELOPMENT GOALS OF SOCIAL ELIGIBLE LOANS
 <b>SDG 3</b> GOOD HEALTH AND WELL-BEING	 <b>SDG 1</b> NO POVERTY
 <b>SDG 6</b> CLEAN WATER AND SANITATION	 <b>SDG 3</b> GOOD HEALTH AND WELL-BEING
 <b>SDG 7</b> AFFORDABLE AND CLEAN ENERGY	 <b>SDG 4</b> QUALITY EDUCATION
 <b>SDG 9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE	 <b>SDG 8</b> DECENT WORK AND ECONOMIC GROWTH
 <b>SDG 11</b> SUSTAINABLE CITIES AND COMMUNITIES	 <b>SDG 9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE
 <b>SDG 12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	 <b>SDG 10</b> REDUCED INEQUALITIES
 <b>SDG 13</b> CLIMATE ACTION	 <b>SDG 11</b> SUSTAINABLE CITIES AND COMMUNITIES
 <b>SDG 15</b> LIFE ON LAND	 <b>SDG 16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS

### 3.1.1 Eligible Green 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.

Banco BPM intends to align some of the eligible green categories with **the EU Taxonomy**<sup>11</sup>. **Some parts of the following Eligible Green Loans categories** will be aligned with the **Substantial Contribution Criteria (SCC)** to Climate Change Mitigation, the **Do No Significant Harm (DNSH)** criteria and the **Minimum Social Safeguards (MSS)** criteria.

- Green Residential Buildings
- Green Commercial Buildings
- Renewable Energy (wind, solar, hydropower and bioenergy)
- Manufacture of Organic Basic Chemicals

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

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

<sup>10</sup> Only one asset in Belgium has been added as eligible under this Framework (activity related to Manufacture of organic basic chemicals).

<sup>11</sup> Appendix 1 of the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council.

For some projects, the analysis of the alignment to the EU Taxonomy (SCC, DNSH & MSS) has been done or will be done via an external third party.

ELIGIBLE GREEN LOANS CATEGORIES		ELIGIBILITY CRITERIA	
GREEN BUILDINGS	Residential	For assets aligned with the Substantial Contribution Criteria of the EU Taxonomy	For assets aligned with other green Eligibility Criteria
		<ul style="list-style-type: none"> <li>For <b>renovation of existing buildings (7.2)</b>: <ul style="list-style-type: none"> <li>The building renovation complies with the applicable requirements for major renovation. Alternatively, it leads to a reduction of Primary Energy Demand (PED) of at least 30% within a maximum of 3 years in comparison to the energy performance of the building before the renovation.</li> </ul> </li> <li>For <b>acquisition and ownership of buildings (7.7)</b>: <ul style="list-style-type: none"> <li>For buildings built before 31/12/2020, the building has at least an Energy Performance Certificate (EPC) class A. Alternatively, it is within the top 15% of the Italian building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence.</li> <li>For buildings built after 31/12/2020, the building meets the 7.1 criteria that are relevant at the time of the acquisition. (See the 7.1 criteria for commercial buildings).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>For <b>renovation of existing buildings</b>: <ul style="list-style-type: none"> <li>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<sub>gl, nren</sub>) at least 30% lower than that resulting from the pre-works EPC.</li> </ul> </li> <li>For <b>acquisition and ownership of buildings</b>: <ul style="list-style-type: none"> <li>For buildings built before 31/12/2020, loans to finance acquisition of new or existing residential housing aligned with current environmental regulation and within the top 15% of the Italian building stock in Italy of the most carbon efficient buildings (kg CO<sub>2</sub>e/sqm) and demonstrated by adequate evidence.<sup>12</sup></li> </ul> </li> <li>For <b>new construction, acquisition or renovation and ownership of buildings</b>: <ul style="list-style-type: none"> <li>Loans to finance the construction, the acquisition or the renovation of residential buildings which have received at least one (or more) of the following classifications: <ul style="list-style-type: none"> <li>- LEED "Gold" or above;</li> <li>- BREAM "Very Good" or above;</li> <li>- HQE "Excellent" or above;</li> <li>- Any other comparable international building certifications level;</li> <li>- For construction of new buildings only: The building has an Energy Performance Certificate (EPC) class A.</li> </ul> </li> </ul> </li> </ul>

<sup>12</sup> 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/>.

## ELIGIBLE GREEN LOANS CATEGORIES

## ELIGIBILITY CRITERIA

		For assets aligned with the Substantial Contribution Criteria of the EU Taxonomy	For assets aligned with other green Eligibility Criteria
GREEN BUILDINGS	Commercial	<ul style="list-style-type: none"> <li>For <b>new construction (7.1)</b>:               <ul style="list-style-type: none"> <li>The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the Nearly Zero-Energy Building (NZEB) requirements in national measures. The energy performance is certified using an as built Energy Performance Certificate (EPC).</li> <li>For buildings larger than 5,000 m<sup>2</sup>:                   <ul style="list-style-type: none"> <li>Airtightness and thermal integrity testing with any deviation in the levels of performance set at design stage/defects in the building envelope disclosed to investors /clients or demonstration that robust and traceable quality control processes were in place during the construction process.</li> <li>Life-cycle Global Warming Potential (GWP) calculated for each stage in the life cycle and disclosed to investors and clients on demand.</li> </ul> </li> </ul> </li> <li>For <b>renovation of existing buildings (7.2)</b>:               <ul style="list-style-type: none"> <li>The building renovation complies with the applicable requirements for major renovation. Alternatively, it leads to a reduction of Primary Energy Demand (PED) of at least 30% within a maximum of 3 years in comparison to the energy performance of the building before the renovation.</li> </ul> </li> <li>For <b>acquisition and ownership of buildings (7.7)</b>:               <ul style="list-style-type: none"> <li>For buildings built before 31/12/2020, the building has at least an Energy Performance Certificate (EPC) class A. Alternatively, it is within the top 15% of the Italian building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence.</li> <li>For buildings built after 31/12/2020, the building meets the 7.1 criteria that are relevant at the time of the acquisition.</li> <li>Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW) it is efficiently operated through energy performance monitoring and assessment.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>For <b>new construction or acquisition, or renovation and ownership of buildings</b>:               <ul style="list-style-type: none"> <li>Loans to finance the construction or acquisition, or renovation of commercial buildings which have received at least one (or more) of the following classifications:                   <ul style="list-style-type: none"> <li>LEED "Gold" or above;</li> <li>BREAM "Very Good" or above;</li> <li>HQE "Excellent" or above;</li> <li>Any other comparable international building certifications level.</li> </ul> </li> </ul> </li> <li>For construction of <b>new buildings</b> only: The building has an Energy Performance Certificate (EPC) class A.</li> </ul>

## ELIGIBLE GREEN LOANS CATEGORIES

## ELIGIBILITY CRITERIA

	For assets aligned with the Substantial Contribution Criteria of the EU Taxonomy	For assets aligned with other green Eligibility Criteria
<b>Renewable Energies</b>	<ul style="list-style-type: none"> <li>Loans to finance the construction, acquisition, development and maintenance of facilities generating and/or distributing energy from renewable sources such as:</li> <li><b>Solar energy (4.1):</b> Solar energy Photovoltaics (PV).</li> <li><b>Wind energy (4.3):</b> Onshore and offshore wind energy generation facilities.</li> <li><b>Hydro power (4.5):</b> Acquisition, construction, upgrade and refurbishment of hydro power plants with a power density above 5 W/m<sup>2</sup> or operating at life cycle emissions lower than 100gCO<sub>2</sub>e/kWh. The life-cycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018<sup>13</sup>, ISO 14064-1:2018<sup>14</sup> or the Gres tool<sup>15</sup>.</li> <li><b>Bio energy (4.8):</b> Facilities producing energy<sup>16</sup> 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). See the SCC of this activity of the EU Taxonomy for the full list of eligibility criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Loans to finance the construction, acquisition, development and maintenance of facilities generating and/or distributing energy from renewable sources such as:</li> <li><b>Geothermal energy:</b> Geothermal power plants and geothermal heating/cooling systems (limited to direct emissions of ≤ 100g CO<sub>2</sub>e/kWh).</li> <li><b>Electricity transmission and distribution infrastructure</b> (limited to infrastructure with an average grid emission factor below the threshold value of 100 gCO<sub>2</sub>e/kWh over a rolling five-year average period).</li> </ul>
<b>Manufacture of organic basic chemicals</b>	<b>Manufacture of organic basic chemicals (3.14)</b> (high value chemicals (HVC); Aromatics, vinyl chloride; styrene; ethylene oxide; monoethylene glycol; adipic acid) aligned with the SCC or the full criteria of the activity 3.14 of the EU Taxonomy for Climate Change Mitigation.	

## ASSETS ALIGNED WITH OTHER GREEN ELIGIBILITY CRITERIA

<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Loans to finance the development and distribution of and/or upgrades to equipment or technology such as: <ul style="list-style-type: none"> <li>Smart grid<sup>17</sup>;</li> <li>District heating and cooling<sup>18</sup>;</li> <li>Energy storage for low carbon energy: solar, wind, hydropower, bioenergy;</li> <li>Efficient LED lighting appliances and systems.</li> </ul> </li> </ul>
<b>Pollution Prevention and Control</b>	<ul style="list-style-type: none"> <li>Loans to finance the development, construction, maintenance or consulting and advisory of waste management activities that contribute to the reduction of GHG emission with intensive waste treatment systems, such as waste prevention, waste reduction and waste recycling.</li> </ul>

<sup>13</sup> ISO standard 14067:2018, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification (version of 4.6.2021: <https://www.iso.org/standard/71206.html>).

<sup>14</sup> ISO standard 14064-1:2018, Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals (version of 4.6.2021: <https://www.iso.org/standard/66453.html>).

<sup>15</sup> Publicly available online tool developed by the International Hydropower Association (IHA) in collaboration with the UNESCO Chair for Global Environmental Change (version of 4.6.2021: <https://www.hydropower.org/gres>).

<sup>16</sup> 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

<sup>17</sup> Including (i) smart meters (ii) smart thermostat systems and (iii) Building Management Systems (BMS) and Energy Management Systems (EMS).

<sup>18</sup> Limited to district heating and cooling systems using at least 50% renewable energy (geothermal, biomass energy, and biomethane energy source) or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat. (i) Uncertified wood based biomass and (ii) food based biomass are excluded.

## ELIGIBLE GREEN LOANS CATEGORIES

## ELIGIBILITY CRITERIA

<b>Sustainable Water Infrastructure</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Low Carbon Transportation</b>	<ul style="list-style-type: none"> <li>Loans financing public land transport and clean transportation loans such as:               <ul style="list-style-type: none"> <li>Public transport (e.g. electric or biofuels subways, trains, trams, electric buses), including: infrastructure (e.g. rail networks, station upgrade: electric/electrifying infrastructures or urban and suburban public passenger transport only) and non-diesel rolling stock (excluding fossil fuel transportation);</li> <li>Commercial and passenger's electric vehicles (e.g. truck fleets, automobiles, charging infrastructure);</li> <li>Sea and coastal or inland freight or passenger water transport ,vessels for port operations and auxiliary activities: Green shipping with low carbon emissions/retrofitting:                   <ul style="list-style-type: none"> <li>The vessels have zero direct (tailpipe) CO<sub>2</sub> emissions;</li> <li>Until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO<sub>2</sub> emission fuels or plug-in power for their normal operation.</li> </ul> </li> </ul> </li> <li>Infrastructures for sea and coastal or inland freight or passenger water transport, vessels for port operations and auxiliary activities: Green shipping with low carbon emissions / retrofitting:               <ul style="list-style-type: none"> <li>The infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO<sub>2</sub> emissions: electricity charging, hydrogen-based refuelling;</li> <li>The infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth;</li> <li>The infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO<sub>2</sub> emissions;</li> <li>The infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods.</li> </ul> </li> </ul>
<b>Green Guarantee</b>	<ul style="list-style-type: none"> <li>SACE's green guarantee with clear eligibility criteria<sup>19</sup>.</li> </ul>
<b>Sustainable Agriculture</b>	<ul style="list-style-type: none"> <li>Loans to finance Sustainable Agriculture projects that need to comply with at least one of the following criteria:               <ul style="list-style-type: none"> <li>Related to all organic certifications that are accredited by IFOAM, label «Agriculture biologique», «BioCohérence» and «Demeter»;</li> <li>Hydroponic greenhouses.</li> </ul> </li> </ul>



<sup>19</sup> <https://www.sace.it/soluzioni/dettaglio-categoria/dettaglio-prodotto/garanzie-green>.

### 3.1.2 Eligible Social 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 LOANS CATEGORY	ELIGIBILITY CRITERIA	TARGET POPULATION
<b>SMEs</b>	<ul style="list-style-type: none"> <li>Loans to SMEs<sup>20</sup> that include SMEs located in provinces with a GDP per capita below national average, and/or in areas impacted by natural disasters.</li> <li>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.</li> </ul>	People working in SMEs to maintain jobs and create capacity for new jobs.
<b>Third and Public Sector<sup>21</sup></b>	<ul style="list-style-type: none"> <li>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.)<sup>22</sup> dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:               <ul style="list-style-type: none"> <li>Healthcare and scientific research;</li> <li>Education;</li> <li>Clean transportation<sup>23</sup>;</li> <li>Environmental protection<sup>24</sup>;</li> <li>Art, culture and recreational activities (including also amateur sport, touristic activities of social and cultural interest, etc.);</li> <li>Solidarity and Social Activities (including also welcoming and integrating migrants, inclusiveness of disadvantaged workers by law, animal protection, etc.);</li> <li>Fair Trade and international cooperation for the sustainable development, human rights and peace<sup>25 26</sup>.</li> </ul> </li> </ul>	People benefitting from positive socio-economic outcomes, including in sensitive areas, and to youth, elderly and people with disabilities.

<sup>20</sup> Small-Medium Enterprises as defined by the European Commission:

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

<sup>21</sup> For all the categories under "Third and Public Sector" the target audience is: People benefitting from positive socio economic outcomes, in priority in sensitive areas, and in priority to youth, elderly and people with disabilities.

<sup>22</sup> The companies and entities financed under this Framework are selected according to the shareholders' due diligence policy and the Italian law on Third Sector.

<sup>23</sup> Banco BPM finances public entities such as municipalities, consortiums for protection of the environment, regions for the development of clean transportation projects, such us electric trams.

<sup>24</sup> This category concerns all projects related to environment, such as landscape care and maintenance, educational farms and social agriculture activities, collection, disposal and waste recycling also employing people with disabilities.

<sup>25</sup> Regarding the Third Sector, this category is regulated by Art. 5 of the Italian legislation on the Third Sector. Under this category Banco BPM will only finance the following activities:

- assisted living-related facilities such as community living for youths or senior homes
- food banks, homeless shelter
- rehab facilities and or services for substance abuse and addiction treatment
- food security program that promote nutrition and food security

<sup>26</sup> Loans related to "international cooperation for the sustainable development, human rights and peace" are only provided to the Third Sector.



ELIGIBLE SOCIAL LOANS CATEGORY	ELIGIBILITY CRITERIA	TARGET POPULATION
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	Aiming at benefitting to all.
<b>Sustainability-Linked Loans</b>	<ul style="list-style-type: none"> <li>Sustainability-Linked Loans to SMEs. Evaluation and monitoring guidelines require the following elements, amongst others:               <ul style="list-style-type: none"> <li>Choice of at least 2 KPIs (Key Performance Indicators) relevant to the borrower and aimed at improving its ESG profile;</li> <li>KPI(s) and Target(s) cannot be subject to modification after loans have been granted;</li> <li>KPI(s) measure progress in E, S and G areas and the borrower is eligible for a discount on the interest margin in case the Target(s) have been reached;</li> <li>Borrowers have to report progress on the advancement of Target(s) in the notes of their financial statements on annual basis.</li> </ul> </li> </ul>	People working in SMEs to maintain jobs and create capacity for new jobs; Aiming at benefitting to all.
<b>Residential Mortgages</b>	<ul style="list-style-type: none"> <li>Residential mortgages granted to disadvantaged people with government guarantee to help access to housing.<sup>27</sup></li> <li>For married couples (at least two years of marriage) with one of them with age under 36 years: The mortgages are under the 80% Public Guarantee of the First Home Mortgage Guarantee Fund ("Fondo Prima casa") administered by CONSAP (Concessionaria Servizi Assicurativi Pubblici): loans to first-time buyers with ISEE (Equivalent Economic Situation Indicator) of &lt; €40K/years.</li> </ul>	<ul style="list-style-type: none"> <li>People with an ISEE under a certain threshold;</li> <li>People with age under 36 years;</li> <li>Lone parent;</li> <li>People who live in a social house;</li> <li>Married couples (at least two years of marriage) with one of them with age under 36 years.</li> </ul>

### 3.1.3 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 tobacco, and gambling will be excluded.



<sup>27</sup> Consap Mortgages is based on a stated mechanism and include a level of revenue threshold for beneficiaries. More information is available on: <https://www.consap.it/fondo-prima-casa/>.

## 3.2 Process for Project Evaluation and Selection

The Eligible Portfolio that will be financed and/or refinanced via the Green, Social and Sustainability 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.
- The perimeter of potential eligible assets will reflect Banco BPM internal policy related to the management of ESG risks and the integration of ESG factors in the credit granting process.
- 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.



## 3.3 Management of proceeds

In order to track the Eligible Portfolio, Banco BPM has implemented an internal systems 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;
- 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.

As long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible categories made during the period. 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 policy. Banco BPM commits not to invest temporarily unallocated proceeds in coal or controversial activities.

The total net proceeds of the Bond will be allocated to eligible loans within 24 months following the date of issuance. In the case of divestment or if a loan no longer meets the eligibility criteria, Banco BPM will use reasonable efforts to reallocate an equal amount of the funds to other eligible loans (within a period of 12 months).

The update of the Framework may result in the modification and evolution of the pool of Eligible Assets either in terms of volume of Eligible Assets or of additional categories and associated Eligibility Criteria.

## 3.4 Reporting

The allocation and impact reporting (the "Report") will be published annually by Banco BPM, on a portfolio approach basis until the Bond maturity. Banco BPM will make its Report available for investors on its website. The reporting is intended to follow the recommendations of ICMA Harmonised Frameworks for Impact Reporting (June 2022)<sup>28</sup>.

### 3.4.1 Allocation Reporting

The allocation reporting will include, until bond maturity:

- 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 share of Eligible Loans aligned with the EU Taxonomy (in %).
- The amount of unallocated proceeds, if any.



### 3.4.2 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 (m<sup>3</sup>/year).
- Number of hectares with environmental certificate or with sustainable agriculture practices.

Impact metric for Eligible Green Loans may include the estimated annual GHG emissions reduced/avoided, in tons of CO<sub>2</sub>e, 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 until Bonds maturity.

Banco BPM commits to report on any material developments/issues/ESG controversies related to the financed projects/assets.

<sup>28</sup> <https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects> and <https://www.icmagroup.org/sustainable-finance/impact-reporting/social-projects>.

# 4. EXTERNAL REVIEW

## 4.1 Second Party Opinion

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

The Second Party Opinion has certified the alignment of the Framework with ICMA's Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines.

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

## 4.2 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.





[gruppo.bancobpm.it](http://gruppo.bancobpm.it)