GRUPPO SPARKASSE

SPARKASSE CASSA DI RISPARMIO   CiviBank

Green, Social & Sustainability Funding Framework

sparkasse.it

Green, Social & Sustainability Funding Framework

May 2024

Content

Green, Social and Sustainability Funding Framework

Cassa di Risparmio di Bolzano S.p.A. ("Sparkasse", or "the Bank") is responsible for the preparation and fair presentation of this Green, Social and Sustainability Funding Framework ("Framework") as of 31st March 2024.
This Framework serves as the reference document for the Green, Social and Sustainability funding of all Sparkasse Group entities, including the subsidiary Banca di Cividale S.p.A – Società Benefit ("CiviBank") and the refinancing vehicles (together referred to as "the Sparkasse Group" or "the Group"). This Framework replaces the document published by CiviBank in 2022 and now serves as the reference Framework for all future Sparkasse Group's issuances.
The Framework provides guidance for identifying, measuring, and communicating the Sparkasse Group's environmental and social impacts and helps ensuring greater transparency, accountability, and responsibility in investments and sustainable initiatives.

1. Introduction

1.1. Sparkasse – Cassa di Risparmio di Bolzano: overview of the business

The Parent Company Cassa di Risparmio di Bolzano S.p.A., also known by its German corporate name Südtiroler Sparkasse AG, was incorporated under Italian law in 1992 as a joint-stock company (*"società per azioni"*), although the business it carries out dates back to 1854. Prior to its incorporation, the Sparkasse's business was carried out by Cassa di Risparmio della Provincia di Bolzano, which was itself the result of a merger (pursuant to Italian Royal Decree No. 2273 of 10 October 1935) between Cassa di Risparmio di Bolzano (established in 1854), Cassa di Risparmio di Merano (incorporated in 1870) and Cassa di Risparmio di Brunico (established in 1857).
This entity was initially the sole shareholder of the Bank, and upon Sparkasse's incorporation, it transferred its entire banking business to Cassa di Risparmio di Bolzano, changed its name to Fondazione Cassa di Risparmio di Bolzano/Stiftung Südtiroler Sparkasse and became a charitable foundation pursuant to Italian Law No. 218 of 30 July 1990.

The Parent Company is currently controlled by Fondazione Cassa di Risparmio di Bolzano (62,66%), while the remaining shares are mainly held by around 24,000 small shareholders. Fondazione Cassa di Risparmio di Bolzano is a non-profit legal entity under private law and enjoys complete statutory and administrative autonomy. It is an institution oriented towards the common welfare of the population of the Province of Bolzano. Operating independently and autonomously, its core mission is to pursue institutional objectives while directing supporting activities towards the immediate community. Funds are awarded based on a comprehensive catalogue of criteria, primarily to target areas such as art and culture, science, research and social issues. Additional areas of support include youth, senior citizens' concerns, civil defense, healthcare, environmental and consumer protection, and special measures for volunteerism. The Foundation Board also has the authority to recommend initiatives aimed at promoting economic development.

CiviBank was incorporated in 1886 with the name of "Banca cooperativa di Cividale Società Anonima a capitale illimitato". In 1949, the Bank became "Banca Popolare" and took on the name of "Banca Popolare di Cividale S.c.a.r.l.". After the sale of all its branches to the newly incorporated Banca di Cividale S.p.A. in 2000, in 2002 the banking group "Gruppo Banca Popolare di Cividale" was established and included the parent company and its subsidiaries. In March 2013, all the companies belonging to Banca Popolare di Cividale Group merged into the bank, and Banca Popolare di Cividale Group ceased to exist. In 2021, CiviBank's Shareholders Meeting approved the transformation of the bank into a limited company and adopted a new statute compliant with the "banking joint-stock companies" regulation. At the same time, CiviBank assumed the status of "*benefit company*" pursuant to article 1, paragraphs 376 -384, of Law 28/12/2015, n. 208; the bank took on the new name of "Banca di Cividale S.p.A. – Società Benefit".

In 2022, following the successful acquisition of CiviBank, the Sparkasse Group has become the largest regional bank based in the North-East of Italy.

The Group brings together the finest attributes of both institutions: the spirit of a territorial bank, known for its personal connections and relationships with clients, along with the solidity of a large financial entity, which has always demonstrated a keen focus on sustainability and innovation issues, recognizing them as crucial elements for future competitiveness.

Banking activities are conducted by the parent company, Sparkasse, as well as its subsidiary, CiviBank. Furthermore, the Group offers services in the real estate sector through two other subsidiaries, which are strategically integrated to support the overall objectives of the organization.

In line with the Group's environmental responsibility, Sparim SpA – the company responsible for managing the real estate assets of the Sparkasse Group – acquired a 100% shareholding in a company called Sparkasse Energy in July 2023 which has the administrative authorizations for the construction and management of two photovoltaic parks with a total power of approximately 8 megawatts, equal to almost double the annual electricity consumption of Sparkasse Group's instrumental properties, i.e. 3 headquarters and 170 branches. The first plant will be operational by the end of the second quarter 2024 and the second by the end of the same year.

The Bank's recognition of its environmental responsibility is also evidenced by the following awards:, the important "Sustainability Leader Award 2023" ("Leader della sostenibilità") for its sustainability strategy from the contest organized by the financial newspaper "Il Sole 24 Ore";

the certificate for "The most climate-conscious companies 2023" ("Le Aziende più attente al clima 2023") as a result of a survey conducted by the newspaper "Corriere della Sera" in cooperation with Statista, a German platform that operates one of the world's leading statistical and business intelligence portals.

The Bank has also joined the "Green SUIte" initiative, a process aimed at raising awareness, educating, activating, and rewarding virtuous behavior on sustainability. This initiative aims to enhance sustainability issues, in line with the United Nations 2030 Agenda and ESG objectives.

Collectively, the two banks operate with a network of 170 branches in Italy and 1 branch in Munich, Germany, and a workforce of 1,871 employees. They serve over 300,000 private and corporate customers across the North-East of Italy, consolidating their territorial leadership in the provinces of Bolzano and Udine respectively, while continuing to experience growth in other regions through a selective reinforcement of their branch network.

The business model is designed to efficiently manage the distinct needs of different target customer segments, including private (Banking, Affluent, Private) and corporate clients (Micro and Small Business, Corporates, and institutions).

The Parent Company operates in the following business areas through dedicated Commercial Departments:

- Commercial Banking - represents the core business of the Parent Company's activities, it targets private individuals and medium and small companies, for which contact with an on-site interlocutor is particularly relevant;
- Private Banking - offers accurate and professional wealth advisory services with a detailed analysis of the needs of high net-worth individuals, to provide customized solutions in the areas of asset management needs, insurance coverage, supplementary retirement planning, generational transition planning and real estate;
- Corporate Banking and International Services - for medium and large-sized companies that require more articulated advice and includes, in addition to traditional products, the full range of financial services, from classic to more advanced ones, such as structured financing and project finance;
- Virtual Consulting - a unit specialized in remote consulting, which introduces a new touchpoint available to retail customers, collaborating with the branch network in an omnichannel perspective.

In CiviBank, customer relations are managed by the Commercial Department to which the Retail and Private Market, Corporate Market, Large Customer Development and Leasing departments report. Downstream of the Commercial Department is the network of branches organized into territorial macro areas.

1.2. Sparkasse Group’s Sustainability Approach

Sustainability has always been a highly relevant topic for Sparkasse and a core part of CiviBank’s identity, as the bank is a Benefit Corporation. This is the reason why in 2022 the Sparkasse Group decided to launch its first project to define the Group’s sustainability vision and strategy. The Group aims to be “the landmark of the sustainable development journey of the communities in which it operates ”.

Sustainability Governance and Sustainability Policies

To achieve its sustainability ambitions, in 2023 the Group introduced a new ESG governance model consisting of:

- a new ESG & Sustainability managerial committee, chaired by the CEO and composed of senior executives and ESG Ambassadors. It meets at least twice a year to coordinate and monitor the progress of the Group’s ESG Plan and propose strategy developments;
- a new ESG & Sustainability unit whose core responsibility is to implement the strategic guidelines defined by the Board and manage the ESG Plan and engage with internal and external stakeholders on sustainability topics;
- ESG Ambassadors in each division and/or unit having the functional duty of developing ESG initiatives in their respective division and/or unit, for which their Heads have the ultimate responsibility.

Ultimately it is the Board of Directors that, when defining corporate strategies, takes into account sustainable finance objectives and particularly the integration of environmental, social and governance (ESG) factors into corporate decision-making processes.

The Group sustainability governance model has been established in order to avoid separating sustainability from the standard banking business and thus drive progressive integration within the organization. Moreover, the Group defined an ESG Plan detailing activities to enhance its impact, that includes the development and set up of monitoring climate and environmental risks activities. As new risk data become available, they are integrated by the Credit Business Unit, the Finance and Treasury department and the Control Functions in their standard policy and processes.

The Group’s sustainability process is embedded in the overall strategy plan, as ESG factors are fully taken into consideration in long-term planning. The Group is conscious that in order to achieve sustainable success, it must take into account ESG factors while pursuing medium-long term value for its shareholders. Both the new governance model and the ESG Plan serve to ensure that the commitments defined in the Group’s Sustainability Policy are met. The Policy lists the Group’s pledges regarding each stakeholder, for which the Group wants to contribute to their sustainable development:

- **Integral and transparent conduct of business for shareholders and investors.** The Group aims to act upon the highest standards of ethics and integrity, with prompt communication and transparency. Sparkasse has adopted a “Code of Ethics” (available here[1] in Italian and German, together with other corporate documents) to define the rights, duties and values that its employees, suppliers and the rest of the stakeholders must comply to. Since the incorporation into the Sparkasse Group, the same document applies now also to CiviBank;
- **Creating value for customers.** Both Sparkasse and CiviBank work continuously to evolve their products and services to assist their customers in their sustainability journey. The banking offering includes both financing products to promote green initiatives leveraging also third-party agreements (e.g., BEI, SACE) and non-financial services such as the facilitation of access to PNRR funds, electrical vehicle rental and green energy contracts. More information about the offerings for both retail and corporate clients can be found on the Banks’ websites;
- Human capital development. The Group believes that a positive working environment can foster the full development of the talents and the ambitions of the Group’s employees. Sparkasse obtained the ISO 45001 certification for health and safety in the working environment in 2022 and the “Audit Famiglia & Lavoro” from the Autonomous Province of Bolzano in 2021. Further commitments towards people and social issues are declined in the Group’s Diversity, Equity & Inclusion Policy;
- **Responsible management of suppliers and business partnerships.** The Group is working to better incorporate ESG factors into its sustainable procurement processes and aims to engage its value chain towards sustainable practices;
- **Sustainable growth of territories and support for local communities.** Both Sparkasse and CiviBank aim to support local initiatives, especially those targeting environmental and social projects;

[1] https://www.sparkasse.it/en/investor-relations/corporate-documents/

- **Environmental protection.** The Group is aware of its environmental responsibility that comes from its banking business activities and its value chain in general. The major part of the Group's energy supply already comes from renewable sources, but one of the latest achievements was the founding of Sparkasse Energy in 2023, a Special Purpose Vehicle to produce solar energy to cover the energy consumption of the entire Group by 2025. Sparkasse also has a "Mobility Plan" to monitor its employees travel habits and propose measures to optimize movements. Overall, the Group has continued over time in its work to assess its environmental footprint and to identify efficiency actions.

The Group yearly carries out a materiality assessment to identify which ESG issues are most important for its stakeholders. Each material theme is linked to one or more of the United Nation's Sustainable Development Goals ("SDGs"), in order to illustrate where the Group's commitment has an impact. The result of this assessment is included in the sustainability report, which the Group has been publishing since the fiscal year 2017. The latest document, detailing the Group's sustainability achievements, can be accessed on the Group's website[2]: the Group's "Dichiarazione non finanziaria" (Non-Financial Report) is drawn up in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards).

Sustainable products and services

Since 2021, Sparkasse offers "green mortgages" to its private customers with the purpose of supporting the purchase of high energy-efficient homes or to finance renovations for improving the energy efficiency of buildings. Moreover, as part of the European initiative "Energy Efficient Mortgages" ("EEM"), which since its inception in 2015 has been the catalyst for the growth of a new, integrated, multi-stakeholder energy efficient mortgage ecosystem, in 2021, both CiviBank and Sparkasse adhered to the "Energy Efficient Mortgage Label" ("EEML"). The EEML is a clear and transparent quality label for consumers, lenders and investors, aimed at identifying energy efficient mortgages in lending institutions' portfolios, with a focus on building energy performance.

The Group's product portfolio aimed at promoting social and/or environmental benefits includes "specialized lending" that grants access to local, regional and national subsidized lending instruments, as well as to financing products supported by European institutions. Sparkasse has signed agreements with Cassa Depositi e Prestiti ("CDP") and has offered incentivized loans for green projects in cooperation with Fondo Centrale Garanzia per le Piccole Medie Imprese" ("FCG"); Sparkasse supports local businesses in collaboration with the Confidi system and with "Fondo di Rotazione della Provincia Autonoma di Bolzano". CiviBank has a long-standing experience in the management in Friuli Venezia Giulia of the Rotation Fund for Economic Initiatives ("Fondo di Rotazione per le Iniziative Economiche" or "FRIE") and the Fund for the Development of SMEs and Services, which has allowed the Bank to reach a leading position in this field. As far as national agreements are concerned, Sparkasse Group has entered into a specific deal with SACE, designated, in the Legislative Decree "Semplificazioni" (July 2020), as the primary executor of the Italian Green New Deal through the issuance of "green" guarantees. This agreement enables Sparkasse Group to apply for the issuance of green guarantees on investment projects contributing positively to the six objectives outlined in the European Taxonomy. Other agreements are in place with the European Investment Fund ("EIF") and with the European Investment Bank ("EIB"), with which a portion of the funds assigned to the Group are dedicated to projects aimed at combatting Climate Change.

[2] https://www.sparkasse.it/en/investor-relations/nfrd/

1.3. Rationale for issuance

The establishment of a Green, Social and Sustainability Funding Framework is fully complementary with the Sparkasse Group commitment and ESG strategy, aimed at providing positive environmental and social impacts and promoting the transition towards a more sustainable and socially inclusive environment.

It allows Sparkasse, as parent bank, and its subsidiaries to issue Green, Social and Sustainability debt instruments in compliance with this Framework

Through the establishment of this Framework, the Sparkasse Group aims at attracting dedicated funding for loans and investments that embed environmental or social benefits and providing fixed-income investors and depositors with an opportunity to support the Issuer's sustainability goals while aiding them in achieving their own responsible investment objectives.

Each Group entity will allocate an amount equivalent to the net proceeds of its Sustainable debt instruments to Eligible Green and/or Social Assets ("Eligible Assets") booked on its own balance sheet.

Under this document, Green, Social and Sustainability debt instruments can be issued in various formats, tenors and currencies, including senior preferred, senior non-preferred, subordinated bonds, commercial papers and deposits, as well as secured bonds (such as covered bonds), other securities (such as ABS) – collectively referred as "Green, Social and Sustainability debt instruments" – through public or private placements.

2. Green, Social and Sustainability Funding Framework

Sparkasse's Green, Social and Sustainability Funding Framework has been designed in accordance with the 2021 edition of the Green Bond Principles[3] ("GBP"), the 2023 Social Bond Principles[4] ("SBP") and the 2021 Sustainability Bond Guidelines[5] ("SBG") published by ICMA and consists of the key four recommended core principles:

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

Sparkasse commits to update the Framework according to the most recent market best-practices in the Green, Social and Sustainability bond market, as well as the reference regulations.

In addition, the Framework takes into account the requirements of the EU Taxonomy and EU Green Bond Standard, with the intention of seeking alignment on a best effort basis.

Furthermore, the Sparkasse Group will seek to finance projects under the Framework that are defined as eligible expenditures that contribute to the achievement of one or more of the social objectives presented in the Final Report on the Social Taxonomy of the Platform on Sustainable Finance (February 2022)[6].

Any subsequent version of this Framework will either maintain or improve the stringency of the eligibility criteria and the level of transparency regarding the process adopted to evaluate and select Green/Social Loans/Projects ("Eligible Assets") and reporting requirements.

---

[3] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf

[4] https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf

[5] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf

[6] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf

2.1. Use of Proceeds

An amount equal to the net proceeds raised from any Sparkasse Group's debt instrument 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 with the ICMA Green Bond Principles or the Social Bond Principles or the Sustainability Bond Guidelines, as the case may be.

Sparkasse intends to disclose the expected allocation to each eligible Green and/or Social Asset category prior to the issuance of any Green, Social and Sustainability debt instrument.

The **Green Eligible Categories** are:

- Renewable energy
- Pollution and Prevention Control / Eco-Efficient and/or Circular Economy Adapted Product
- Green Buildings
- Clean transportation
- Energy Efficiency
- Environmentally sustainable management of living natural resources.

The **Social Eligible Categories** are:

- SMEs financing
- Third and Public Sector
- Social Housing
- Healthcare.

The combination of all the Eligible Assets identified by Sparkasse and booked on the Issuer's own balance-sheet will represent the Eligible Asset Portfolio ("**Portfolio**").

Sparkasse 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 the total outstanding Green, Social and Sustainability debt instruments issued under this Framework.

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

2.1.1. Green Eligible Categories

Green Eligible Categories are defined as follows:

Green Eligible Categories	Eligibility Criteria	EU Environmental Objective	EU Economic Activity (Climate Change Mitigation)	Impacted SDGs
1. Renewable energy	• New and/or Existing Loans to finance and/or refinance the construction, acquisition, development, and maintenance of facilities generating and/or distributing energy from renewable sources such as: - Photovoltaic - Biomethane[7] (methane produced by the fermentation of organic matter)[8] - Cogeneration of heat and power from bioenergy (e.g., biomass[9] heat generators)[10] - Hydro power (acquisition, construction, upgrade and refurbishment of hydro power plants with a power density above 5W/m2 or operating at life cycle emissions lower than 100gCO2e/kWh)[11]. Only hydropower plants with a scale of power production below <100MW are eligible.	• Climate Change Mitigation	• 4.1 – Electricity generation using solar photovoltaic technology • 4.5 – Electricity generation from hydropower • 4.13 - Manufacture of biogas and biofuels for use in transport and of bioliquids • 4.20 – Cogeneration of heat/cool and power from bioenergy	

[7] Technical Screening Criteria of Taxonomy Regulation delegated act-2021-2800-annex-1 (Taxonomy Regulation and the EU Taxonomy Climate Delegated act, formally adopted on 4 June) described in section 4.13 "Manufacture of biogas and biofuels for use in transport and of bioliquids" (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. 2. The greenhouse gas emission savings from the manufacture of biofuels and biogas for use in transport and from the manufacture of bioliquids are at least 65 % in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex V to Directive 3. Where the manufacture of biogas relies on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable)

[8] In line with Technical Screening Criteria of Art. 5.7 "Anaerobic digestion of bio-waste" of Taxonomy Regulation delegated act-2021-2800-annex-1

[9] Only 2nd generation biomass is included among eligibility criteria

[10] Technical Screening Criteria of Taxonomy Regulation described in section 4.20 "Cogeneration of heat/cool and power from bioenergy" (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. 2.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)

[11] Technical Screening Criteria described in sections 4.5 of Taxonomy Regulation delegated act-2021-2800-annex-1

2. Pollution and Prevention Control / Eco-Efficient and/or Circular Economy Adapted Product	• New and/or Existing Loans to finance and/or refinance the construction and maintenance of waste treatment systems, such as waste recycling[12], waste collection, environmental remediation.[13]	• Climate Change Mitigation • Transition to a circular economy • Pollution Prevention and Control	• 5.7 – Anaerobic digestion of bio-waste	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
3. Green Buildings	New and/or Existing Loans to finance and/or refinance: Construction of new buildings (residential and commercial): • The primary energy demand (PED) at least 10% lower than the nearly zero-energy building (NZEB) threshold Acquisition of new buildings (residential and commercial): • Built before 31 December 2020, the building has at least Energy Performance Certificate (EPC) class A, or belongs to the top 15% of the national or regional building stock based on PED • Built after 31 December 2020, PED at least 10% lower than the NZEB threshold. Renovation of existing buildings (residential and commercial): • The building renovation complies with the applicable requirements for major renovations[14] or, alternatively, leads to a reduction of primary energy demand (PED) of at least 30%[15]	• Climate Change Mitigation	• 7.1 – Construction of new buildings • 7.2 – Renovation of existing buildings • 7.7 – Acquisition and ownership of buildings	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION

[12] Excluding single use plastic products, textiles based on synthetic polymer fibers, and products containing microplastics

[13] "waste collection" refers to projects/loans granted aimed at financing, for example, waste collection services for municipalities in line with Technical Screening Criteria described in 5.5 "Collection and transport of non-hazardous waste in source segregated fractions" of Taxonomy Regulation delegated act-2021-2800-annex-1; while "environmental remediation" refers to projects aimed at investing soil remediation services related to initiating or accelerating the recovery of an ecosystem from a degraded state without being previously detrimental, and water purification in line with Technical Screening Criteria described in 5.1 "Construction, extension and operation of water collection, treatment and supply systems" of Taxonomy Regulation delegated act-2021-2800-annex-1

[14] As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

[15] The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand

4. Clean transportation	New and/or Existing Loans to finance and/or refinance: • Passenger Public Land Transport to improve public electricity-based/sustainable transportation (e.g., convert public bus fleets to alternative fuels: electric, biofuel[16], and electric bus fleets) [17] • Commercial and passengers' vehicles (e.g., electric vehicles, truck fleets, automobiles) [18], charging stations and supporting electric infrastructure[19] for electrification of public and private passenger transport	• Climate Change Mitigation	• 6.3 – Urban and suburban transport, road passenger transport • 6.5 – Transport by motorbikes, passenger cars and light commercial vehicles • 6.15 - Infrastructure enabling low-carbon road transport and public transport	
5. Energy Efficiency	• New and/or Existing Loans to finance and/or refinance the development and distribution of and/or upgrades to equipment or technology such as installation of: - smart meters; - smart thermostats;[20] - efficient LED lighting appliances and systems.	• Climate Change Mitigation	• 3.5 – Manufacture of energy efficiency equipment for buildings • 4.9 – Transmission and distribution of electricity • 7.3 – Installation, maintenance, and repair of energy efficiency equipment	

(where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years.

[16] Only 2nd generation biofuel is included

[17] Manufacturing and purchasing of light vehicles, personal cars and commercial vehicles with zero direct tailpipe CO_2 emission (electric) or specific emissions of CO_2 lower than 50gCO_2/km (Hybrid, eligible until Dec2025). Technical Screening Criteria described in sections 6.3 and 6.5 of Taxonomy Regulation delegated act-2021-2800-annex-1.

[18] Manufacturing and purchasing of light vehicles, personal cars and commercial vehicles with zero direct tailpipe CO_2 emission (electric) or specific emissions of CO_2 lower than 50gCO_2/km (Hybrid, eligible until Dec2025).

[19] Technical Screening Criteria described in sections 4.9 of Taxonomy Regulation delegated act-2021-2800-annex-1.

[20] Technical Screening Criteria described in sections 3.5 of Taxonomy Regulation delegated act-2021-2800-annex-1.

6. Environmentally sustainable management of living natural resources	• New and/or Existing Loans to finance and/or refinance projects that promote sustainable management of natural resources in agriculture, forestry, farming such as: - Use of systems for water irrigation savings (e.g., drip irrigation systems);[21] - Land remediation/optimization[22] (e.g., conversion of arable land to grassland, grazing, etc.); - Organic agriculture[23] (e.g., use of cover crop, implementation of minimum tillage technologies, etc.); - Forest management/conservation (e.g., prevention of deforestation, fires, etc.).	• Climate Change Mitigation • Protection and Restoration of Biodiversity and Ecosystems	• 5.1 – Construction, extension and operation of water collection, treatment and supply systems • 5.2 – Renewal of water collection, treatment and supply systems	

[21] Technical Screening Criteria described in sections 5.1 and 5.2 of Taxonomy Regulation delegated act-2021-2800-annex-1.

[22] Including only ecosystems in a no detrimental state before the financing

[23] EU organic, USDA organic, and labels accredited by IFOAM (International Federation of Organic Agriculture Movements)

2.1.2. Social Eligible Categories

Social Eligible Categories are defined as follows:

Social Eligible Categories	Eligibility Criteria	Benefits & Target Populations	EU Social Objective	Impacted SDGs
1. SMEs financing	• New and/or Existing Loans to finance and/or refinance SMEs[24] that include SMEs located in disadvantaged areas[25] or in areas impacted by natural disasters[26] / health emergencies (such as pandemics[27], etc.) and the related social and economic downturn. Loans granted to SMEs run by female entrepreneurship[28]	• SMEs and Companies affected by pandemics • Female Entrepreneurship to promote Gender Equality and Inclusion	Social objective: • Decent work • Inclusive and sustainable communities and societies Sub-objective: • Promoting gender equality • Inclusive growth	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
2. Third and Public Sector	• New and/or Existing Loans to finance and/or refinance companies partly State-owned (whose financial statements are included in the Government budget) and to the Third Sector (Associations, NGOs, Social enterprises, Social Cooperatives, Foundations etc.)[29] dedicated to financing projects aiming at having a positive social impact on the	• Provide social benefits to communities and Population (e.g., improving social aggregation, especially to disadvantaged/ vulnerable people – i.e., low-income population, young people, elderly people, people with disabilities – at risk of social exclusion)	Social objective: • Inclusive and sustainable communities and societies Sub-objective: • Promoting inclusive growth • Supporting sustainable livelihoods	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH

---

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

25 Identification of disadvantaged areas based on per capita GDP vs national average

26 Loans are granted for natural disasters (i.e. floods, storms, hail, landslides, earthquakes) to beneficiaries who fall within the affected areas which are always identified based on a declaration of emergency for natural calamity issued by a public authority

27 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")

28 SMEs selected on the basis of female leadership: a business in which the majority of shares are owned by women; a cooperative business in which the majority of partners are women; a sole proprietorship in which the owner is a woman; a limited partnership in which the general partner is a woman and a general partnership in which the female partner is the legal representative of the company

29 Loans will be granted to Onlus (Non-Profit Organisation of Social Utility) in compliance with the requirements of Legislative Decree 460/1997 that will cease to exist following the entry into force of tax provisions according to Title X of the "Codice Terzo Settore" (CTS) Legislative Decree No 117 of 3 July 2017. The main legislative reference will be the CTS together with the registration to the "Registro Unico Nazionale del Terzo Settore" (RUNTS)"

	society in the following sectors: - Education[30] (activities of education facilities, such as schools, universities and campus, including school sport facilities, student housing and vocational training centres); - Art, culture and recreational activities (including amateur sport, museum visits, cultural heritage)			
3. Social Housing	• Loans to finance the construction, development, and acquisition of social housing[31] to provide decent housing to low-income population[32]	• Increase the accessibility to affordable housing for disadvantaged /vulnerable people	Social objective: • Adequate living standards and wellbeing for end-users Sub-objective: • Improving access to good-quality housing	11 SUSTAINABLE CITIES AND COMMUNITIES
4. Healthcare	• Loans to finance the construction, development, maintenance, renovation of hospitals, healthcare facilities[33], medical equipment, and technologies (e.g., medical diagnostic devices, software for diagnostic purposes) that strengthen the capacity to provide free or subsidized healthcare services	• Contribute to facilitating access of the population to hospitals and healthcare facilities • Improvement and protection of public health	Social objective: • Adequate living standards and wellbeing for end-users Sub-objective: • Ensuring access to quality healthcare products and services including care services	3 GOOD HEALTH AND WELL-BEING

[30] Tuitions are provided at favourable conditions for lower income families

[31] The housing rent is given at a reduced rate

[32] Selection according to income poverty line set by ISTAT: https://www.istat.it/it/dati-analisi-e-prodotti/calcolatori/soglia-di-povert%C3%A0 and/or according to criteria defined by the Region/Country or other institutions with reference to individual social housing initiatives

[33] This category excludes assisted-living facilities

2.1.3. Excluded Categories and Limitations

Sparkasse will not allocate proceeds received from the issuance of Green, Social and Sustainability debt instruments under this Framework to any kind of investment in the following sectors for which negative impacts on the environment and/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
- Fur Industry and Animal maltreatment
- Plastic industry
- Tires reconstruction industry
- Intensive Agro/Hydro activity
- Coal.

2.2. Process for Project Evaluation and Selection

In March 2024, Sparkasse included the following assignments among the tasks of the internal "Risk Monitoring Committee" ("the CoMoRi"):

- overseeing the activities relating to the issuance of Green, Social and Sustainability debt instruments;
- monitoring the use of proceeds from Green, Social and Sustainability debt instruments.

The CoMoRi manages the principles and guidelines that define the selection and evaluation of the Eligible Projects.
The process for projects evaluation and selection is as follows:
• the Credit Department of Sparkasse carries out a pre-selection of potential Eligible Assets (as detailed in the Use of Proceeds and Reporting sections of this Framework);
• the potential Eligible Projects are catalogued by the Finance and Treasury Department which verifies the alignment of the pre-selected assets to the Eligible Project criteria;
• the Credit Department submits the Eligible Projects to the CoMoRi which verifies the alignment of the pre-selected assets to the Eligible Assets criteria, confirming the correctness and compliance of the whole process.

For the selection of potential Eligible Assets, the Credit Department will also consider information on the climate risk score (physical and transition risk) that has recently been attributed by the Sparkasse Group to all borrowers. In addition, the attribution of an overall "ESG score", including the climate risk score together with social and governance factors, is expected to be implemented for corporate counterparties (including SMEs) by the end of the year, using a methodology supplied by an external provider and subsequently integrated into the credit origination process.
During the monitoring phase, Sparkasse conducts a process of ESG risk management following the granting of loans. All the assets selected as "eligible" will be subject to a periodic verification in the form of a "manual" assessment of ESG risks and scores for each loan and borrower, ensuring constant alignment with the eligibility criteria.
Furthermore, Sparkasse is developing a formalized monitoring and reporting tool that, after granting the loans, will enable an annual performance verification of the portfolio, based on the scores attributed during the origination process.
The CoMoRi, based on the information provided by the Credit Department, has also the responsibility to exclude financing in sectors with relevant negative impact on environment and society as defined in the "Excluded Categories and Limitations" section of this Framework.
If any Eligible Project is subject to an ESG controversy, the CoMoRi will decide to exclude the asset from the Portfolio.

2.3. Management of proceeds

The proceeds from any Green, Social, Sustainability debt instruments issued under this Framework will be managed on a portfolio basis.

The CoMoRi will be in charge of allocating the proceeds from the Green, Social and Sustainability debt instruments issued under this Framework to the identified loans/projects that meet Eligibility Criteria.

The Finance and Treasury Department will track the amount of net proceeds from the issuance of the Green, Social and Sustainability debt instruments issued under this Framework, allocated to Eligible Assets.

Sparkasse will establish the Register for all the Green, Social, Sustainability debt instruments 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. **Green, Social and Sustainability debt instruments 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 the Green, Social and Sustainability debt instruments issued under the Framework will be dedicated to green or social projects directly by the Sparkasse Group.

For the sake of clarity, Green covered bond proceeds are allocated to Eligible Assets that are included in the cover pool of the respective covered bond entity.

Until full allocation, any balance of issuance proceeds not allocated to fund Eligible Assets in the Register will be held in accordance with the Sparkasse Group's normal liquidity management, including the treasury liquidity portfolio, cash, time deposits with Banks or other forms of available short term and medium / long term funding sources with a preference for Green or Social bonds 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, Sparkasse intends to reallocate the funds to other Eligible Assets during the term of the relevant Green, Social and Sustainability debt instrument.

Any payment of principal and interest on any Green, Social, or Sustainability debt instruments will be made from the Sparkasse Group's general corporate account and will not be linked to the performance of any Eligible Asset.

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

2.4. Reporting

In accordance with the recommendation of ICMA Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guidelines 2021, Sparkasse Group will report annually, and up until bond maturity, on the allocation of the proceeds of the Green, Social and Sustainability debt instruments issued under this Framework and the relative impact of the projects at category level, in accordance with the portfolio approach.

2.4.1. Allocation reporting

Sparkasse Group 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 Debt Report (the “Report”) which will be published on the bank´s 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 and Sustainability debt instruments outstanding;
- the total amount of the Portfolio broken down by 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.

2.4.2. Impact reporting

The Sparkasse Group 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 debt instruments issued, until full allocation.
The Impact Report may indicatively include:

- 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 at the Portfolio level;
Impacts: annual estimates of ex-ante and/or ex-post impacts (where feasible) based on specific indicators developed by the Sparkasse Group, disclosed per Eligible Category at the Portfolio level.
On a best effort basis, the Sparkasse Group will align the impact reporting with the approach described in the ICMA “Harmonised Framework for Impact Reporting” (for Green Bonds) dated June 2023[34] and “Harmonised Framework for Impact Reporting for Social Bonds” updated in June 2023[35].
When reporting on the identified outcomes, the Sparkasse Group may select alternative quantitative or qualitative Key Performance Indicators, relevant to the selected Eligible Assets. For all Eligible Assets, Sparkasse Group may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details.

---

34 https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf

35 https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf

3. Verification – External Review

3.1. Second-Party Opinion

Sparkasse has mandated ISS ESG to perform an evaluation of the Framework's validity and its general alignment with the ICMA GBP 2021, SBP 2023 and SBG 2021.

The Second Party Opinion will be available on the Issuer's website.

3.2. 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 assets with the selection process, the environmental and/or social benefits obtained.
Sparkasse 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
Use of Proceeds	• 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 (in EUR and %) • Description of the unallocated proceeds management • Overall refunding amount vs new funding (in % of allocated amount and in % of total amount) • Geographical distribution of the assets (at country level)

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
1. Renewable energy	• Climate Change Mitigation • Renewable Energy	• Installed capacity (MW) • Estimated renewable energy production (MWh) • Renewable energy produced (MWh)	• CO_2 emissions avoided (tons)	• GHG Protocol
2. Pollution and Prevention Control / Eco-Efficient and/or Circular Economy Adapted Product	• Pollution Prevention and Control • Environmentally sustainable management of living natural resources and land use • Transition to a circular economy, waste prevention and recycling	• Amount of avoided waste products (tons) • Amount of recovered materials (tons)	• Waste prevented, minimized, reused or recycled • Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ	• SWM-GHG Calculator • EPA's Waste Reduction Model
3. Green Buildings	• Green Buildings • Climate Change Adaptation • Climate Change mitigation • Renewable Energy	• Environmental Certifications/EPC labels obtained (for buildings, #)	• CO_2 emissions avoided (tons)	• GHG Protocol

4. Clean transportation	• Clean Transportation • Pollution Prevention and Control • Climate Change Mitigation	• Deployment of clean transportation • Avoidance or reduction of transport use	• CO_2 emissions avoided (tons) • Number of clean vehicles deployed (e.g. electric) • Estimated reduction in fuel consumption	• GHG Protocol
5. Energy Efficiency	• Climate change mitigation • Energy Efficiency	• Energy savings in MWh (future projects: ex-ante estimation, past projects: ex-post annual measurement, where feasible)	• CO_2 emissions avoided (tons) • Annual energy savings in MWh/GWh (electricity)	• GHG Protocol
6. Environmentally sustainable management of living natural resources	• Climate change adaptation • Climate change mitigation • Environmentally Sustainable management of living natural resources and land use • Environmentally sustainable agriculture	• Ecologically sustainable agricultural production per hectare (tons) • Additional forestation areas converted • Area of natural landscape preserved	• CO_2 emissions avoided (tons) • Number of people and/or enterprises (e.g., companies or farms) benefitting from measures to mitigate the consequences of floods and droughts	• GHG Protocol • Business reports

Annex 2.2: SOCIAL

Social Eligible categories	Social benefits	Output reporting indicator	Indicative Impact reporting indicators	Methodologies and assumptions
1. SME financing	• Socioeconomic advancement and empowerment • Employment generation	• Number of SMEs financed	• Number of Jobs retained on the financed SMEs benefitting from intervention	• Organizations' Social impact reporting tools • Report from Public bodies
2. Third and Public Sector	• Access to essential services • Socioeconomic advancement and empowerment • Affordable basic infrastructure	• Number of educational institutions funded – location and type • Number of organizations funded	• Number of beneficiaries with gained access to education and/or vocational training opportunities • Number of vulnerable people and other target populations receiving assistance • Number of jobs created among vulnerable people and other target populations	• Organizations' Social impact reporting tools
3. Social Housing	• Affordable housing • Affordable Basic infrastructure	• Number of houses constructed or renovated	• Number of residents benefitting from intervention on houses • Number of new social, affordable and shared ownership homes	• Organizations' Social impact reporting tools • Report from Public bodies

4. Healthcare	• Access to essential services • Socioeconomic advancement and empowerment	• Number of hospitals and other healthcare facilities built/upgrade	• Number of people reached with improved health care • Number of residents benefitting from healthcare • Number of places and beds	• Organizations' Social impact reporting tools • Report from Public bodies

sparkasse.it