

BPER:

Banca

BPER Social Bond Report 2022

BPER's support to finance SME operating in the
weakest economic areas or most sensitive sectors



MODENA, MARCH 2022

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Introduction to the Social Bond Report

- In March 2021 BPER issued the first Social Bond under the BPER Green, Social and Sustainability Bond Framework, as assessed by ISS ESG, as second party opinion provider, on March 2021 and whose report is available on BPER webpage

<https://istituzionale.bper.it/en/investor-relations/obbligazioni-e-prospetti/esg-framework>

- The relevant proceeds were applied in order to support SME hardly affected by the Covid-19 emergency, with a special focus on the weakest economic Italian areas and with significant attention to the most sensitive sectors
- As at the issue date the relevant final borrowers were more than 22.000
- As at the issue date the most important economic sectors were manufacturing, commerce, service
- The purpose of this report is to provide an update on the current proceeds allocation as committed in the BPER Green, Social and Sustainability Bond Framework

No. of borrowers as at the issue date



More than 22.000

Main economic sectors as at the issue date



Manufacturing,
commerce, service...

Investors as at the issue date



Over 110 Orders

¹According to EU SME definition: https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en





Sustainability strategy at BPER

BPER Banca S.p.A. (“BPER”), as parent bank of the BPER Banca banking Group, has a focus on respecting the environmental and social issues as confirmed by the appointment of an Energy Manager - to support the Property Management Service - and a Mobility Manager, who operates in the ESG Strategy Office that works directly under the control of the Board of Directors.

In BPER’s view, sustainability should be understood as a real driver of global development, capable of improving competitiveness and building shared value for all stakeholders. BPER is continuing along its path of sustainable growth with increasingly challenging goals, as set out in the United Nations 2030 Agenda for Sustainable Development and the principles of the UN Global Compact, which the Bank has been a member of since 2017.

Following the compliance with the 10 main principles of the United Nations Global Compact, in July 2021 BPER decided to endorse the United Nations Principles for Responsible Banking as a banking system sustainable project developed along with the UNEP Finance Initiative, with the final purpose to support sustainability in the financial sector in every business area.

A special focus is due to the operative and reputational risk referring to:

- human resources management;
- health and safety;
- customer relationship (product responsibility, transparency, privacy);
- bribery and money laundry contrast;
- direct and indirect environmental impacts;
- social impacts.

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 and the ESG Strategy Officer.



In October 2021 BPER set up a new Sustainability Committee with advisory and propositional functions to support the Board of Directors in the activities that cover ESG issues, reverberating on all processes which make it possible for the Bank to pursue sustainable development. This new Committee consist of BPER Chairperson and two Directors and it works along with the original Committee.

As a consequence, BPER ESG governance is actually referring to the complete company framework, including both the strategic level and the executive managers.

BPER's Social Bond

In March 2021 BPER issued the first Social Bond under its Green, Social and Sustainability Bond Framework. The relevant proceeds were applied in order to support SME hardly affected by the Covid-19 emergency with a special focus on the weakest economic Italian areas and with significant attention to the most sensitive sectors.

More in details, in a re-financing approach, the bond issuance finds its rationale in more than 22.000 borrowers supported through the Government guarantee scheme referred to the pandemic emergency, with economic sectors such as manufacturing, commerce, service and focusing on the Italian SME so hardly hit from the recent contingency events. The final purposes were supporting employment generation and alleviate the impact of the Covid-19 crisis activating a series of measures in favor of households and businesses, while also adopting and implementing the related ministerial decrees, in order to realize socioeconomic advancement and improvement and ensure access for all to adequate, safe and affordable housing along with promote access to healthcare services.

BPER has allocated the proceeds of its Social Bonds to Eligible Social Assets as defined within the following list of eligible categories:

- SME and microfinance facilities either located in socioeconomically disadvantaged areas, or financed in response to the pandemic crisis, or run by female entrepreneurship;



- non-profit organizations, associations, foundations and philanthropic structures including those specifically active in culture, sport and solidarity or entities set-up to promote business involvement for minors and youths, also operating with vulnerable populations that include unemployed, youth, elderly, undereducated and disabled individuals;
- subjects operating in construction, development and acquisition of social housing addressed to vulnerable population living in social and economic difficulties due to low income who cannot access adequate housing;
- subjects operating in healthcare or public health infrastructure including development, acquisition of buildings, facilities or equipment related to public hospitals, healthcare services including more generally SME operating in the healthcare sector, with a special focus on population benefitting from the publicly supported care system.

Any economic sector not compliant with the BPER Green, Social and Sustainability Bond Framework was strictly excluded².

As a final criterion Italian Regions with a level of GDP per capita lower than the National GDP per capita average (as per ISTAT - Istituto Nazionale di Statistica stats) has been taken in consideration: that means Centre (with the exclusion of Tuscany and Lazio) and South of the Country only.

² E.g.: alcoholic beverages, manufacture of weapons and ammunition, carbon & gas industry, plastic industry, tires reconstruction industry, tobacco industry, fur industry, chemical products for mineral extraction, gambling and betting activities.

Most recent BPER evolution on ESG purposes

A very important achievement is referred to BPER inclusion in the Italian stock exchange MIB ESG Index as set up in 2021 as per the Italian blue-chip companies, with a special purpose to gather the most important issuers with the best ESG practices. This index, managed by Euronext along with Vigeo Eiris (as part of Moody's ESG Solutions), is working with regard to the economic performance and ESG valuations according with the United Nations Global Compact principles.

The latest BPER achievement is referred to BPER commitment to join the Net-Zero Banking Alliance (NZBA), as supported by the United Nations, involving banking operators worldwide with a final purpose to align all the lending and investor portfolios to a zero emissions within 2050.



Use of Proceeds

The BPER Social Bond was issued under the BPER EMTN Base Prospectus, as a Senior Preferred unsecured unsubordinated bond under the Italian law jurisdiction, with a maturity of six years and an issuer's redemption option call falling on the fifth year, issue date on 31 March 2021, notional amount equal to Eur 500 million, listed on the Luxembourg Stock Exchange.

As at 31 January 2021, as a re-financing issuance, the BPER Social Bond found full allocation of the relevant use of proceeds since the issue date: taking in consideration the full BPER portfolio on loans mostly granted to SME guaranteed by public sector (under "Decreto Liquidità"), of around Eur 3,400 million, and applying the above mentioned selection criteria, the residual Eligible Asset portfolio consisted of Eur 818 million.

More in details the Eligible Asset portfolio consisted of:

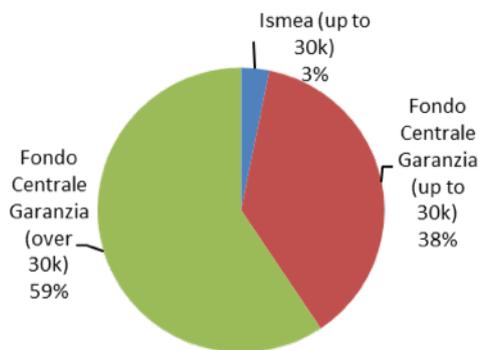
- number of loans: 25,128;
- 73% of SME, 18% of individual enterprises and 9% of artisans;
- 94% granted in the South of the Country and the remaining part in the Centre;
- the average employees' number was less than 10 for 69% of the borrowers, from 10 to 49 for 25% of the borrowers and from 50 to 249 for the residual 6%.

As at 31 December 2021, also depending on the extraordinary evolution of the BPER Group following the acquisition of a going concern from the Intesa Sanpaolo Group, the Eligible Asset portfolio, starting from a gross amount of Eur 6.6 billion and applying the same selection criteria, consisted of Eur 1.45 billion.

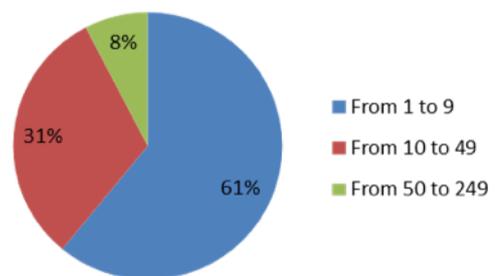
More in details the Eligible Asset portfolio consisted of:

- number of loans: 35,216;
- 79% of SME, 14% of individual enterprises and 7% of artisans;
- 87% granted in the South of the Country and the remaining part in the Centre;
- the average employees' number was less than 10 for 61% of the borrowers, from 10 to 49 for 31% of the borrowers and from 50 to 249 for the residual 8%.

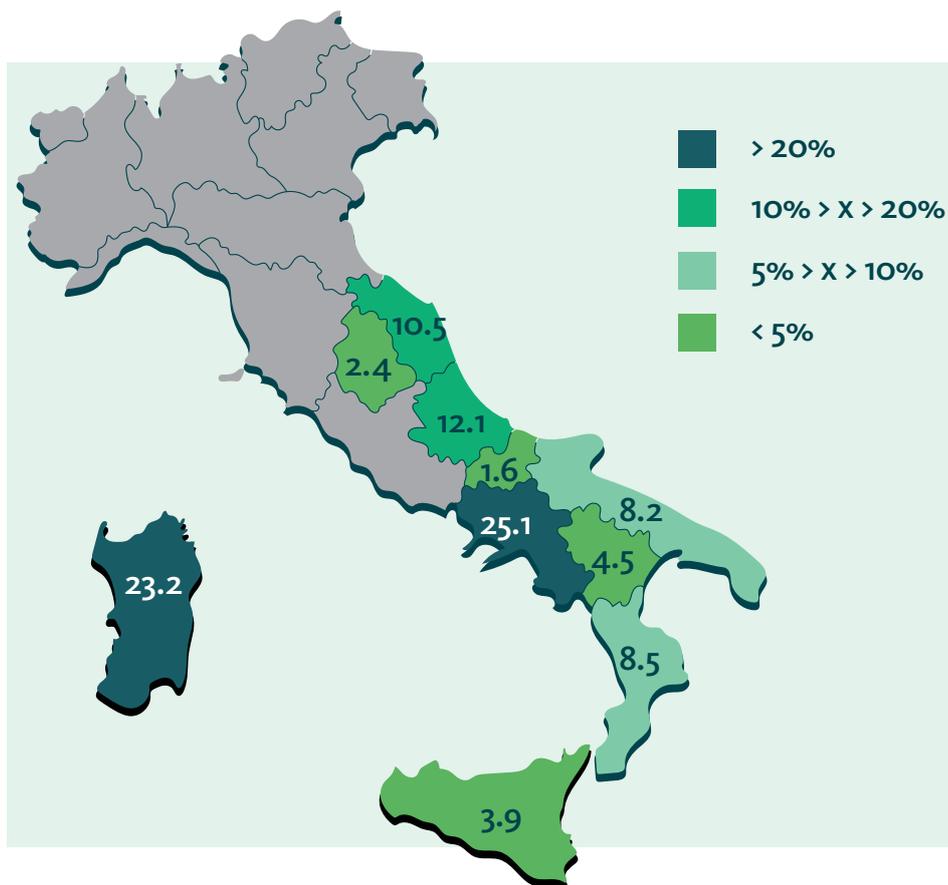
Type of guarantee (residual debt)



No. of employees (residual debt)



Eligible social asset geographical distribution



Regions	Residual debts per regions	Area	%
Campania	365,263,410	South/Islands	25.1
Sardegna	337,332,242	South/Islands	23.2
Abruzzo	175,095,615	South/Islands	12.1
Marche	151,858,231	Centre	10.5
Calabria	124,033,532	South/Islands	8.5
Puglia	119,146,095	South/Islands	8.2
Basilicata	65,081,015	South/Islands	4.5
Sicilia	56,350,798	South/Islands	3.9
Umbria	35,410,236	Centre	2.4
Molise	23,436,952	South/Islands	1.6

With respect to what is defined within the BPER Green, Social and Sustainability Bond Framework regarding the detailed information on the expected social impacts of the Eligible Asset Portfolio, the Group will extend the impact reporting indicators in the next reports in order to continuously improve its social bond reporting.

Background

Please find below key elements from the Financing SME and Entrepreneurs 2020 in Italy report - OECD:

- small and medium-sized enterprises dominate the business landscape in Italy, accounting for nearly 80% of the industrial and service labour force, and generating about two-thirds of turnover and value added;
- a decade after the onset of the financial crisis, SME have not yet fully recovered. Micro firms, in particular, are still reeling from the economic fallout of the double-dip recession, as evidenced by the sharp fall in turnover and value added; large firms, by contrast, have outperformed pre-crisis levels;
- the share of SME loans in total business loans further decreased to 17.2%, the lowest level since 2007;
- according to the banks interviewed in the euro-area bank lending survey, higher funding costs, coupled with the worsening economic outlook, translated into a gradual deterioration in the terms and conditions applied to loan agreements.³

In order to measure social impact, it is necessary to establish criteria that allow to determine which typologies of enterprises have the greatest potential for social impact (and thus a strong link with the granted funds).

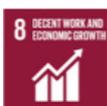
All these procedures are based on the assumption that a social impact is more direct and powerful if it is:

- towards a micro, small and medium sized companies (instead of a large enterprise). The rationale is that for many of the Italian SME obtaining the funds means to directly contribute to their continuity or payment obligations capacity with a direct impact to both employees and suppliers. For this reason, all trades with companies with an annual turnover greater than €50 million euros and/or with a number of employees greater than 250 are excluded;
- towards a SME located in a underdeveloped area. The method used by BPER to maximize the potential social impact is based on the sequential application of the criteria, which lead to select SME located in regions with a GDP per capita lower than the National average;
- During a difficult economical moment. The idea to try to amplify the positive effects stand also on the fact that all the financed SME were granted under the “Decreto Liquidità” (i.e. a specific support for companies during the Covid 19 pandemic crisis).

³Source: <https://www.oecd-ilibrary.org/sites/f1890aaa-en/index.html?itemId=/content/component/f1890aaa-en>

Contribution to the territorial economic development

Alignment with the UN Sustainable Development Goals (SDGs):



SDG 8.3 Promote decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including access to financial services. In addition, this includes promoting employment designed to prevent and alleviate unemployment stemming from socioeconomic crises.



Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

