

Social Bond Framework

June 2021



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Social Bond Framework

June 2021

Banca Carige Group is responsible for the preparation and fair presentation of this Social Bond Framework as at June 2021.

Purpose

As part of its broad commitment to sustainability, **Banca Carige Group and all its subsidiaries and refinancing vehicles** (together referred as “**Carige**” or the “**Group**”) have developed this Social Bond Framework (the “**Framework**”) under which they can issue Social bonds in various formats and currencies including senior preferred and non-preferred bonds, as well as secured bonds (such as Covered Bonds) and other securities (such as ABS and RMBS), through public or private placements, to fund new and existing loans/projects and businesses with social benefits. The Framework is aligned with the *ICMA Social Bond Principles 2021*¹ and with the intention of seeking alignment with best market practice and with the upcoming European regulation.

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

1. Banca Carige Group: Background and Commitment

1.1. Group's organizational structure

The Banca Carige Group operates in 13 Italian regions, with a network of 380 branches serving almost 840 thousand customers -households, self-employed professionals, SMEs and artisans- with a wide range of products and services offered under an integrated multi-channel approach centered on service quality. The Group's traditional core region, Liguria, hosts 36.3% of the Group branches and the Genoa-based headquarters; 14.5% of the Group branches are in Tuscany, 10.5% in Lombardy, where the other two Group Banks operate (Banca del Monte di Lucca and Banca Cesare Ponti) and 9.2% are based in Piedmont.

As at the end of 2020, the Group's customers numbered 839,282, of which 45.5% in Liguria, 12.7% in Tuscany, 8.9% in Sicily and 8.5% in Lombardy. More than 90% of the customer base is retail. Customer loyalty is very high: 75% of customers have a banking relationship longevity of at least 10 years.

As at 31/12/2020, the headcount was 3,617, of which 50.8% were women².

Carige's offering has always been focused on supporting households and businesses with a range of products and services that meet the customers' specific requirements: the Group operates primarily in Northern Italy and Tuscany, being a point of reference for households and businesses (small-medium enterprises, in particular) and sustains the local economies of its local areas by distributing products aimed at supporting the growth of businesses' turnover, the technological renewal of their production plants and business growth, in general.

Carige's commitment to sustainability is clearly highlighted in the Group's Non-Financial Report (hereinafter also the "**NFR**") and in the Code of Ethics³.

The NFR encompasses environmental, social, personnel issues, respect for human rights, the fight against active and passive corruption, which are deemed relevant in consideration of the business activities and characteristics of the company.

As part of the Group's activities, the Code of Ethics is the expression of the values and principles of conduct, which Carige recognises, accepts and shares, and is intended to ensure that all of the Bank's activities are performed in compliance with the law and carried out with honesty, integrity, fairness and in good faith.

Honesty, impartiality, confidentiality, transparency and completeness of information are the principles underlying the business activity, which Carige undertakes to bring to the attention of all stakeholders and which form the context of the company's organisational model.

² Figures as at 31/12/2020. For further information, please refer to the 2020 Non-Financial Report for the Banca Carige Group- 1/2/2020-31/12/2020 available (in Italian only) at <https://www.gruppocarige.it/grpwps/portal/it/gruppo-carige/sostenibilita>

³For further information, please refer to the Code of Ethics available at <https://www.gruppocarige.it/grpwps/portal/it/gruppo-carige/governance/documenti-societari>

1.2. The path to sustainability of Banca Carige Group

In recent years, national and international debate concerning environmental and social sustainability issues and the responsibility that economic players have in such respect was strongly affected by the introduction of regulatory instruments that have deeply changed the framework of reference.

In 2020, the European Union's orientation towards sustainable development was clearly confirmed: the new Commission's political programme used the United Nations 2030 Agenda as the yardstick for all European policies and maintained this orientation in its programmes in response to an unprecedented pandemic crisis, promoting an extraordinary acceleration of public debate in the Member States on the importance of the green transition, digital transition and the fight against inequality.

The Commission's Communications on economic, social and environmental policies are all oriented towards sustainability, which is understood, *inter alia*, as an opportunity for Europe to play a central role in the global competitive scenario. Against this background, Carige launched a sustainability project called "*Carige sostenibile*" in 2020, which marks the first phase of a more comprehensive programme aimed at pursuing the following objectives:

- the development of a culture of sustainability for the Group;
- the promotion of an integrated vision of sustainability;
- the definition of a sustainability strategy and
- the programming of an action plan to be implemented in 2021.

In the first few months of 2021, several projects were launched which are due for completion during the year and envisage, in particular, the definition of a Group policy for non-financial reporting and sustainability governance, the in-depth examination of the issue of ESG and climate-change-related risks and the development of a master plan that defines the Group's sustainability initiatives going forward.

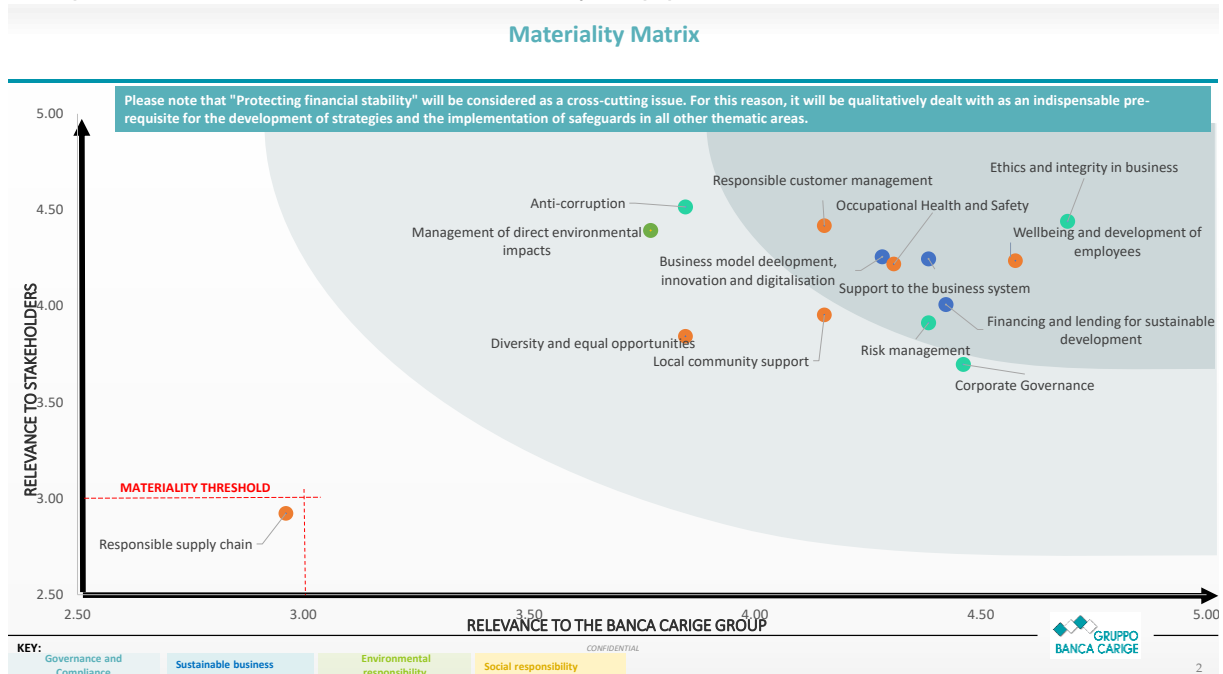
The first step for the implementation of this project included a verification of the Group's positioning in the area of sustainability, through the analysis of:

- the context of reference in terms of trends and legislative and regulatory developments in the field of sustainability and climate change;
- benchmarks to identify the best practices in terms of governance, strategy, policies and practices of sustainability.

The aim was to start a process for defining a strategic vision of sustainability for Carige, in line with regulatory developments in the industry and the market.

In this context, the process for defining the materiality matrix was revised; the matrix is intended to define the sustainability issues that are relevant for the Group and its stakeholders, to the extent necessary to ensure proper understanding of the Company's business activity, performance, results or impact.

The approach to the analysis of the Group's material aspects was based on updating the materiality determination process with a view to assessing whether the Group's strategic priorities were in line with this framework's major developments in terms of new legislative and regulatory requirements, as well as with the stakeholders' priorities and expectations. This process is summarised in the materiality map provided below⁴.



1.3. Banca Carige Group for sustainable development and the Covid-19 emergency

The business path of any bank unfolds in parallel with the economic context of operation in a synergic process, where savings, consumption and investment generate growth and prosperity in the market area where the bank adequately plays its entrepreneurial role, by seizing and promoting business opportunities while trying to provide its financial support even in particularly difficult times.

Acting as a custodian of the values that have always inspired its business, the Banca Carige Group has been close to its footprint areas from the very beginning. The inspiring values are reflected today in the Bank's approach to the world of households and businesses, which aims at promoting the development of the local economy while, at the same time, safeguarding the communities served by gathering and protecting deposits in accordance with ethical values. Against the background of an economic crisis and pandemic emergency due to the worldwide spread of the Covid-19 virus, which is taking its toll on Italy, Carige continues to play a key role in domestic economy and in the Liguria Region in particular, which is characterised by a fragile social and manufacturing environment.

Since the very beginning of the Covid-19 crisis, the Group has adopted all the necessary measures to protect the safety of its customers and employees, while at the same time ensuring proximity and a listening approach to families, businesses and the local community,

⁴ See footnote 3.

inter alia by implementing -and widening the scope of- government provisions to support individuals and companies.

In particular, the Group has paid the utmost attention to the needs for liquidity and financial support expressed by individuals and businesses, always focusing on the best possible well-being and security of its employees and customers.

With a view to confirming its commitment to corporate social responsibility for its community, the Group continued to support multiple projects for the dissemination of culture in its various forms of expression (e.g. music, art, literature and publishing) and to promote sports activities with the aim of spreading the values of solidarity and cohesion. These initiatives uphold the Bank's reputation of being focused on the needs of its areas of footprint, according to a logic of multi-localism, awareness of local area peculiarities and flexibility, in compliance with the new rules and regulations introduced under the pandemic scenario.

Among the first banks in Italy and even prior to the entry into force of government support measures, the Carige Group offered its customers loans of honor⁵ and zero-interest loans with remote loan application processing to simplify and speed up disbursement and support small businesses and self-employed workers promptly from the initial phase of the emergency.

In order to support the implementation of the initiatives introduced by the government measures (the 'Cura Italia' and 'Liquidity' decrees), initial guidelines were provided in April for the granting and management of credit in light of the ongoing emergency situation.

The Group has gradually implemented all government and industry measures introduced during the year⁶.

2. Banca Carige Group's Social Bond Framework

For each Social Bond or any security issued under this Framework, **Carige's** Management asserts that it will adopt the following key pillars as recommended by ICMA Social Bond Principles⁷ updated by ICMA on June 2021

1. Use of Proceeds;
2. Project evaluation and selection;
3. Management of proceeds;
4. Reporting.

Carige's Framework also follows the recommendation outlined under the ICMA Guidelines for Social Bonds External Review.

⁵ Loans to support families and people in temporary financial hardship

⁶ For further information, please refer to the Consolidated Financial Statements for the period 01.02.2020-31.12.2020, available at <https://www.gruppocarige.it/grpwps/portal/it/gruppo-carige/investor-relations> and to the 2020 Non-Financial Report.

⁷ See footnote 1

Carige will update this Framework from time to time, in order to reflect future standards and/or best practice in the Sustainable Capital Market. Any subsequent versions of this Framework will either maintain or improve the stringency of the social eligibility criteria further detailed in section 2.1.1. and the level of transparency regarding the process adopted to evaluate and select Social Loans /Projects (“**Eligible Social Assets**”) and reporting requirements.

2.1. Use of Proceeds

The net proceeds of any Group Social Bond and any other security issued under this Framework will be exclusively allocated to finance and/or re-finance, in whole or in part, new and/or existing Eligible Social Assets as defined within the following list of Social Eligible Categories, aligned to the Social Bonds Principles updated by ICMA.

The Social Eligible Categories are:

- **SMEs and Corporate Financing;**
- **Healthcare and Access to Essential Services;**
- **Non-Profit and “third sector”.**

The combination of all the Eligible Social Assets earmarked by Carige will compose the Eligible Social Asset portfolio (“**Social Portfolio**”) and will be consolidated at Group level.

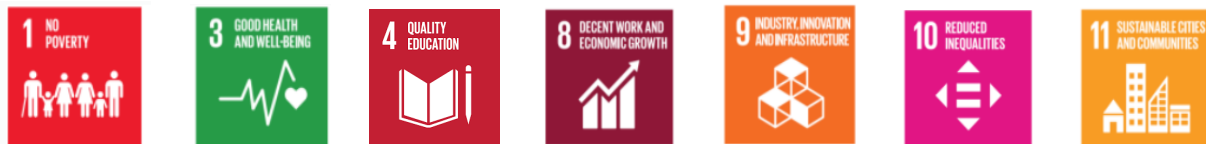
Carige will strive overtime to maintain the total amount of outstanding Social Bonds and any other security issued under this Framework lower than the amount of the Social Portfolio. However, there can be no assurance that Eligible Social Assets will equal or exceed the amount of Social Bond and any other security.

Existing Eligible Social Assets to be selected from the Group’s Social Portfolio will be initiated up to 2 calendar years prior to the year of execution of any Social Bond or security issued under this Framework.

Carige may consider future opportunities to update the Framework to expand this list of Eligible Categories and include new Eligible Categories aligned with Social Bond Principles as relevant to Banca Carige Group financing strategy.


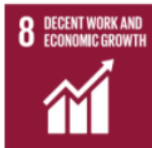



Each Banca Carige Group Social Bond or any other security issuances under this Framework may focus on one or more or even all the above-mentioned Social Eligible Categories.

Eligible Social Assets will primarily aim at contributing to the following UN SDGs:





2.1.1. Social Eligible Categories





Social Eligible Categories are defined as follows:

Social Eligible Categories	Eligibility Criteria	Benefits & Target Populations	ICMA SBP Project Category	Impacted Sustainable Development Goals
1. SMEs ⁸ and Corporate Financing	<ul style="list-style-type: none"> Finance and/or re-finance, in whole or in part, new and/or existing loans/projects to companies/SMEs affected by natural disasters / health emergencies (such as COVID-19⁹ pandemic, etc.) and the related social and economic downturn Finance and/or re-finance, in whole or in part, new and/or existing loans/projects to fund SMEs/micro enterprises or microfinance initiatives 	<ul style="list-style-type: none"> Improve the Italian socio-economic conditions and economic growth through the support of areas and populations (companies, SMEs/micro enterprises or microfinance initiatives) affected by natural disasters/health emergencies (such as COVID 19 pandemic) or economically underperforming Italian areas Support the SMEs/microfinance to promote their growth to sustain employment 	<ul style="list-style-type: none"> Socioeconomic advancement and empowerment Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance 	    

⁸ SMEs definition according to EU: https://ec.europa.eu/growth/smes/sme-definition_en

⁹ 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")

Social Eligible Categories	Eligibility Criteria	Benefits & Target Populations	ICMA SBP Project Category	Impacted Sustainable Development Goals
<p>2. Healthcare and Access to Essential Services</p>	<ul style="list-style-type: none"> • Finance and/or re-finance, in whole or in part, new and/or existing loans/projects to SMEs/companies operating in the healthcare sector • Finance and/or re-finance, in whole or part, new and/or existing loans/projects related to the construction, development, maintenance or renovation of healthcare facilities, medical equipment and technologies for the improvement and protection of public health 	<ul style="list-style-type: none"> • Activities that improve living conditions of people with disabilities, aging populations and vulnerable youth • Activities that promote access to healthcare service to vulnerable groups as a result of natural disasters (e.g. health emergencies, such as COVID 19 pandemic) • Activities that promote access to essential services and living conditions of people living below the poverty line 	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement and empowerment 	 

Social Eligible Categories	Eligibility Criteria	Benefits & Target Populations	ICMA SBP Project Category	Impacted Sustainable Development Goals
<p>3. Non-profit and Third Sector</p>	<ul style="list-style-type: none"> Finance and/or re-finance, in whole or in part, new and/or existing loans/projects to SMEs/companies operating in the third sector such as: education, social, recreational and sports activities, welfare and solidarity, art and culture, public utility infrastructures and benefit 	<ul style="list-style-type: none"> Activities that contribute to build stronger communities, to reduce inequality, poverty, to create a healthier environment, to improve educational infrastructure Activities that contribute to improve the access to affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy) Activities that allow the access to other essential services (e.g. health, education and vocational training, healthcare, financing and financial services) 	<ul style="list-style-type: none"> Access to essential services Socioeconomic advancement and empowerment Affordable basic infrastructure 	   

2.1.2. Excluded categories and limitations

As reported in the section 2.1.1. ("**Social Eligible Categories**"), Carige will not allocate proceeds received from the issuance of Social Bond and any other securities under this Framework to loans/projects either directly operating, involved in the supply chain or distribution in the following sectors:

- Alcoholic beverages and Tobacco;
- Environmental Damage / Deforestation;
- Mining of non-ferrous metal ores;
- Nuclear Energy;
- Extraction and distribution of natural gas, crude oil and other products deriving from oil refining;
- Gambling and betting / Sex Industry;
- Explosives, weapons and ammunition;
- Chemicals;
- Biomass Energy;
- Fur Industry and Animal maltreatment;
- Plastic industry;
- Tires reconstruction industry;
- Intensive Agro/Hydro activity.

2.2. Project Evaluation and Selection

A dedicated ESG Working Group in charge of the oversight of the process for Project Evaluation and Selection, includes representatives from all Carige' business departments involved in the origination of Eligible Social Assets, in the funding process and in the sustainability strategy (including Lending Department, Finance and Treasury, Sustainability Office).

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

- the relevant department of Carige's Group carries out a pre-selection of potential Eligible Social Assets (as detailed in the Use of Proceeds and Reporting sections of this Framework);
- potential Eligible Social Assets are submitted to the ESG Working Group, which is in charge of verifying the alignment of the pre-selected assets to social eligibility criteria, the correctness and compliance of process;
- Assets determined as Eligible Social Assets will be marked accordingly and added into a Social and Sustainability Bond Register (the "**Register**"), further described in section 2.3. "**Management of Proceeds**";

- Eligible Social Assets are clearly identified within the Group's internal information system.

If any Eligible Social Assets are subject to an ESG controversy, the ESG Working Group will exclude the asset from the credit pool.

2.3. Management of Proceeds

The ESG Working Group will be in charge for the purpose of confirming Eligible Social Assets that meet the social eligibility criteria and allocating the Social Bond and any other security proceeds under this Framework to finance and/or refinance Eligible Social Assets.

Proceeds from the Social Bonds or any other security issued under this Framework will be managed on a portfolio basis.

The relevant structures, chosen within the ESG Working Group, are responsible to maintain and update the Register for all Social Bonds and any other securities issued under this Framework and the Eligible Social Assets enabling their recording and tracking.

The Register is managed by the Group's internal information system, in which the Eligible Social Assets are uniquely identified.

Any balance of issuance proceeds not allocated to fund Eligible Social Assets in the Register will be held in accordance with Carige normal liquidity management, including treasury liquidity portfolio, Cash, Time Deposit with Banks or Other form of available short term and medium / long term funding sources, that do not include Excluded Categories as reported above.

2.4. Reporting

In line with the recommendation of the ICMA Social Bond Principles (2021), Carige will report within approximately one year from the date of issuance and annually thereafter, at least until full allocation, on the allocation of proceeds raised from bonds and any other security issued under this Framework and on the relative impact of the projects at category level, in accordance with the portfolio approach.

2.4.1. Allocation reporting

Carige will report within approximately one year from the date of issuance and annually thereafter, at least until full allocation, on the proceeds allocation via a Social Bond Report (the "**Report**") which will be published via company website¹⁰.

The allocation report will include:

- The total amount of Carige' Social Bonds and any other security outstanding;
- The total amount of the Social Portfolio broken down per Eligible Category;
- Aggregate amounts of net proceeds allocated to each Eligible Category of the Social Portfolio;
- The balance of unallocated proceeds at the time of reporting, as the case may be;
- The amount or the percentage of new financing and refinancing, as the case may be.

¹⁰ See Annex 1

2.4.2. Impact reporting

Carige also intends to report annually on the social benefits¹¹ resulting from the Social Portfolio disbursed from the Social Bonds and any other security issued under this Framework, until full allocation:

The impact report may provide:

- a description of some Social Eligible Assets;
- the breakdown of Eligible Social Assets by nature of what is being financed;
- Social Metrics, such as the ones described below:
 - **Output:** annual estimates and/or assessment of major outputs disclosed per Eligible Category of the Social Portfolio level;
 - **Impacts:** annual estimates of ex-ante and/or ex-post impacts (where feasible) based on specific indicators developed by Carige and according to the best market practice, disclosed per Eligible Category at the Social Portfolio level.

On a best effort basis Carige will align the impact reporting with the portfolio approach described in the “Harmonized Framework for Impact Reporting for Social Bonds” dated June 2020¹².

When reporting on the identified outcomes, Carige may select alternative quantitative or qualitative indicators, to remain relevant to the selected Eligible Social Assets. For all eligible assets, Carige may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on loans management.

3. Second-Party Opinion

Carige has appointed ISS ESG as Second Party Opinion provider to verify social credentials of this framework and assess the alignment of this framework with the Social Bond Principles updated in June 2021 by ICMA¹³.

The Second Party Opinion will be made available on Carige’s website at the following Link:

<https://www.gruppocarige.it/grpwps/portal/it/gruppo-carige/sostenibilita>

¹¹ See Annex 2

¹² <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Harmonized-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf>

¹³ See footnote 1

Annex 1: Reporting on funds allocation per Eligible Categories

Criteria	Indicative Reporting Indicators at category level
<p>Use of Proceeds</p>	<ul style="list-style-type: none"> ▪ Number of loans ▪ Amounts invested (in EUR) ▪ Loan Maturity ▪ Direct or Indirect funding ▪ Total Allocated amount vs total amount proceeds (in %) ▪ Balance of unallocated proceeds, as the case may be (in EUR and %) ▪ Description of the unallocated proceeds management, as the case may be ▪ Overall refunding amount vs new funding, as the case may be (in % of allocated amount and in % of total amount) ▪ The geographical distribution of the assets (at country level)

Annex 2: Reporting on Social Benefits per Eligible Category: Output and Impacts

Social Eligible categories	Social benefits	Output reporting indicator	Indicative Impact reporting indicators	Methodologies and assumptions
1. SMEs and Corporate Financing	<ul style="list-style-type: none"> • Socioeconomic advancement and empowerment • Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance 	<ul style="list-style-type: none"> • Number of Corporate/ SMEs financed • Number of microfinance loans • Number of loans to target population 	<ul style="list-style-type: none"> • Number of companies/SMEs affected by natural/ health emergencies financed • Number of Jobs retained on the financed Corporate/SMEs benefitting from intervention • Number of businesses reopened • Number of employees Business and Labour of the financed Companies/ SMEs • Number of people provided with access to financial services, including microfinance 	<ul style="list-style-type: none"> • Research paper from universities acknowledged or research center • Report from Public bodies

Social Eligible categories	Social benefits	Output reporting indicator	Indicative Impact reporting indicators	Methodologies and assumptions
2. Healthcare and Access to Essential Services	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement and empowerment 	<ul style="list-style-type: none"> • Number of healthcare facilities built/renovated (square meters) • Number of outpatient and inpatient rehab facilities • Number of outpatient and inpatient care facilities 	<ul style="list-style-type: none"> • Number of people reached with improved healthcare facilities • Number of health checks provided • Number of people in low-income areas, or from disadvantaged groups and other target populations receiving assistance 	<ul style="list-style-type: none"> • Research paper from universities acknowledged or research center • Report from Public bodies
3. Non-profit and Third Sector	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement and empowerment • Affordable basic infrastructure 	<ul style="list-style-type: none"> • Number of sporting/ education facilities built/renovated (square meters) • Number and type of initiatives supporting public university education 	<ul style="list-style-type: none"> • Number of residents benefitting from basic infrastructure new/ upgraded which is otherwise not accessible • Number of beneficiaries with gained access to education opportunities • Number of schools upgraded • Number and type of initiatives supporting public university education • Number of students served 	<ul style="list-style-type: none"> • Organizations' Social impact reporting tools • Report from Public bodies • Research paper from universities acknowledged or research center