

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Banca Popolare Pugliese

9 April 2024

### VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Bond

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Banca Popolare Pugliese Green Bond Framework (as of April 9, 2024)

Scope of verification

- Banca Popolare Pugliese Eligibility Criteria (as of April 9, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Banca Popolare Pugliese (“the Issuer”, “the Bank”, or “BPP”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instruments:

1. Banca Popolare Pugliese’s Green Bond Framework (as of April 9, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Eligibility criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transactions to Banca Popolare Pugliese’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## BANCA POPOLARE PUGLIESE BUSINESS OVERVIEW

Banca Popolare Pugliese carries out banking and credit activities. Banca Popolare Pugliese was founded on 2 June 1994 following the merge of two companies of the Salento banking system: ‘Banca Popolare Sud Puglia’ and ‘Banca Popolare di Lecce’. The Bank’s headquarter is in Matino (LE), Italy.

### *ESG risks associated with the Issuer Industry*

Banca Popolare Pugliese is classified in the Public & Regional Banks industry, as per ISS ESG’s sector classification. BPP is classified as a joint-stock cooperative bank. Key sustainability issues faced by companies<sup>1</sup> in this industry are: sustainability impacts of lending and other financial services/products, customer and product responsibility, sustainable investment criteria, labor standards and working conditions, and business ethics.

This report focuses on the sustainability credentials of the issuance. Part III. Of this report assesses the consistency between the issuance and the Issuer’s overall sustainability strategy.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP</b></p>	<p>The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility criteria</b></p>	<p>The Green Bond will (re)finance eligible asset categories which include:</p> <p>Green categories: Energy Efficiency, Renewable Energy, Clean Transportation, Green Buildings.</p> <p>Product and/or service-related use of proceeds categories<sup>2</sup> individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">   </div> <p>Other use of proceed categories improve the operational impacts of BPP’s borrower(s) and mitigate potential negative externalities of its sector on one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">   </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Consistency of Green Bond with BPP’s Sustainability Strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with Issuer’s sustainability strategy</b></p>

<sup>1</sup> The evaluation is based on the Banca Popolare Pugliese’s Green Bond Framework (April 9, 2024 version), on the analysed Eligibility Criteria as received on April 9, 2024, and on the Indicative Corporate Rating and applicable at the SPO delivery date.

<sup>2</sup> Energy Efficiency, Renewable Energy, Clean Transportation, Green Buildings.

# SPO ASSESSMENT

## PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the Banca Popolare Pugliese’s Green Bond Framework (as of April 9, 2024) with the Green Bond Principles (GBP).

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by BPP’s Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful projects categories, in line with best market practice.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by BPP’s Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines transparently the responsibilities in the process for project evaluation and selection, and involves various stakeholders in this process, in line with best market practice.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by BPP’s Green Bond Framework is <b>aligned</b> with the Green Bond Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by BPP’s Green Bond Framework is <b>aligned</b> with the Green Bond Framework.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Banca Popolare Pugliese explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is also transparent on the level of reporting, on the information reported in the impact report, as well as on the frequency, scope and duration of the impact reporting, in line with best market practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs<sup>3</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



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

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Financing related to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>The acquisition/construction of new or existing buildings for residential or non-residential use constructed before 31 December</i></li> </ul>	<p><b>Contribution</b></p>	

<sup>3</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

2020 with i) energy class A or ii) that are in line with current environmental regulations and belong to the top 15% in Italy in terms of most carbon-efficient buildings (kgCO<sub>2</sub>e/sqm)<sup>4</sup>

- The acquisition/construction of new or existing residential or non-residential buildings constructed after 31 December 2020 with a primary energy demand (PED) at least 10% lower than the threshold set for near-zero energy buildings (NZEB)
- Mortgage-backed financing for the construction and renovation of residential and nonresidential buildings, which may, as a rule, be subdivided into plots from completed buildings intended for sale. Initial financing is intended exclusively for 'non-consumer' customers (i.e., individual companies or corporations). As new buildings are constructed, buildings with energy class A will be covered.

**Renewable Energy**

Financing related to the installation of photovoltaic systems for domestic use and batteries for energy storage, with the aim of achieving or improving energy self-sufficiency.

Financing related to optimize the energy costs of companies by using new technologies, making the business more sustainable:

- Photovoltaics, electricity production from renewable solar energy sources
- Wind
- Renewable energy sector

**Contribution**



<sup>4</sup> The calculation of 15% is carried out by taking as reference the document CTI report for CRIF - Percentage distribution of primary energy (Ep) values in the Italian national building stock (annex) or the data provided in this regard by external providers with whom the relevant investigations are in progress.

- *Hydroelectric (excluding plants >1,000MW).*

*Grants and subsidies from the region<sup>5</sup>: Eligible investments include the construction of a 'plant for the production of energy from renewable sources', referring to the following types:<sup>6</sup>*

- *wind energy plants*
- *solar energy plants (all technologies)*
- *geothermal source refrigeration machines (chillers or heat pumps) integrated into production processes and/or dedicated to environmental air conditioning.*

**Renewable Energy**

*Grants and subsidies from the region for thermal and/or electrical energy production plants using second generation biomass<sup>7</sup> (liquid, solid or gaseous).*

**Contribution**



**Renewable Energy**

*Grants and subsidies from the region for thermal and/or electrical energy production plants using third generation biomass<sup>8</sup> (liquid, solid or gaseous).*

**Contribution**



**Clean Transportation**

*Financing for the purchase of motorbikes, cars, and light commercial vehicles with the following criteria:*

- *For vehicles of categories M1 and N1, both of which fall within the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, the specific emissions of CO<sub>2</sub>, as defined in Article 3(1)(h) of Regulation (EU) 2019/631, shall be less than 50g CO<sub>2</sub>/km (light-duty*

**Contribution**



<sup>5</sup> BPP finances projects partially and totally subsidized by regional subsidies and grants.

<sup>6</sup> The review is limited to the examples of projects spelled out in the Framework.

<sup>7</sup> The Issuer excludes uncertified wood-based biomass.

<sup>8</sup> Algae are not grown for the purpose of biomass.

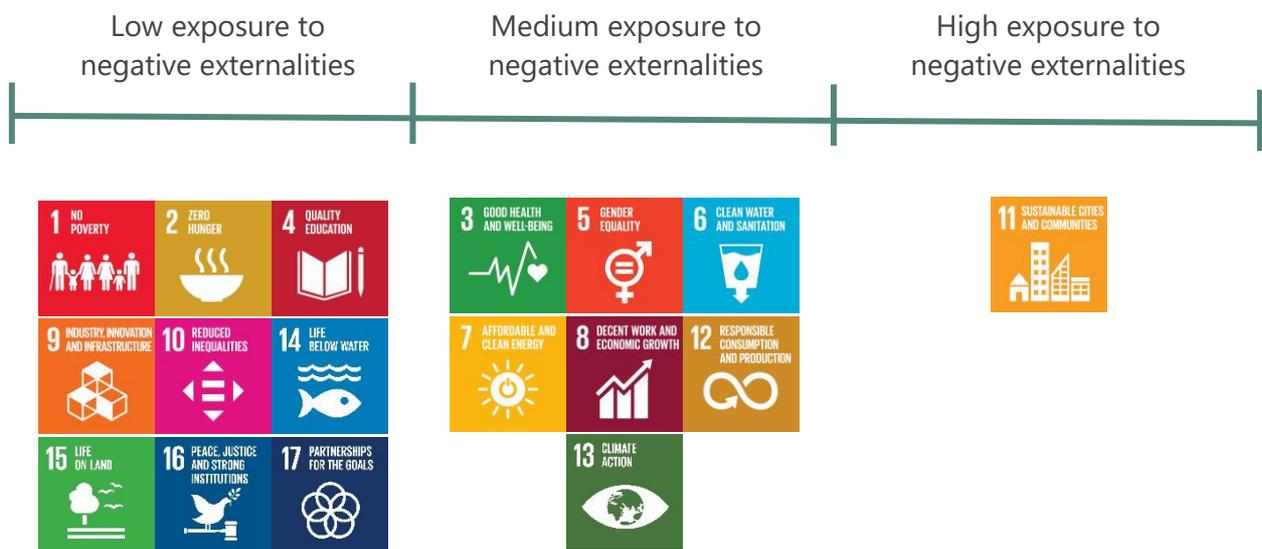
*and zero-emission vehicles); (ii) from 1 January 2026, the specific emissions of CO<sub>2</sub>, as defined in Article 3(1)(h) of Regulation (EU) 2019/631, shall be zero*

- *For vehicles belonging to category L, the tailpipe CO<sub>2</sub> emissions are 0g CO<sub>2</sub>e/km calculated according to the emission test of Regulation (EU) No. 168/2013.*
- *Funding for charging stations and support for electrical infrastructure.*

**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer’s clients.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>9</sup> in the Construction industry to which BPP’s borrower(s) belongs are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>10</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <ul style="list-style-type: none"> <li>Financing of projects for the renovation of existing buildings that either comply with the applicable requirements for 'major renovations' (Directive 2010/31/EU)<sup>11</sup> or, alternatively, lead to a reduction in</li> </ul>		 

<sup>9</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3.B of the SPO.

<sup>10</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

<sup>11</sup> The category complies with all footnotes from activity 7.2 of the EU Taxonomy.

*primary energy needs of at least 30%.<sup>12</sup>*

- *Acquiring tax incentives for renovations and energy efficiency improvements in facilities, introduced by the Italian government.*

### Energy Efficiency

*Financing with the objective of building renovation projects or plant adaptation projects aimed at improving energy efficiency (e.g. through the acquisition of data on energy savings before and after renovation).*

*Examples of funding could be: addition of insulation to existing envelope components (such as external walls, roofs, lofts, basements and ground floors and products for the application of the insulation to the building envelope); replacement of existing windows with new energy efficient windows; replacement of existing external doors with new energy efficient doors; installation and replacement of energy efficient light sources; installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; installation of low water and energy using kitchen and sanitary water fittings.*



<sup>12</sup> The process for the acquisition of energy saving data (before and after renovation) is being defined. Based on this data, the achievement of the savings threshold will be assessed.

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the eligibility criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Italy.

### ASSESSMENT AGAINST KPIs

#### **ESG guidelines into financing process**

BPP ESG Policy applies to all financed instruments under this Framework and outlines the objectives pursued by the Bank in sustainable finance activities and the Bank's commitment to integrate ESG factors into existing strategies and business activities and ensure the Bank will create of sustainable value over time for all stakeholders. The stakeholders involved by the Issuer are employees and collaborators, partners and shareholders, suppliers, regulatory bodies, trade unions, universities, states and institutions, local communities, and customers. The Bank prioritizes the integration of these factors into its corporate strategies, organizational and management structures, and promotes the adoption of ESG factors.

The guiding principles of this Policy are aimed at supporting the Bank's adoption of ESG behavior; promoting full awareness and foster the application of ESG principles to the Bank's financing and investment processes, avoiding the Bank's involvement in controversial activities.

The Sustainability Risk Integration Policy within the investment processes and in the provision of the investment advisory services intended to regulate the principles and rules concerning the integration of sustainability risks that Banca Popolare Pugliese has adopted in its investment processes, (referred to in Directive 2014/95/EU - hereinafter also referred to as the Mifid Directive). In drafting this ESG Policy, the Bank has considered the OECD Corporate Governance Principles (2015 G20) and the EBA Guidelines on Internal Governance under Directive 2013/36 of 2 July 2021 (EBA/GL/2021/05) to ensure the Bank's compliance with sector regulations, with particular reference to capital adequacy and governance risks. This Policy is also adapted to the Supervisory Provisions of the Bank of Italy contained in Circular no. 285 of 17 December 2013, in particular the provisions on policies and practices of remuneration and incentives and conflicts of interest. The Policy is addressed to corporate officers and all employees and associates of the Bank, directly or indirectly involved in the ESG factor integration process. The Policy is published in a dedicated section of the corporate intranet and is made available to all interested stakeholders through publication on the Bank's website.

The ESG Committee of BPP identifies and manages E&S risks, and is developing the tools to develop an Environmental Management System.

**Inclusion**

- ✓ ▪ The Issuer has policies and measures in place systematically ensuring inclusion for its clients. BPP sets out principles of conduct in relations with customers in its Code of Ethics. This, together with compliance with Article 16, paragraph 9 of Law No. 108 of 7 March 1996<sup>13</sup>, ensures that borrowers are not discriminated based on age, sex, race, or disability, in the access to credit.

**Data protection and information security**

- ✓ ▪ The bank has policies and measures in place systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced processing. The Bank has set up special organizational and technical controls aimed at ensuring data security and protection, guaranteeing the execution of business processes in cases of emergency (Disaster Recovery), with a series of periodic checks and tests, and with constant updating activities based on the evolution of regulatory requirements. BPP has also adopted the Information Technology Risk Management Regulation, on the basis of which a summary report is submitted to the Board of Directors every year, describing the residual risks and any countermeasures adopted on the information technology risk. In line with the European Regulation No. 2016/679 ("GDPR" General Data Protection Regulation) on protection, which requires stakeholders to further strengthen the areas of protection of natural persons through the introduction of new and stringent principles, the Group updated its Data Protection Policy in 2018 and appointed a Data Protection Officer (DPO). On an annual basis, the Information Security Policy related to outsourcing is also reviewed and updated, based on the ISO 270012:2013 Standard and aims to describe the policies, principles, security standards and compliance requirements of particular relevance to the Group.

**Responsible treatment of customers with debt repayment problems**

- ✓ ▪ The Bank has policies and measures in place systematically ensuring responsible treatment of customers with debt repayment problems. The Bank has a consulting team for asset management and a number of policies in place to financially support its customers. In order to facilitate access to mortgages, the Bank works in collaboration with Concessionaria Servizi Assicurativi Pubblici (CONSAP). Through this systematic collaboration, the Bank will sell mortgage under non detrimental condition, and the Bank will ensure tis through discussion with the client. Moreover, this collaboration allows access to mortgages for amounts of up to 100% of the value of the property to be purchased, as well as the possibility of renegotiating or extending mortgages

<sup>13</sup> Gazzetta Ufficiale, <https://www.gazzettaufficiale.it/eli/id/1996/03/09/096G0121/sg>.

in order to respond to significant social causes and the needs of individuals in temporary difficulty (e.g. loss of employment or, more generally, changed economic/financial conditions of the household).

To ensure accessibility and inclusion of customers with debt repayment problems, the Bank has incentives in place and grants loans. Moreover, for several years now, the Bank has been running finance related BPP Educational projects aimed at different customer targets: from customers to students, from professionals to businesses. Since 2008, BPP Educational has been flanked by a Financial Education project aimed at secondary school students and by a series of initiatives on the subject and in collaboration with local and national institutions.

Furthermore, the Bank confirms to have policies in place for debt counselling and restructuring. The Issuer provides training on development of counselling skills (preparation and professional support and knowing how to set objectives, with the aim of analyzing, restructuring, communicating with internal/external clients, and counselling seen as a helping and supporting relationship between counsellor and client. As provided for in the Issuer's internal regulations, and in light of the publication of the EBA Guidelines of 31/10/2018<sup>14</sup> on impaired exposures and the subject of concessionary measures, and the Bank's experience to date in this area, the Bank has defined systems for identifying a concessionary measure (forbearance) and, consequently, the qualification of a loan as Forborne. In particular, constant attention is paid to and monitoring of customers and their credit positions, foreseeing in the case of forborne positions (upon the simultaneous occurrence of the following conditions: a) identification of the measure of forbearance, b) ascertainment of the debtor's financial difficulty, also in terms of the future sustainability of financial commitments). The Issuer offers the possibility of providing various measures of forbearance that may take the form of modification of the terms of a loan agreement (e.g. suspension of instalments, modification of the amortization plan, maturity, interest rate, rescheduling of payments, etc.), or in the total or partial refinancing of an existing exposure (new loans or consolidation of existing exposures) to allow the debtor to fulfil obligations arising from pre-existing debt contracts. Concession measures are aimed at bringing the debtor back into a sustainable repayment situation with suitable instruments also for the expected recoveries on exposures to debtors in financial difficulty, adopting objective evaluation systems (with the presence of elements that intercept the state of possible difficulty), but also subjective ones (taking into account a professional judgement and, regardless of the presence or absence of objective

<sup>14</sup> European Banking Authority, <https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/credit-risk/guidelines-management-non-performing>

elements, taking into account an overall analysis conducted with regard to the client).

### Sales practices

The Bank has policies in place to ensure the assets financed feature responsible sales practices.

Personnel policies are based on the enhancement of merit and the development of professionalism. The purpose of the performance evaluation system is to detect, measure and assess the real contribution provided by the person holding a given job position by comparing the objectives set and the results achieved, and the behavior and knowledge required to correctly oversee the organizational role assigned and the behavior actually held and the knowledge possessed and used.



The remuneration and incentive policies adopted by the Bank are defined in compliance with the Supervisory Provisions and are based on rules that avoid the generation of conflict of interest and ensure transparency through adequate disclosure.

Moreover, the Bank adopts training plans on responsible sales practices, aimed at customer relationship management, appropriate product offerings and transparent and customer-friendly marketing. Particularly, BPP provides training on Banking Transparency, Mifid, and Development of counselling skills.

On a quarterly basis, the Bank carries out suitability monitoring aimed at verifying that the financial instruments subscribed to by the customer are consistent with the relevant risk profile. Customer satisfaction surveys towards customers are frequent and aimed at updating customers' needs/requirements (e.g. ESG questionnaires), with reference to the evaluation of sales practices of salespeople and customers' perception of the products offered.

### Responsible marketing

The Bank has policies in place to ensure the assets financed feature responsible marketing.



The Issuer commits to transparency and responsible marketing, as well as to clear and correct pricing, in their non-financial report. Moreover, the Bank complies with the provisions of Title VI of the Consolidated Banking Act and the Supervisory Provisions<sup>15</sup> on "Transparency of Banking and Financial

<sup>15</sup> Consolidated Banking Act and the Supervisory Provision, [https://www.bancaditalia.it/compiti/vigilanza/normativa/archivio-norme/disposizioni/trasparenza\\_operazioni/index.html](https://www.bancaditalia.it/compiti/vigilanza/normativa/archivio-norme/disposizioni/trasparenza_operazioni/index.html).

Transactions and Services – Fairness of Relations between Intermediaries and Customers” issued by the Bank of Italy on 29 July 2009 and updated by Provisions of 15 July 2015, 30 September 2016, and 3 August 2017. At the end of 2020 for the three-year period 2021-2023, the Parent Company obtained the ISO 9001:2015 certification.

BPP commits to transparency regarding product risks as part of the product governance process. The Bank, in its capacity as Producer and Distributor of products not made in-house, monitors the consistency of the product, in order to offer adequate performance with respect to the customer's needs. The financial products distributed to customers are subject to profiling, through the continuous assignment of risk, complexity and liquidity indices, which are summarized in the product sheets of each instrument in a synthetic risk indicator (SRI), used in the multivariate suitability assessment.

#### **Exclusion criteria**

As stipulated in the Bank's Credit Regulations and ESG Policy, loans related to high-risk sectors such as gambling, pornography, lotteries, betting, gambling houses, the buying and selling of used precious objects, or involved in the production, maintenance, marketing and storage of nuclear or chemical weapons of mass destruction and thermal coal are excluded. Even in the absence of a specific policy in the event of direct or database detection of prohibited conduct, the person is excluded.

## PART III: CONSISTENCY OF GREEN BOND WITH BPP'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
Strategic ESG topics	<p>The ESG material topics selected by BPP have been identified and divided in four focus areas: the Bank, the Clients, the Employees, and the Community and Regulators. This has been reported following the GRI guidelines</p>
ESG goals/targets and Action Plan	<p>The Bank:</p> <ul style="list-style-type: none"> <li>▪ The creation of sustainable value through profitability, strengthening capital strength and improving the risk profile and liquidity.</li> <li>▪ Governance, integrity and Bank's reputation through responsibility towards individuals, anti-corruption and anti-money laundering and terrorist financing, transparency, ethics and responsibility in customer relations, environmental responsibility, whistleblowing policy, compliance, and the Organization and Management Model pursuant to Legislative Decree 231/2001.</li> <li>▪ Supporting land development and local communities - The Bank supports the productive activity of the reference territory, supporting families and businesses, while at the same time maintaining a careful and constant supervision of the credit process.</li> </ul> <p>The clients:</p> <ul style="list-style-type: none"> <li>▪ Customer satisfaction - In 2022, the Bank continued to implement initiatives aimed at surveying the level of satisfaction of its customers as well as customers' experiential perceptions on certain specific topics.</li> <li>▪ Quality and transparency of products and services through specific rules with the aim of strengthening customer protection, ensuring ease of access to the information channel and clarity of the information contained in the 'transparency instruments'.</li> <li>▪ Inclusion and accessibility of financial products - The Bank's lending activities are oriented towards the financial support of households and small and medium-sized enterprises.</li> </ul>

	<p>The employees:</p> <ul style="list-style-type: none"> <li>▪ Occupational health and safety protection - As provided for in Article 2 of Legislative Decree No. 81/08 as amended, the Bank protects the health and safety of every person regardless of contract type, including interns and temporary workers.</li> <li>▪ Employee engagement, retention and development - The personnel policy is based on the enhancement of merit and the development of professionalism.</li> </ul> <p>Community and Regulators:</p> <ul style="list-style-type: none"> <li>▪ Cybersecurity and digital transition - In 2022, the Group continued its activities with the aim of evolving business processes and expanding opportunities for the use of banking services.</li> <li>▪ Climate change, sustainable development and responsible resource management - The basic principles on which the BPP Group's environmental policy is based are the improvement of energy utilization systems to contain consumption, the progressive increase in energy efficiency and performance, and attention to environmental and social consequences. In the latest update of the Code of Ethics, an article dedicated to environmental protection was included.</li> <li>▪ Anti-money laundering and usury - Law No. 108/1996 introduced a limit to effective rates on financing transactions, the exceeding of which determines a case of usury. In 2022, 2,214 hours of training on 'Anti-Money Laundering and Anti-Corruption Procedures Training of the Organization' were carried out, involving 375 employees.</li> <li>▪ Diversity and inclusion - The Bank prevents any form of discrimination, harassment, psychological or physical.</li> </ul> <p>The Bank has prepared the ESG initiative plan which defines, for the three-year period 2023-2025, 4 lines of intervention: governance and organization, risk framework, commercial and credit strategy, brand and reputation. This Plan is developed by an internal working group coordinated by the General Director.</p>
Climate Transition Strategy	<p>The basic principles on which the BPP Group's environmental policy is based are the improvement of energy utilization systems to contain consumption, the progressive increase in energy efficiency and performance, and attention to environmental and</p>

	social consequences. In the latest update of the Code of Ethics, an article dedicated to environmental protection was included.
Top three areas of breaches of international norms and ESG controversies in the industry <sup>22</sup>	Sexual harassment in the workplace, Financial market Irregularities, and Embezzlement.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives on an annual basis in the non-financial report. The report is prepared in line with the GRI.
Industry associations, Collective commitments	-
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

*Rationale for issuance*

As part of its commitment to sustainability and responsible finance, BPP has adopted a Green Bond Framework that reflects the Bank's growing maturity in sustainable finance and contributes to the fight against climate change. The target audience for BPP's Green Bond is retail customers. Proceeds from the issuance of Green Bond will be used to finance projects and initiatives aimed at mitigating climate change, promoting environmental sustainability and contributing to community well-being.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

## DISCLAIMER

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## **ANNEX 1: METHODOLOGY**

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

BPP commissioned ISS-Corporate to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

### ISSUER'S RESPONSIBILITY

Banca Popolare Pugliese's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, 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.

This independent Second Party Opinion of the Green Bond to be issued by Banca Popolare Pugliese has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with Banca Popolare Pugliese took place from November 2023 to April 2024.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com)

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