

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Social Bond

BPER Banca Group

17 March 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Social Bond</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• BPER Green, Social and Sustainability Bond Framework (as of March 2021)</li><li>• BPER Social Bond asset pool (as of March 2021).</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• This SPO is valid as long as no new project categories are added to the Framework and there are no material changes to the asset pool (e.g. addition of assets that do not follow the Eligibility Criteria as set out in the BPER Green, Social and Sustainability Bond Framework of March 2021)</li></ul>

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## SCOPE OF WORK

BPER Banca Group (BPER) commissioned ISS ESG to assist with its Social Bond by assessing three core elements to determine the sustainability quality of the bond:

1. The instrument's link to BPER's sustainability strategy – drawing on BPER's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. BPER's Green, Social and Sustainability Bond framework – benchmarked against the International Capital Market Association's (ICMA) Social and Green Bond Principles and Sustainability Bond Guidelines (SBGs).
3. The asset pool (for the inaugural issuance considered by the issuer at the date of this SPO) – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b> <b>Issuance's link to issuer's sustainability strategy</b>	According to the ISS ESG Corporate Rating published on 05.01.2021, the issuer shows a good sustainability performance against industry peer group on key ESG issues faced by the Financials/Commercial banks and Capital Markets sector. As of 17.03.2021, 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 78 <sup>th</sup> out of 285 companies within its sector.	<b>Consistent with the issuer's sustainability strategy</b>
<b>Part 2:</b> <b>Performance against the GBPs, SBPs and SBGs</b>	The issuer has defined a formal concept for its Green, Social and Sustainability Bond framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with ICMA's GBPs, SBPs, SBGs.	<b>Positive</b>
<b>Part 3:</b> <b>Sustainability quality of the asset pool<sup>2</sup></b>	The issuer intends to finance loans to Italian companies with the aim of preserving employment. Eligible assets will include loans to companies affected by the COVID-19 health emergency.  The overall sustainability quality of the Social Bond asset pool in terms of sustainability benefits, risk avoidance and minimisation is good, based upon the ISS ESG Social Bond KPIs. The proposed financing falls within the "SME financing and employment generation" project category. The use of proceeds category has a significant contribution to SDG 8 "decent work and economic growth" according to the methodology of ISS ESG.	<b>Positive</b>

<sup>1</sup> ESG's evaluation is based on the BPER Green, Social and Sustainability Bond Framework (March 2021 version), on the analysed Social Bond asset pool as received on the 04.03.2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 05.01.2021).

<sup>2</sup> Assessment of the asset pool for the inaugural issuance considered by the issuer at the date of this SPO.

## ISS ESG SPO ASSESSMENT

### PART I: INSTRUMENT’S LINK TO BPER GROUP’S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF BPER’S ESG PERFORMANCE

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

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
<b>BPER Banca Group</b>	<b>FINANCIALS/COMMERCIAL BANKS AND CAPITAL MARKETS</b>	<b>3</b>	<b>HIGH</b>

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the ‘Financials/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 17.03.2021, this Rating places BPER 78<sup>th</sup> out of 285 companies rated by ISS ESG in the Financials/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



#### Sustainability Opportunities

BPER attracts deposits and offers loans, credit cards, pension plans, investment funds, insurance, and asset management and online trading services. To a limited extent, its products portfolio includes products or services with a particular social benefit by e.g. offering basic banking accounts, social finance products and micro credits for economically disadvantaged customers. Furthermore, BPER provides financing to renewable energy projects and the company offers SRI funds. However, these products do not constitute the main business of the company.

### *Sustainability Risks*

In the financial sector, the main sustainability challenges lie in the lending and investment banking as well as asset management businesses. BPER Banca has no strategic approach to address these challenges, but has taken some steps in selective relevant areas. While BPER Banca has in place guidelines regarding the financing of and investing in companies which produce weapons (including an exclusionary list), there are no clear social and environmental criteria for its lending and asset management activities. Regarding customer-related issues, the company has a policy regarding responsible marketing in place and offers a basic banking account to socially disadvantaged persons. However, the company does not significantly address further customer-related challenges, e.g. concerning responsible sales practices. The company's workforce benefits from offerings in the area of workplace flexibility and working time reduction. BPER Banca's code of conduct covers all relevant issues such as corruption, antitrust violations and validity of financial information in general terms. Apart from compliance trainings, reporting channels for employees and/or external stakeholders and a commitment to whistleblower protection, there are no indications of further efforts to ensure compliance (e.g. compliance risk assessments and audits, third-party anti-corruption due diligence).

### *Governance opinion*

While the majority of the board members are independent, the independence of the board's chair, Pietro Ferrari, is limited (as of November 2020). On the other hand, entirely independent board committees in charge of audit, remuneration and nomination are in place. Compensation is disclosed for members of the executive management team as a whole and sub-divided according to fixed amounts, variable performance-related components and long-term incentive components which may enhance sustainable value creation.

Regarding the company's governance of sustainability-related matters, a board-level sustainability committee has been established. BPER Banca's group-wide reporting of its code of conduct covers all relevant issues such as corruption, antitrust violations, insider dealings and conflicts of interest in general terms. Moreover, the company refers to anti-money laundering comprehensively. The compliance framework includes measures such as whistleblower protection and compliance training. However, further indications of compliance procedures (e.g. compliance risk assessments and audits, third-party anti-corruption due diligence) are missing.

### *Breaches of international norms and ESG controversies*

The company is not facing any controversy.

## B. CONSISTENCY OF THE INSTRUMENT WITH BPER'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

BPER has a longstanding commitment to sustainability. The BPER has its origin and roots in the territories and keeps supporting an economy mainly oriented towards small and medium enterprises with the aim to carry out its banking responsibly with regards to customers and stakeholders all together, assuming a role as financial partner in the real economy of the country.

The BPER's goal is an innovative, inclusive and sustainable economy, integrating sustainability within its business model, in order to continue creating value for customers, the environment and society.

The BPER believes in an economy in which banks, market operators and investors know how to integrate social and environmental factors into their decision-making processes

The BPER wants to continue offering the right solutions for people's requirements, in accordance with a transparent and coherent offer, engaging in a dialogue with customers and economic operators with a sincere and attentive approach.

The most important pillar for the BPER's policy is the Ethical Code, representing a clear guideline in terms of conduct and strategies to be adopted by the bank and a formal benchmark for the Group's commitments. This must be seen as a genuine "social contract", describing the rights, duties and responsibilities of the Group towards each counterparties, creating social value beyond even the scope of the business activities.

Social responsibility policy, minimising compliance and reputational risks, is the final purpose of the Ethical Code, requiring that the Management and all Employees engage in conduct consistent with the Group's ethical principles.

To ensure its commitment to sustainability, BPER has developed various initiatives and policies.

These are referenced below.

#### **Governance**

In 2020 BPER set up a Sustainability Committee, in charge of, inter alia, promoting the BPER Group's decisions on ESG purposes and the sustainable balance sheet reporting. It is chaired by the Group's Chief Executive Officer.

#### **Risk Management**

BPER expanded the risk management system to cover Environmental, Social, Governance (ESG).

#### **Ethical Principles and Social Responsibility**

BPER's commitment to integrity is reinforced by the Anti-Corruption Policy, Antitrust Policy, Group Policy for the Management of the Money Laundering and Terrorism Financing related risks, Internal Governance Code of the BPER Group, and Whistleblowing System, among others.

Further policies and initiatives are available on the issuer's Green, Social and Sustainability Framework, and on its website: <https://istituzionale.bper.it/en/sustainability>

### *Rationale for issuance*

In order to mitigate the adverse effects of the Covid-19 on the real economy, BPER activated a series of measures in favour of households and businesses, while also adopting and implementing the related ministerial decrees.

More specifically, as at 31 December 2020 the BPER Banca Group had outstanding:

- moratoria for more than 47 thousand retail loans, in line with the requirements specified in the Decree Law or in banking sector agreements for retail customers, with a gross exposure of Euro 3.4 billion;
- moratoria for some 53 thousand corporate loans, in line with the requirements specified in the Decree Law or in banking sector agreements for Corporate customers, for residual debt of over Euro 7.8 billion.

The "BPER Banca per l'Italia" initiative was launched at the same time, with the creation of two funds amounting respectively to Euro 100 million (for individuals, professionals, artisans and traders) and Euro 1 billion (for firms in order to provide access to liquidity and short/medium-term loans). In order to help businesses in crisis, BPER strengthened its commitment to enable applicant customers to access the guarantee fund for SMEs and other loans backed by public guarantees

It is in this context that BPER aims to issue new Green, Social and Sustainability Bonds.

### *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 Financials/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.

	<b>SUSTAINABILITY OBJECTIVES FOR THE ISSUER</b>	<b>KEY ESG INDUSTRY CHALLENGES</b>	<b>CONTRIBUTION</b>
<b>Green Eligible categories</b>	<ul style="list-style-type: none"> <li>• Enhance the availability of Affordable and Clean Energy</li> <li>• Increase Climate Action through climate change adaptation and mitigation</li> <li>• Promoting Energy Efficient measures</li> <li>• Sustainable use and protection of water resources</li> <li>• Transition to a Circular Economy</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability impacts of lending and other financial services/products</li> <li>• Sustainable investment criteria</li> <li>• Labour standards and working conditions</li> <li>• Business ethics</li> </ul>	Contribution to a material objective

<p><b>Social Eligible categories</b></p>	<ul style="list-style-type: none"> <li>• Support to employment generation</li> <li>• Socioeconomic advancement and improvement</li> <li>• Access to healthcare services</li> <li>• Access to adequate, safe and affordable housing</li> <li>• Support Female entrepreneurship</li> <li>• Alleviate the impact of the Covid 19 crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability impacts of lending and other financial services/products</li> <li>• Sustainable investment criteria</li> <li>• Labour standards and working conditions</li> <li>• Business ethics</li> </ul>	<p>Contribution to a material objective</p>
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**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: GREEN AND SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

### 1. Use of Proceeds

Eligible Green Assets and Eligible Social Assets constitute the Eligible Assets. They correspond to portfolios of new and/or existing loans. The Eligible Assets will be disbursed after issuing the corresponding bonds, while existing loans to be selected from the Bank's current portfolio will be initiated up to 2 calendar years prior to the year of execution of any bond issued under this Framework.

#### Eligible Social Assets

The net proceeds of BPER's Social Bonds will be used exclusively to finance and re-finance, in whole or in part, loans and investments (the "Eligible Social Assets") that seek to achieve positive social impacts, providing access to essential services, facilitating social inclusion and promoting employment generation.

ELIGIBLE CATEGORY	DEFINITION	TARGET POPULATION	SOCIAL OBJECTIVES
<b>SME financing</b>	Small and medium enterprises <sup>3</sup> and microfinance facilities: either located in socioeconomically disadvantaged areas <sup>4</sup> , or financed in response to the pandemic crisis <sup>5</sup> , or run by female entrepreneurship	<ul style="list-style-type: none"> <li>• SMEs in economically underperforming region</li> <li>• SMEs affected by a pandemic crisis such as the Covid19 crisis</li> <li>• SMEs developing female component in economic sector</li> </ul>	<ul style="list-style-type: none"> <li>• Support employment generation in the concerned area</li> <li>• Support employment generation to alleviate the impact of the Covid 19 crisis</li> <li>• Support Female entrepreneurship</li> </ul>
<b>Non-profit organizations</b>	Financing local non-profit organizations, associations, foundations and philanthropic structures including those specifically active in culture, sport and solidarity Entities set-up to promote business involvement for minors and youths	<ul style="list-style-type: none"> <li>• Vulnerable populations that include unemployed, youth, elderly, undereducated and disabled individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Socioeconomic advancement and improvement</li> </ul>

<sup>3</sup> SMEs definition according to EU: [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

<sup>4</sup> defined as regions with GDP per capita lower than the national GDP per capita as per ISTAT Istituto Nazionale di Statistica.

<sup>5</sup> When related to the Covid19 crisis, these financings fall under Government's SME guarantee scheme, as per Law Decree no. 23 of 8 April 2020 (the "Decreto Liquidità") and Law no. 27 of 24 April 2020, the "Decreto Cura Italia")

<b>Social Housing</b>	Construction, development and acquisition of social housing to be selected through low-income criteria applying for social housing	<ul style="list-style-type: none"> <li>• Vulnerable population living in social and economic difficulties who cannot access adequate housing</li> </ul>	<ul style="list-style-type: none"> <li>• Socioeconomic advancement and improvement</li> <li>• Ensure access for all to adequate, safe and affordable housing</li> </ul>
<b>Healthcare</b>	Public health infrastructure including development, acquisition of buildings, facilities or equipment related to public hospitals Healthcare services including more generally to SMEs operating in the healthcare sector.	<ul style="list-style-type: none"> <li>• Population benefitting from the publicly supported care system</li> <li>• SMEs operating in the healthcare sector</li> </ul>	<ul style="list-style-type: none"> <li>• Access to healthcare services to all</li> <li>• Alleviate the impact of the Covid 19 crisis</li> </ul>

**Eligible Green Assets**

The net proceeds of BPER’s Green Bonds will be used exclusively to, finance and re-finance, in whole or in part, loans and investments (the “Eligible Green Assets”) that seek to achieve positive environmental impacts, including mitigating climate change, reducing greenhouse gas emissions and reducing pollution. All of these impacts are believed to support the transition to a low-carbon economy.

<b>ELIGIBLE CATEGORY</b>	<b>DEFINITION</b>	<b>TARGET POPULATION</b>	<b>SOCIAL OBJECTIVES</b>
<b>Renewable energy</b>	Equipment, development, production, construction, operation, distribution and maintenance of renewable energy generation sources: <ul style="list-style-type: none"> <li>• wind, solar or photovoltaic energy projects;</li> <li>• small-scale hydropower projects up to 20 MW capacity, and</li> <li>• wave and tidal structures</li> </ul>	<ul style="list-style-type: none"> <li>• Provides substantial benefits for climate, environment, health and economy.</li> <li>• Increased supply of renewable energy allows people to replace carbon intensive energy sources reducing global warming emissions.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance the availability of Affordable and Clean Energy</li> <li>• Climate change mitigation</li> </ul>
<b>Pollution and Prevention Control</b>	Technologies and operations to support water collection, treatment, recycling, and related infrastructure such as: <ul style="list-style-type: none"> <li>• Infrastructure for clean and/or drinking water</li> <li>• Water Recycling Equipment &amp; Services</li> </ul> And to support waste treatment through the	<ul style="list-style-type: none"> <li>• Reducing pollution and degradation of the environment supports the well-being and good health of the population.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable use and protection of water resources</li> <li>• Transition to a Circular Economy</li> </ul>

	financing of anaerobic digestion of bio-waste.		
<b>Green Buildings</b>	Buildings that score B or above according to the Energy Performance Certificate rating or equivalent metric.	<ul style="list-style-type: none"> <li>Encourages buildings to be constructed in an energy-efficient manner reducing emissions and electricity consumption from non-renewable sources and fuels.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Energy Efficient measures</li> <li>Climate change adaption</li> </ul>
<b>Clean Transportation</b>	Supporting the development of clean transport to support zero emission vehicles for private transportation, public mass and freight transportation	<ul style="list-style-type: none"> <li>Increasing efficiency of energy consumption is the most noticeable form of climate change adaptation and mitigation.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting Energy Efficient measures</li> <li>Climate change mitigation</li> </ul>

Through its Eligible Green Assets, BPER will not finance and/or refinance any projects related to fossils fuel activities. More details on exclusion criteria are available below.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by BPER Green, Social and Sustainability Bond Framework as aligned with the GBPs, SBPs and SBGs. Expected environmental and social benefits are clearly displayed in a granular way and the eligible categories are aligned with the broader strategy of the issuer toward sustainability.

## 2. Process for Project Evaluation and Selection

In 2020 BPER set up a Sustainability Committee, in charge of, inter alia, promoting the BPER Group’s decisions on ESG purposes and the sustainable balance sheet reporting. It is chaired by the Group’s Chief Executive Officer.

The Sustainability Committee includes top representatives from all BPER business departments involved in the origination of the Eligible Assets, with full knowledge of the technical and sustainability characteristics of the Eligible Assets.

The Sustainability Committee manages the principles and guidelines defining the selection and evaluation of the Eligible Assets.

The process for asset evaluation and selection of proceeds is as follows:

- the relevant department of BPER Group carries out a pre-selection of potential Eligible Assets (as detailed in the Use of Proceeds and Reporting sections of this Framework);
- the potential Eligible Assets are submitted by the different BPER departments to the Sustainability Committee. The Sustainability Committee verifies the alignment of the pre-selected assets to the Eligible Asset criteria confirming the correctness and compliance of process; and
- the Eligible Assets are clearly identified within BPER Group’s internal information system.

Furthermore, the Sustainability Committee advises the different departments of BPER Group on the implementation of the identification of the Eligible Assets in the internal information systems.

The Sustainability Committee has also the responsibility to exclude financing of a range of businesses, such as, but not limited to, weapons, gambling, alcohol, tobacco activities, and companies with significant involvement in controversies or incidents in social aspects such as human rights, labour rights, health and safety at work or projects with relevant negative impact on communities.

If any Eligible Assets are subject to an ESG controversy, the Sustainability Committee will decide to exclude the asset from the credit pool (the “Eligible Asset Portfolio”).

**Opinion:** *ISS ESG considers the Project Evaluation and Selection processes as aligned with the GBPs, SBPs and SBGs. Relevant internal stakeholders are involved in this process thanks to the creation of a Sustainability Committee. The eligibility criteria are clearly defined and publicly disclosed and process for asset evaluation and selection of proceeds is structured and transparent. Moreover, a list of excluded business and activities is included.*

### 3. Management of Proceeds

BPER Finance Department is in charge of monitoring the allocation of proceeds to the Eligible Assets on a nominal equivalence basis, in order to maintain a full and direct link between qualified assets and liabilities on a portfolio basis. Only Eligible Green Assets can be allocated to BPER’s Green Bonds, only Eligible Social Assets can be allocated to BPER’s Social Bonds. In the event that BPER was to issue Sustainability Bonds, the net proceeds would be allocated to both Eligible Green Assets and Eligible Social Assets.

The combination of all the Eligible Assets earmarked by each BPER Group entity will compose the Eligible Asset Portfolio and will be consolidated at Group level. The BPER Group has set up an internal information system enabling the recording and tracking of the Eligible Assets, where the net proceeds of the Green, Social and Sustainability Bonds will be allocated until the relevant bonds maturity.

On a quarterly basis the Sustainability Committee, so appropriately addressed by the Finance Department, ensures that the net proceeds raised by Green, Social and Sustainability Bonds, together with any dedicated third-party Social funding, is lower than the total amount of the Eligible Asset Portfolio. An ordinary revolving and substitution policy will be allowed to maintain direct relationship between Eligible Asset amounts and tenors with the relevant outstanding Green, Social and Sustainability Bonds.

To ensure the continuous intent of this commitment and taking into account the potential evolution of Eligible Assets:

- the amount of the Eligible Asset Portfolio will always exceed the amount of the Green, Social and Sustainability Bonds outstanding by a relevant factor;
- the amount of the Eligible Green Asset will always exceed the amount of the Green Bonds outstanding by a relevant factor; and
- the amount of the Eligible Social Asset will always exceed the amount of the Social Bonds outstanding by a relevant factor.

As a result, amortized, prepaid or redeemed Eligible Assets will be replaced by new Eligible Assets. Similarly, if a loan or investment no longer meets the Eligible Asset criteria (as described in the Use of Proceeds section), the asset will be removed from the Eligible Asset Portfolio and replaced by another eligible loan or investment, as soon as reasonably practical.

Pending the full allocation of the proceeds or in the unlikely case of insufficient Eligible Assets, BPER commits to hold the additional funds in the Group's Treasury, in accordance with its liquidity policy and, to the extent possible, invest in Green, Social and Sustainability Bonds.

**Opinion:** ISS ESG considers the management of proceeds as aligned with the GBPs, SBPs and SBGs. Appropriate tracking of the proceeds and a granular description of allocation process is in place. Intended types of temporary investment instruments for unallocated proceeds are also disclosed.

#### 4. Reporting

BPER will publish an annual Sustainable Report on its website, detailing both the allocation of the net proceeds of the Green, Social and Sustainability Bonds issued, as well as impact information concerning the Eligible Assets Portfolio.

BPER will also commit to report on a more frequent basis any material developments of the Eligible Asset Portfolio, should the need arise. This reporting commitment of the Eligible Asset Portfolio will cease once all Green, Social and Sustainability Bonds have been matured.

The Sustainable Report will provide a section on the respective allocation of the Green, Social and Sustainability Bonds' net proceeds, which may include:

- the total amount of Green, Social and Sustainability Bonds outstanding;
- the total amount of Green, Social and Sustainability Bond's net proceeds allocated to Eligible Assets and the amount of unallocated proceeds, if any;
- a breakdown of the Eligible Assets by industry when relevant and by geographies, including disadvantaged areas for SMEs financing, when relevant; and
- a mapping of the loans to the relevant SDGs.

The Sustainable Report will also include detailed information on the expected environmental and social impacts of the Eligible Asset Portfolio, where data is available, such as:

- number of loans granted to microcredits and SMEs specifically and number of loans provided under the Government's SME guarantee scheme in response to Covid-19;
- statistical overlay of the number of people employed by financed SMEs;
- number of loans granted to non-profit organizations and, when available, estimated number of beneficiaries of non-profit organizations;
- number of loans provided to social housing projects and, when available, estimated number of beneficiaries of social housing schemes;
- number of loans extended to female businesses;
- number of loans granted to public hospitals, publicly supported elderly care or other health facilities;
- estimated number of people served by health facilities, when available;
- number of loans granted to SMEs in the healthcare sector and, when available, estimated

- number of beneficiaries;
- total installed renewable energy capacity (MW) and estimated annual production of renewable energy (MWh/yr);
- CO<sub>2</sub> emissions avoided (tons) according to the GHG protocol;
- number of environmental labels obtained or improved;
- GHG annual emissions avoided (in tCO<sub>2</sub> equivalent), when available; and
- estimated ex-ante annual energy consumption and energy savings in MWh, when available.

**Opinion:** ISS ESG considers the reporting as aligned with the GBPs, SBPs and SBGs. The issuer gives great details about level, frequency, scope and duration of reporting for both allocation and impact reporting. Impact indicators are well defined, and intended public disclosure further enhances the quality of the reporting.

### External review

BPER will obtain an independent Second Party Opinion from ISS ESG to confirm the validity of BPER's Sustainability Bond Framework and alignment to ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. BPER's Sustainability Bond Framework and the Second Party Opinion are publicly available on BPER's website.

A limited assurance report on the main features of the Sustainable Reporting will be provided by BPER's external auditor on an annual basis.

BPER will review the Sustainability Bond Framework and will update to incorporate new eligible categories or amend current categories, if deemed necessary.

## **PART III: SUSTAINABILITY QUALITY OF THE SOCIAL BOND ASSET POOL<sup>6</sup>**

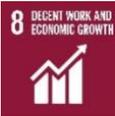
### **1. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGS AND COVID-19 CRISIS MANAGEMENT**

Using a proprietary methodology, ISS ESG assessed the contribution of BPER’s Social Bond 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 instrument and the issuer’s specific sectorial context.

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



Each of the bond’s 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
<b>SME financing and employment generation</b>	<b>Significant contribution</b>	

The Social Bond asset pool 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 Group<sup>7</sup>.

<sup>6</sup> Assessment of the asset pool for the inaugural issuance considered by the issuer at the date of this SPO

<sup>7</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Social-Bonds-Covid-QA310320.pdf>

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

### 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.

BPER’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.

BPER’s issuance revolves around the following national decree:

- Decreto Legge N. 23 del 8 Aprile 2020 cd. “Decreto liquidità” which promotes loans guaranteed by SACE S.p.A.

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 (for applicable assets only)

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 (for applicable assets only)

- ✓ 100% of the assets are formulated around the Italian National Decree related to COVID-19 crisis management and supporting employment. <sup>8</sup>

##### Exclusion of controversial activities

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

- ✓ 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).

## DISCLAIMER

1. Validity of the SPO: this SPO is valid as long as no new project categories are added to the Framework and there are no material changes to the asset pool (e.g. addition of assets that do not follow the Eligibility Criteria as set out in the BPER Green, Social and Sustainability Bond Framework of March 2021)
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.
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## ANNEX 1: Methodology

### ISS ESG Social KPIs

The ISS ESG Social KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of BPER's Green, Social and Sustainability 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 BPER (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 BPER Social Bond project category contribute to related SDGs.

## ANNEX 2: ISS ESG Corporate Rating Methodology

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

# BPER Banca SpA

## Methodology - Overview

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.

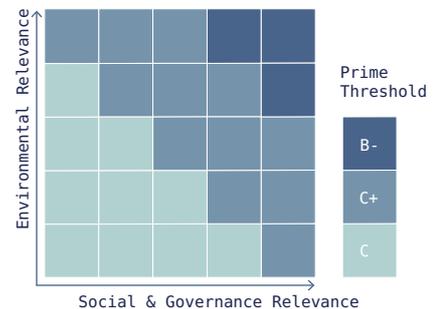
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# BPER Banca SpA

## Methodology - Overview

**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

BPER commissioned ISS ESG to compile a Social Bond 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.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs, and SBGs.

### ISSUER'S RESPONSIBILITY

BPER 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 BPER based on ISS ESG methodology and in line with the ICMA GBPs, SBPs and SBGs.

The engagement with BPER took place in February 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](mailto:Federico.Pezzolato@isscorporatesolutions.com)

+44.20.3192.5760

**Miguel Cunha**

SPO Business Manager Americas

[Miguel.Cunha@isscorporatesolutions.com](mailto:Miguel.Cunha@isscorporatesolutions.com)

+1.917.689.8272

For Information about this Green Bond SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

**Project lead**

Damaso Zagaglia  
Associate  
ESG Consultant

**Project support**

Marine Durrieu  
Associate  
ESG Consultant

**Project supervision**

Viola Lutz  
Associate Director  
Deputy Head of Climate Services