

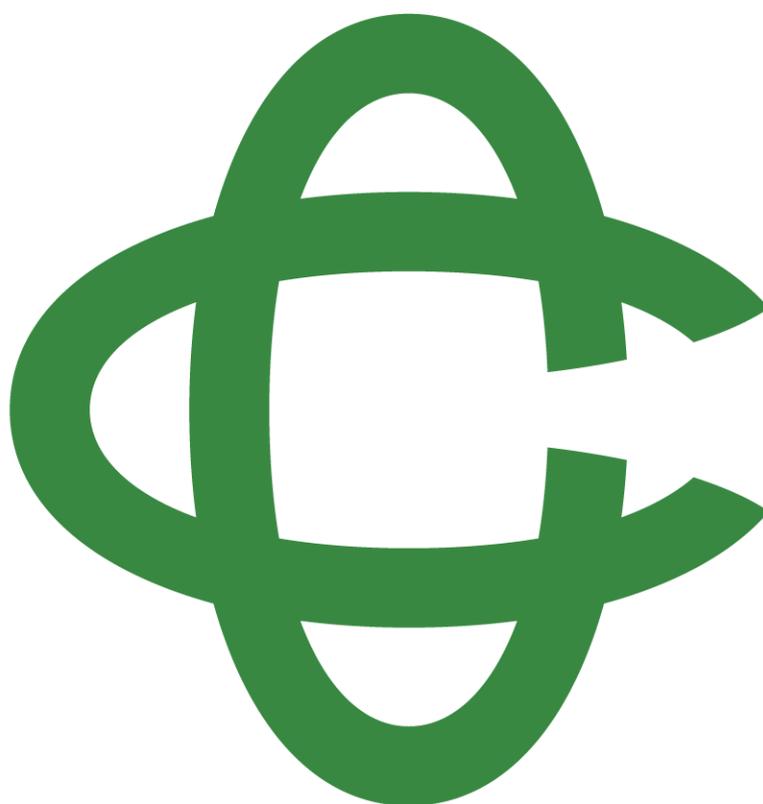
# Gruppo BCC Iccrea

The largest Italian cooperative  
banking group



# Green, Social and Sustainability Bond Framework

October 2021



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Iccrea Banca is responsible for the preparation and fair presentation of this Green, Social and Sustainability Bond Framework as at October 2021.

Iccrea Cooperative Banking Group is the largest Italian cooperative banking group and is owned almost entirely by affiliated BCCs, with an ownership structure encompassing about 824,000 members, mainly represented by households and small businesses. As at June 2021, the number of borrowers from the 2,515 branches, based on 1,722 municipalities, of the 130 cooperative banks belonging to the Group amounted to 1.2 million, 87% of which represented by retail customers; at the same date depositors were 3.5 million, 95% of which households and SMEs. At the same date, Customer loans amounted to 87.7 € billion.

## Background

As part of its broad and longstanding commitment to sustainability, **Iccrea Cooperative Banking Group and all its subsidiaries** (together referred as “Iccrea” or the “GBCI” or “the Group”) developed this Green, Social and Sustainability Bond Framework (the “Framework”) under which any entity of the Group can issue Green, Social and Sustainability Bonds in various format and currencies, including senior preferred, senior non-preferred and subordinated bonds, as well as secured bonds (such as Covered Bonds) through public or private placements, to fund new and existing loans/projects and businesses with environmental and/or social benefits.

The Framework is aligned with the *ICMA Green Bond Principles 2021<sup>1</sup> (“GBP”)*, the *ICMA Social Bond Principles 2021<sup>2</sup> (“SBP”)* and the *Sustainability Bond Guidelines 2021<sup>3</sup> (“SBG”)*, with the intention of seeking alignment with market best-practices and in force European Taxonomy Regulation.

## Iccrea’s Overall Sustainability Strategy

ESG factors have been integrated into the mission and values of GBCI since its establishment, as sustainability represents the natural evolution of the mutualistic DNA of affiliated BCCs (Cooperative Banks).

BCCs are cooperative, local and mutualistic banks with a social purpose since their origins, as they were created to provide access to credit to financially excluded families, farmers and micro entrepreneurs. Nowadays, BCCs’ purpose is well defined by Article 2 of their Statute and is represented by the promotion of social cohesion and sustainable and responsible development of local communities.

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<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>2</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

<sup>3</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>



Considering sustainability as an opportunity to reaffirm the principles and values of banking cooperation, GBCI has developed a Sustainability Plan which was approved by the Board of Directors on March, 2020<sup>4</sup>. The Plan is composed by qualitative objectives and quantitative targets developed under three Key Strategic Areas representing the translation of ESG factors into the cooperative and mutualistic language:

- **TERRITORY** (S factor and Economic dimension): supporting territorial entrepreneurship for a sustainable, fair and responsible local economic development;
- **ENVIRONMENT** (E factor): protecting the environment by adopting an internal efficient and responsible approach to natural resources and by supporting the ecological transition of corporate clients and local economy systems;
- **PEOPLE and COMMUNITIES** (S and G factors): maximizing well-being of employees, members and clients; reducing gender gap; promoting financial literacy and supporting local associations providing social and health services to people and communities.

Mutual banks have always been characterized as cooperative companies with deep roots in their local communities, providing mutualistic services to their shareholders. In line with their mission, cooperative banks pursue the objective of maximizing their social utility in the conduct of their business. Their operations are inspired by the fundamental principles of cooperation with a special focus on their customers and local communities, thereby contributing to the economic, social and cultural development by way of active sustainability actions.

Affiliated banks are key actors in supporting economic development in the communities in which they operate, thanks to their specific offering of banking products and services, which has enabled them to maintain stability in savings and to provide access to credit for their local communities. Lending operations involve traditional forms of credit, such as mortgage loans and commercial loans of relatively small size, in order to best meet the financial needs of customers, who are mainly represented by households and SMEs. Direct funding, too, is made up of traditional banking products, such as deposit accounts, current accounts and bonds. At the same time, indirect funding and asset management mainly feature the supply of products and services designed to minimize any reputational risk. With regard to investment products, customers are provided with the opportunity to invest in mutual funds and SICAVs that offer ethical products and products linked to environmental protection. The offering is completed with a wide range of payment and collections services, online banking, and insurance products. It also features treasury services for municipal governments, hospitals, and other public bodies and organizations.

In their pursuit of business objectives centered around social cohesion and the development of their local communities, affiliated banks and the other Group companies are constantly engaged in enhancing their offering system with banking and lending products connected to initiatives of environmental sustainability and in developing investment products aimed at promoting community-oriented and ethical banking practices. Special mention in this regard deserve products and initiatives aimed at reducing environmental, social and governance (ESG) risks. Affiliated banks have always had a reputation for understanding that the promotion of social and environmental sustainability ensures economic equilibrium in the community involved. This can be seen in their sustainability reports and the consolidated non-financial

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<sup>4</sup> [GBCI's Sustainability Plan will be updated in 2022 together with the new Strategic Plan.](#)



statement of the Group, which report on the many products and projects dedicated to their shareholders and to non-profit organizations, employees and local businesses, to the creation of jobs and the promotion of young and female entrepreneurs, to environmental protection, to culture and other social initiatives.

Affiliated banks are constantly committed to financing lawful and ethical activities, excluding businesses, individuals, and other financial relationships in areas seen as being controversial, such as businesses that directly or indirectly hinder individual development or contribute to the violation of other fundamental human rights; activities connected to the promotion of gambling or pornography; activities connected with the promotion of weapons production or of other harmful products; and activities that present an elevated risk of harming the environment. There is also a significant commitment to providing and placing ethical or environmental investment products. The supply of banking and lending products connected with environmental sustainability feature initiatives aimed at promoting a culture of energy efficiency and the responsible use of resources, including actions that involve banks directly, and their customers indirectly, through products of low environmental impact, financing to help businesses and households install systems for the generation of renewable energy (i.e. solar, wind, or thermal), projects to improve energy efficiency of buildings and financing the purchase of environmentally sustainable vehicles. Socially responsible investment funds are also offered as ethical forms of investment that give investors the option of donating a portion of their investment to social projects. In the same way, there are specific lines of personalized, diversified asset management accounts that invest solely in ethical financial instruments. GBCI also has an important role in business microcredit, promoted as a tool of social development and financial inclusion. Microcredit provides access to credit for young entrepreneurs with valuable ideas and projects but little or no collateral. For these young entrepreneurs, the lack of a credit history, collateral or personal guarantees makes it difficult, if not impossible, to access credit despite having good projects for a new business. The signing of a specific memorandum of understanding between Iccrea Banca and the National Microcredit Agency is intended to increase the number of cooperative banks operating in this particular segment and to increase the already significant volume of business in this area. In 2019, one out four microcredit transaction in Italy (guaranteed by a specific section of the Guarantee Fund for SMEs) was carried out by the banks belonging to the GBCI. A second memorandum signed with the National Microcredit Agency regards the promotion of social microcredit among member banks and the set up of a joint working group to conduct a feasibility study for the establishment of a guarantee fund to facilitate access to credit for individuals and households in need. The creation of economic and financial value in the operations of the Group is closely associated with the creation of the environmental, social and cultural value of local communities.

Iccrea Banca immediately invested, right after the establishment of the cooperative banking group in March 2019, in the implementation of a sustainability governance system, understood as the integration of the ESG factors into operations and strategy, giving itself a management model based on specific centers of accountability. Since May 2019, a delegated Director for Sustainability and Consolidated Non-Financial Reporting of the Group has been appointed, with responsibility for the development of the Sustainability Plan and the preparation of the consolidated non-financial statement (NFS). The delegated Director is assisted: (i) by the "Sustainability Chief" Committee, which support the Public Affairs & Sustainability unit in defining sustainability objectives and in the subsequent implementation of the actions necessary to achieve the desired results; (ii) by the Sustainability Scientific Committee, made up of 10 members representing the main stakeholders of the Group, with the function of



providing the delegated Director with an external strategic point of view on sustainability objectives, the related plan and the NFS. At the operational level, the Public Affairs & Sustainability unit was set up at the Parent Company to liaise with member banks, focusing on managing sustainability in terms of both non-financial reporting and plan for the development and integration of ESG factors. The unit interacts with member banks, collaborating and supporting the deployment of projects with innovative features for the development of local territories. With a view to further enhancing the role of member banks as local banks, the unit is also involved in close institutional relationships with entities at the national (e.g. with CDP), supranational (e.g. with the EIB and EIF) and local levels, with representation on regional entities (and related managing authorities) and regional financial bodies. Agreements have been entered into with some of these financial institutions, with the aim of coordinating and intensifying the operational relationship between cooperative banks and these entities in the interest of local businesses, especially micro firms. Together with the Charters of Commitments, the Board of Directors also approved the Group's 2020-2023 Sustainability Plan on 30 March 2020. The Sustainability Plan forms an integral part of the Strategic Plan and explicates the Group's strategy in promoting the sustainable development of local communities and economic systems. The Plan is made up of 20 objectives and 74 targets to be reached by 2023. They are developed into three strategic areas: Territory, Environment and Climate Change, People and Communities. Through the Sustainability Plan, the Iccrea Group accepts the principle of integral ecology expressed in the Encyclical *Laudato Si'*, contributes to a large part of the Sustainable Development Goals of the UN 2030 Agenda and strengthens the role of the Group in pursuing local sustainability, with objectives that - defined at Group level - will be pursued by the Parent Company, the subsidiaries and the affiliated banks on the basis of their respective spheres of responsibility and their scope of objectives. More detailed qualitative and quantitative information on non-financial activities is reported annually in the consolidated non-financial statement, which is audited for compliance by the external auditor of the Group. Member banks make a significant contribution to local communities through their charitable activities, which are primarily targeted at:

- projects and other activities aimed primarily at: (i) assisting children and the elderly in need, as well as assisting those who are experiencing social hardship or exclusion, the sick and disabled, and other vulnerable segments of the population; (ii) the promotion of sports; civil protection; and (iii) projects for the development of local communities and local resources;
- education, research and culture for young people and the elderly, with an emphasis on cooperation and economic and social inclusion (supporting schools and other training and research institutions in their research projects and other specific events; scholarships and research grants for graduate and post-graduate programs; education initiatives to promote the responsible use of money; initiatives to promote employment among young people; and the promotion of start-ups and innovation);
- health care research and assistance through the projects of prestigious health care organizations, including in collaboration with universities and other local and national research institutes and by funding scholarships;
- the promotion of culture, financing: (i) historical and literary studies and initiatives, with a particular emphasis on the traditions and customs of the local communities; and (ii) exhibits and other events tied to local culture; restoration and development of local cultural landmarks. The mission of supporting local communities is further underscored



by the level of participation in the credit and philanthropic support measures taken in response to the COVID-19 emergency.

## **Green, Social and Sustainability Bond Framework Overview**

GBCI'S GSS Framework has been structured in accordance with the 2021 edition of the Green Bond Principles ("GBP"), the 2021 Social Bond Principles ("SBP") and the 2021 Sustainability Bond Guidelines ("SBG") published by ICMA and consists of the key four recommended core components:

1. **Use of Proceeds**
2. **Project Evaluation and Selection**
3. **Management of proceeds**
4. **Reporting.**

Iccrea's Framework also adopts the recommendation outlined under the ICMA Sustainability Guidelines regarding External Review<sup>5</sup>.

Iccrea will commit to update the Framework accordingly to the most recent market best-practices in the Green, Social and Sustainability Bond Market as well as the reference regulations. Any subsequent versions of this Framework will either keep or improve the stringency of the eligibility criteria and the level of transparency regarding the process adopted to evaluate and select Green, Social, Sustainability Loans/Projects ("Eligible Assets") and reporting requirements.

### **1. Use of Proceeds**

An amount equal to the net proceeds raised from of any Group's Green, Social, Sustainability Bond issued under this Framework will be exclusively allocated to finance and or re-finance, in whole or in part, new and/or existing loans/projects ("**Eligible Green Assets**" and/or "**Eligible Social Assets**", together "**Eligible Assets**") as defined within the following list of Eligible Categories, aligned to the ICMA Green Bond Principles or Social Bonds Principles or the Sustainability Bond Guidelines, as the case may be.

The Green Eligible Categories are:

- **Sustainable Water and Waste Management**
- **Energy Efficiency**
- **Renewable Energy**
- **Eco-efficient and/or Circular Economy Adapted Products**
- **Sustainable Buildings**

The Social Eligible Categories are:

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<sup>5</sup> <https://www.icmagroup.org/sustainable-finance/external-reviews/>

- **Affordable Housing**
- **Socioeconomic Advancement and Empowerment**
- **Affordable Basic Infrastructure**
- **Companies/SMEs financing**

The combination of all the Eligible Assets earmarked by Iccrea and booked on the Group own balance-sheet or on the balance sheet of any of Iccrea Group entities, as the case may be, will compose the Eligible Asset Portfolio (“**Portfolio**”) and will be consolidated at Group level. Iccrea will strive to maintain, over time and on a best effort basis, an aggregate amount of the Portfolio that matches or exceeds the balance of net proceeds of all outstanding bonds issued under the Framework.

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

Iccrea may, at any time, update the Framework to expand the list of Eligible Categories and include new Eligible Categories in alignment with the Group lending and financing strategies. Each Iccrea Green, Social, Sustainability Bond under the Framework may focus on one or more or even all the above-mentioned Eligible Categories.

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



## 1.1. Green Eligible Categories

Green Eligible Categories are defined as follows:

Green Eligible Categories	Eligibility Criteria	Benefits & Target Populations	ICMA GBP Project Category	Impacted Sustainable Development Goals
1. Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> <li>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects (according to technical screening criteria of EU Taxonomy<sup>6</sup>) related to:                             <ul style="list-style-type: none"> <li>activities that increase water-use efficiency and quality through water recycling, treatment and reuse (including treatment of wastewater), while maintaining a high degree of energy efficiency</li> <li>construction, development, operation and maintenance of facilities, systems or equipment used for sustainable infrastructure for clean and/or drinking water, wastewater treatment and sustainable urban drainage systems</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Products and/or services that significantly increase effectiveness and efficiency of the resources' consumption enable a relevant saving of critical resources.</li> <li>Improve residential access to water, including water supply infrastructure.</li> <li>Upgrade and improve existing irrigation networks/systems</li> <li>Upgrade wastewater treatment plants to remove contaminants from wastewater or sewage and convert it into an effluent that can be returned to the water cycle</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Water and wastewater management</li> <li>Environmentally sustainable management of living natural resources and land use</li> </ul>	  

<sup>6</sup> Technical Screening Criteria described in sections 5.1, 5.2 and 5.3 of Taxonomy Regulation delegated act-2021-2800-annex-1 (Taxonomy Regulation and the EU Taxonomy [Climate Delegated act](#), formally adopted on 4 June)

<p>2. Energy Efficiency</p>	<ul style="list-style-type: none"> <li>• The financing and/or refinancing, in whole or in part, new and/or existing loans/projects for the construction, development and/or upgrade to equipment or technology such as: <ul style="list-style-type: none"> <li>- smart grid, smart meters, smart thermostats</li> <li>- district heating and cooling<sup>7</sup></li> <li>- efficiency of public lighting from traditional lighting to LED technology</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of energy consumption</li> <li>• Mitigation of greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change mitigation</li> <li>• Energy Efficiency</li> </ul>	  
<p>3. Renewable Energy</p>	<ul style="list-style-type: none"> <li>• The financing and/or refinancing, in whole or in part, new and/or existing loans/projects related to renewable energy projects, including the following technologies<sup>8</sup>: <ul style="list-style-type: none"> <li>- Photovoltaic</li> <li>- Solar</li> <li>- On shore and offshore wind farms</li> <li>- Marine Energy</li> <li>- Micro-hydraulic</li> <li>- Geothermal</li> <li>- Biomethane (methane produced by the</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of greenhouse gas emissions (GHG) by substitution from fossil or nuclear fuels to the benefit of renewable energies</li> <li>• Installation of renewable additional capacities and increase of existing ones</li> </ul>	<ul style="list-style-type: none"> <li>• Climate Change mitigation</li> <li>• Renewable Energy</li> </ul>	 

<sup>7</sup> According to definition of “efficient district” laid down in art. 2, point 41 of Directive 2012/27/EU: efficient district heating and cooling’ means a district heating or cooling system using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat;

<sup>8</sup> Technical Screening Criteria described in sections 4.1, 4.2, 4.3, 4.4, 4.5 (GHG emission intensity < 100g Co2e/kWh), 4.6 (geothermal facilities with GHG emission < 100gCo2e/kWh), 4.8 (1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. GHG emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001) of Taxonomy Regulation delegated act-2021-2800-annex-1

	fermentation of organic matter)			
4. Eco-Efficient and/or Circular Economy Adapted Product	<ul style="list-style-type: none"> <li>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects that enable circular economy principles: <ul style="list-style-type: none"> <li>Extension of product life cycle (e.g. reuse, repair and/or products regeneration/refurbishment)</li> <li>Products made of compostable<sup>9</sup>/recyclable resources</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Extension of product life cycle</li> <li>Reduction waste by re-using effectively products, components and materials</li> </ul>	<ul style="list-style-type: none"> <li>Environmentally sustainable management of living natural resources and land use</li> <li>Eco-efficient and/or circular economy adapted products, production technologies and processes</li> </ul>	
5. Sustainable Buildings	<p>Finance or refinance:</p> <ul style="list-style-type: none"> <li>commercial and residential building refurbishment, according to the Italian law on energy efficiency improvement;</li> <li>the construction, acquisition (including retail mortgages), development or renovation of new and existing buildings (including public service, commercial, residential and recreational) that have received or are expected to receive third-party sustainable certifications or verification such as LEED Gold or Platinum, BREEAM very good, HQE – very</li> </ul>	<ul style="list-style-type: none"> <li>The construction and operation of a green building will promote a healthy environment for all involved, and it will not disrupt the land, water, resources and energy in and around the building. Green buildings are designed in such a way to reduce overall impact on environment and human health by reducing trash, pollution and degradation of environment, efficiently using energy, water and other resources and protecting occupant health and improving productivity</li> </ul>	<ul style="list-style-type: none"> <li>Green Buildings</li> <li>Climate Change Adaptation</li> <li>Climate Change mitigation</li> <li>Renewable Energy</li> </ul>	   

<sup>9</sup> Compostable material according to UNI EN 13432:2002/UNI EN 14995:2007

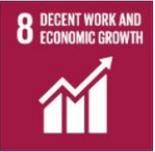


	<p>good/excellent, CASBEE – A(very good) / S(excellent) or equivalent, or buildings belonging to the top 15% Low Carbon residential or commercial buildings in Italy or buildings with Energy Performance Certificate (EPC) A or B or</p> <ul style="list-style-type: none"><li>• Refurbished buildings which have achieved a minimum of 30% energy saving (or at least two steps of improvement in EPC label) compared to the baseline before the renovation</li></ul>			
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## 1.2. 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. Affordable Housing	<ul style="list-style-type: none"> <li>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects related to construction, renovation or acquisition of social housing to provide decent housing to low-income population</li> </ul>	<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>Affordable housing</li> </ul>	
Social Eligible Categories	Eligible Criteria	Benefits & Target Populations	ICMA SBP Project Category	Impacted Sustainable Development Goals
2. Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> <li>Microcredit</li> <li>Young entrepreneurs</li> <li>Female entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>Unemployed or underemployed individuals</li> <li>Children and young adults from underserved and underrepresented communities</li> </ul>	<ul style="list-style-type: none"> <li>Socioeconomic advancement and empowerment</li> <li>Affordable basic infrastructure</li> </ul>	
3. Affordable Basic Infrastructure	<ul style="list-style-type: none"> <li>Finance or re-finance, in whole or in part, new and/or existing loans/projects providing accessible public utility infrastructures and affordable services to the population</li> </ul>	<ul style="list-style-type: none"> <li>Development of quality and sustainable infrastructures for all that contributes to the improvement of living conditions in urban agglomerations and underserved areas supporting economic development and human well-being, focusing on affordable and equitable access for all</li> </ul>	<ul style="list-style-type: none"> <li>Affordable basic infrastructure</li> </ul>	
4. SMEs financing	<ul style="list-style-type: none"> <li>Finance or re-finance, in whole or</li> </ul>	<ul style="list-style-type: none"> <li>Support Companies/SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Socioeconomic advancement</li> </ul>	

	<p>in part, new and/or existing loans/projects to Companies/SMEs<sup>10</sup> affected by natural disasters / health emergencies (such as COVID-19 pandemic<sup>11</sup>, etc.) and the related social and economic downturn</p> <ul style="list-style-type: none"> <li>• Finance or re-finance, in whole or in part, new and/or existing loans/projects to fund SMEs/micro enterprises in disadvantaged areas<sup>12</sup></li> </ul>	<p>to promote their growth</p> <ul style="list-style-type: none"> <li>• Improve the Italian socio-economic conditions and economic growth through the support of disadvantaged areas and populations</li> </ul>	<p>and empowerment</p> <ul style="list-style-type: none"> <li>• Employment generation</li> </ul>	    
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<sup>10</sup> SMEs definition according to EU: [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>11</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")

<sup>12</sup> Identification of disadvantaged areas based on per capita GDP vs national average



### **1.3. Excluded Categories and limitations**

Iccrea will not allocate proceeds received from the issuance of Green, Social and Sustainability Bond under the Framework to any kind of investment in the following sectors for which negative impacts on the environment or society have been demonstrated:

- 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, with the exception of natural biomethane;
- Fur Industry and Animal maltreatment;
- Plastic industry;
- Tires reconstruction industry;
- Intensive Agro/Hydro activity;
- Coal.

## **2. Project Evaluation and Selection**

Credit Department will be in charge of evaluating and selecting loans to be included in the Portfolio as defined under the Framework. An Internal Working Group composed by representatives of the Treasury, Balance Sheet Management and Sustainability Departments will review proposed loans based on the defined Eligible Categories and Criteria listed in section 1. "Use of Proceeds". The allocation of the loans to the Portfolio will be approved by the Finance Committee. Loans determined as eligible will be marked accordingly and added into the Portfolio described in section 3. "Management of Proceeds" below and into the Green, Social and Sustainability Bond Register (the "Register"), further described in section 3. The Internal Working Group will be responsible to maintain and update the Register from time to time

## **3. Management of Proceeds**

The proceeds from the Bonds issued under this Framework will be managed on a portfolio basis.

The Finance Committee, based on the proposals submitted by the Internal Working Group, will be in charge for allocating the proceeds from the Bonds issued under this Framework to the identified loans/projects that meet Eligibility Criteria.

The Treasury department will track the amount of net proceeds from the sale of any Green, Social, Sustainability Bonds issued under this Framework, allocated to Eligible Assets.



Iccrea will establish the Register for all the Green, Social, Sustainability Bonds issued under the Framework and the Eligible Assets enabling their recording and tracking, which will include a sub-register of Green Eligible Projects and a sub-register of Social Eligible Projects. The Register will include the following information:

1. Bond details: ISIN, pricing date, maturity date, etc.
2. Portfolio: Eligible Category utilized; Aggregated amount of Eligible Loans outstanding per Eligible Category; Country, nature and maturity of the Eligible Loans allocated to the Portfolio; Expected social and/or environmental benefits.

The proceeds of any bond issued under the Framework will be dedicated to green or social projects directly from Iccrea Banca or indirectly from any of the Affiliated Banks.

Any balance of issuance proceeds not allocated to fund Eligible Assets in the Register will be held in accordance with Iccrea normal liquidity management, including treasury liquidity portfolio, cash, time deposits with Banks or other form of available short term and medium / long term funding sources, that do not include Excluded Categories as reported in this Framework.

In case of divestment or if a loan/project no longer meets the eligibility criteria listed above, Iccrea intends to reallocate the funds to other Eligible Assets during the term of the relevant bond.

Any payment of principal and interest on any Green, Social, or Sustainability Bonds will be made from Iccrea general corporate account and will not be linked to the performance of any Eligible Asset.

The Issuer will monitor the investments of the proceeds allocated to Eligible Assets through the review of the external auditor.

## **4. Reporting**

In accordance with the recommendation of ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Guidelines 2021, Iccrea will report annually on the allocation of the proceeds of the bonds issued under this Framework and the relative impact of the projects at category level, in accordance with the portfolio approach.

### **4.1. Allocation reporting**

Iccrea will report approximately one year from the date of issuance and annually thereafter, until full allocation, on the use of proceeds via a Green, Social and Sustainability Bond Report (the "Report") which will be published on the company website. (see Annex 1)

The Report will be verified by an external auditor.

The allocation report will indicatively include:

- The total amount of Green, Social, Sustainability Bond outstanding
- The total amount of the Portfolio broken down per Eligible Category
- Aggregate amounts of net proceeds allocated to each Eligible Category of the Portfolio
- The balance of unallocated proceeds at the time of reporting
- The amount or the percentage of new financing and refinancing



## 4.2. Impact reporting

Iccrea also intends to report annually on the environmental and social benefits (see Annex 2) resulting from the Portfolio disbursed from the Green, Social and Sustainability Bonds issued, until full allocation.

The impact report may indicatively provide:

- a description of the Eligible Assets;
- the breakdown of Green and Social Assets by nature of what is being financed (financial assets);
- Environmental and Social Metrics, such as the ones described below:

**Output:** annual estimates and/or assessment of major outputs disclosed per Eligible Category of the Portfolio level

**Impacts:** annual estimates of ex-ante and/or ex-post impacts (where feasible) based on specific indicators developed by Iccrea, disclosed per Eligible Category at the Portfolio level.

On a best effort basis, Iccrea will align the impact reporting with the portfolio approach described in the “ICMA Harmonized Framework for Impact Reporting” dated December 2020. When reporting on the identified outcomes, Iccrea may select alternative quantitative or qualitative Key Performance Indicators, to remain relevant to the selected Eligible Assets, in line with the methodology of calculation adopted by the Group.

For all Eligible Assets, Iccrea may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on loans management in line with the methodology of calculation adopted

## 5. Verification – External Review

### 5.1. Second-Party Opinion

Iccrea has mandated a leading second party opinion Provider to perform an evaluation of the Framework’s validity and its general alignment with ICMA’s Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines.

The Second Party Opinion will be available on Iccrea Banca’s website

### 5.2. Post issuance external verification of the reporting

Starting one year after issuance, a verification or assurance of the reporting may be released on an annual basis by a third party ESG agency or financial auditor, including bond proceeds allocation, the compliance of the allocated loans with the selection process, the environmental and social benefits obtained.

Iccrea will, if and when appropriate, review and update the Framework to incorporate new eligible categories or amend current categories.

## Annex 1: Reporting on funds allocation per Eligible Categories

Criteria	Indicative Reporting Indicators at category level
<b>Use of Proceeds</b>	<ul style="list-style-type: none"><li>• Number of loans</li><li>• Amounts invested (in EUR)</li><li>• Loan Maturity</li><li>• Direct or Indirect funding</li><li>• Total Allocated amount vs total amount proceeds (in %)</li><li>• Balance of unallocated proceeds (in EUR and %)</li><li>• Description of the unallocated proceeds management</li><li>• Overall refunding amount vs new funding (in % of allocated amount and in % of total amount)</li><li>• Geographical distribution of the assets (at country level)</li><li>• Share of co-financing (in %)</li></ul>

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

### Annex 2.1: GREEN

Green Eligible categories	Green benefits	Output reporting indicator	Indicative Impact reporting indicators	Methodologies and assumptions
Sustainable Water and Waste Management	<ul style="list-style-type: none"> <li>• Sustainable Water and wastewater management</li> <li>• Environmentally sustainable management of living natural resources and land use</li> </ul>	<ul style="list-style-type: none"> <li>• Water Savings</li> <li>• Water re-used, avoided</li> <li>• Total Water Demand</li> <li>• Leakage Level</li> <li>• Net average energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Volume of water (m3) saved</li> <li>• Amount of waste water (m3) avoided, managed and treated</li> <li>• Leakage Level</li> <li>• Net energy consumption decrease (kWh/m3)</li> </ul>	<ul style="list-style-type: none"> <li>• The Water Exploitation Index Plus (WEI+) or internationally recognized tools such as WRI's Aqueduct, and the WWF's Water Risk Filter</li> <li>• Leakage Level Index</li> <li>• GHG Protocol</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Climate Change mitigation</li> <li>• Energy Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Energy savings in MWh (future projects: ex-ante estimation, past projects: ex-post annual measurement, where feasible)</li> </ul>	<ul style="list-style-type: none"> <li>• CO2 emissions avoided (tons)</li> </ul>	<ul style="list-style-type: none"> <li>• GHG Protocol</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Climate Change mitigation</li> <li>• Renewable Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Installed capacity (MW)</li> <li>• Estimated renewable energy production (MWh, future projects)</li> <li>• Renewable energy produced (MWh, past and future projects, where feasible)</li> </ul>	<ul style="list-style-type: none"> <li>• CO2 emissions avoided (tons)</li> </ul>	<ul style="list-style-type: none"> <li>• GHG Protocol</li> </ul>



<p>Eco-efficient and/or Circular Economy Adapted Products</p>	<ul style="list-style-type: none"> <li>• Environmentally Sustainable management of living natural resources and land use</li> <li>• Transition to a circular economy, waste prevention and recycling</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of avoided waste products (tons)</li> <li>• Amount of recovered materials (tons)</li> </ul>		
<p>Green Buildings</p>	<ul style="list-style-type: none"> <li>• Climate Change Adaptation</li> <li>• Climate Change mitigation</li> <li>• Renewable Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Certifications/EP C labels obtained (for buildings, #)</li> </ul>	<ul style="list-style-type: none"> <li>• CO2 emissions avoided (tons)</li> </ul>	<ul style="list-style-type: none"> <li>• GHG Protocol</li> </ul>

## Annex 2.2: SOCIAL

Social Eligible categories	Social benefits	Output reporting indicator	Indicative Impact reporting indicators	Methodologies and assumptions
Affordable Housing	<ul style="list-style-type: none"> <li>Affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>Number of houses constructed or renovated</li> </ul>	<ul style="list-style-type: none"> <li>Number of residents benefitting from intervention on houses</li> <li>Number of new social, affordable and shared ownership homes</li> </ul>	<ul style="list-style-type: none"> <li>Organizations' Social impact reporting tools</li> <li>Report from Public bodies</li> </ul>
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> <li>Microcredit</li> <li>Young entrepreneurs</li> <li>Female entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>Number and type of initiatives supported</li> <li>Number of microfinance loans</li> <li>Number of loans to young and female entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>Number of beneficiaries (if feasible)</li> <li>Number of young/female entrepreneurs financed</li> </ul>	<ul style="list-style-type: none"> <li>Organizations' Social impact reporting tools</li> <li>Report from Public bodies</li> </ul>
Affordable Basic Infrastructure	<ul style="list-style-type: none"> <li>Affordable basic infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Number of built or refurbished infrastructures</li> <li>Number of people in low-income areas, or from disadvantaged groups</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Organizations' Social impact reporting tools</li> <li>Report from Public bodies</li> </ul>
SMEs financing	<ul style="list-style-type: none"> <li>Employment generation</li> </ul>	<ul style="list-style-type: none"> <li>Number of SMEs financed</li> </ul>	<ul style="list-style-type: none"> <li>Number of Jobs retained on the financed SMEs benefitting from intervention</li> </ul>	<ul style="list-style-type: none"> <li>Organizations' Social impact reporting tools</li> <li>Report from Public bodies</li> </ul>