

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green, Social and Sustainability Funding Framework

Cassa di Risparmio di Bolzano S.p.A.

18 April 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green, social and sustainable debt instruments

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023 with June 2023 Appendix 1)
- Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)

Scope of verification	<ul style="list-style-type: none">▪ Cassa di Risparmio di Bolzano S.p.A. Green, Social and Sustainability Funding Framework (as of April 17, 2024)▪ Cassa di Risparmio di Bolzano S.p.A. Eligibility Criteria as of April 17, 2024)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Cassa di Risparmio di Bolzano S.p.A. (“the Issuer”, “the Company” or “Sparkasse Group”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its green, social and sustainable debt instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Sparkasse Group’s Green, Social and Sustainability Funding Framework (as of April 17, 2024) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of green, social and sustainability debt instruments with Sparkasse Group’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

CASSA DI RISPARMIO DI BOLZANO S.P.A. OVERVIEW

Cassa di Risparmio di Bolzano S.p.A. is the parent company of the Sparkasse Group, which also includes Banca di Cividale S.A. The Company engages in the management and operation of its bank branches, located in the Northeastern area of Italy, with its main presence in the province of Alto Adige and Udine, along with a single branch in Munich. It offers financial and investment products and services, including savings accounts, loans, bank cards and pensions. The Company was founded in 1854 and is headquartered in Bolzano, Italy.

ESG risks associated with the public and regional banks industry

Sparkasse Group is classified in the public and regional banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are: sustainability impacts of lending and other financial services/products, customer and product responsibility, sustainable investment criteria, labor standards and working conditions and business ethics.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and Sparkasse Group's overall sustainability strategy.



¹ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP, SBP, SBG</p>	<p>The Issuer has defined a formal concept for its green, social and sustainability debt instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA).</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The green, social and sustainability debt instruments will (re)finance eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Pollution and Prevention Control / Eco-Efficient and/or Circular Economy Adapted Product, Green Buildings, Clean Transportation, Energy Efficiency, and Environmentally Sustainable Management of Living Natural Resources.</p> <p>Social categories: SMEs Financing, Third and Public Sector, Social Housing, and Healthcare.</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p>	<p>Positive</p>

² The evaluation is based on the Cassa di Risparmio di Bolzano S.p.A.'s Green, Social and Sustainability Funding Framework (April 17, 2024 version), on the analyzed Selection Criteria as received on April 17, 2024.

³ Renewable Energy, Pollution and Prevention Control / Eco-Efficient and/or Circular Economy Adapted Product, Green Buildings, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources, SMEs Financing, Third and Public Sector, Social Housing, Healthcare.

	 <p>Process-related use of proceeds categories⁴ individually improve (i) the Issuer’s operational impacts and (ii) mitigate potential negative externalities of their sectors on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds categories and the financial institution are managed.</p>	
<p>Part III:</p> <p>Consistency of Green, Social and Sustainability debt instruments with Sparkasse Group’s Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing green, social and sustainable debt instruments are clearly described by the Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer’s sustainability strategy</p>

⁴ Green Buildings, Energy Efficiency

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP), SOCIAL BOND PRINCIPLES (SBP) AND SUSTAINABILITY BOND GUIDELINES (SBG)

This section evaluates the alignment of Sparkasse Group’s Green, Social, and Sustainability Funding Framework (as of April 17, 2024) with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA).

GBP, SBP, SBG	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Sparkasse Group’s Green, Social, and Sustainability Funding Framework is aligned with the GBP, SBP and SBG.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the GBP, SBP and SBG, and criteria are defined clearly and transparently. Disclosure of the expected allocation to each project category will be provided to investors pre-issuance. The environmental and social benefits are described, and some of them are quantified. The Issuer defines exclusion criteria for harmful project categories.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Sparkasse Group’s Green, Social, and Sustainability Funding Framework is aligned with the GBP, SBP and SBG.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the selected projects demonstrate alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population for social project categories.</p>

		<p>The Issuer has also disclosed stakeholders involved in the process and identified the project categories with the GBP, SBG and SBG, following market best practices.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Sparkasse Group’s Green, Social, and Sustainability Funding Framework is aligned with the GBP, SBP and SBG.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed per bond on an aggregated basis for multiple bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Sparkasse Group’s Green, Social, and Sustainability Funding Framework is aligned with the GBP, SBP and SBG.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Sparkasse Group has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the bond matures.</p> <p>The Issuer also commits to impact reporting annually and has disclosed the level of reporting at the category level, the output and impacts per eligible category, and the frequency and scope of expected reporting until full allocation, following best market practice.⁵</p>

⁵ The Issuer has indicated the impact reporting will use the approach of ICMA “Harmonised Framework for Impact Reporting” (for Green Bonds) dated June 2023 and “Harmonised Framework for Impact Reporting for Social Bonds” updated in June 2023.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABLE DEBT INSTRUMENTS TO THE U.N. SDGs⁶

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

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

1. Products and services



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

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:



Each of the green, social and sustainability debt instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green Categories

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>New and/or Existing Loans to finance and/or refinance the construction, acquisition, development, and maintenance of facilities</i></p>	<p>Contribution</p>	 

⁶ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

*generating and/or distributing energy from renewable sources such as:*⁷

- *Photovoltaic*
- *Biomethane (methane produced by the fermentation of organic matter)*⁸
- *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).*⁹
Only hydropower plants with a scale of power production below <100MW are eligible

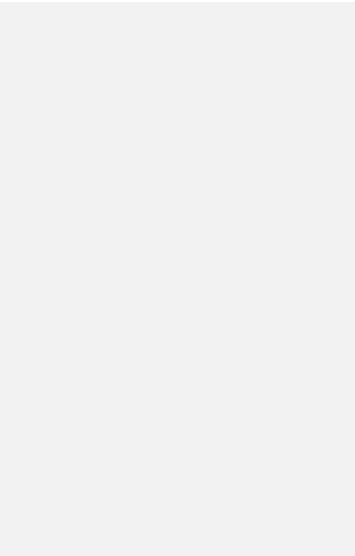
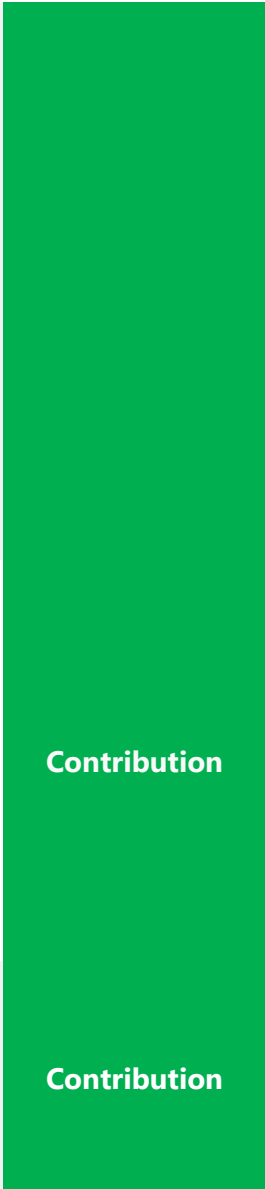
Renewable Energy

*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:*¹⁰

- *Cogeneration of heat and power from bioenergy (e.g., biomass heat generators)*^{11,12}

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



⁷ The review is limited to the examples of projects spelled out in the Framework.

⁸ 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). The Issuer has also confirmed the source agricultural biomass is exclusively biogas through anaerobic digestion.

⁹ Technical Screening Criteria described in sections 4.5 of Taxonomy Regulation delegated act-2021-2800-annex-1.

¹⁰ The review is limited to the examples of projects spelled out in the Framework.

¹¹ Only second generation biomass is included among eligibility criteria. The review is limited to the examples of projects spelled out in the Framework.

¹² 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).

waste treatment systems, such as waste recycling¹³¹⁴ and waste collection¹⁵¹⁶

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 environmental remediation (this includes water purification)¹⁷¹⁸

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 environmental remediation (this relates to soil remediation)¹⁹

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 after Dec. 31, 2020, PED at least 10 % lower than the NZEB threshold*
- *Built before Dec. 31, 2020, the building has at least Energy Performance Certificate (EPC) class A, or belongs to*

Contribution



Contribution



Contribution



¹³ The review is limited to the examples of projects spelled out in the Framework.

¹⁴ Excluding single use plastic products, textiles based on synthetic polymer fibers, and products containing microplastics.

¹⁵ "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.

¹⁶ The review is limited to the examples of projects spelled out in the Framework.

¹⁷ This criterion is 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.

¹⁸ The review is limited to the examples of projects spelled out in the Framework.

¹⁹ The review is limited to the examples of projects spelled out in the Framework. "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.

the top 15% of the national or regional building stock based on PED

Clean Transportation

New and/or Existing Loans to finance and/or refinance:

- *Commercial and passenger vehicles (e.g., electric vehicles, truck fleets, automobiles)²⁰²¹*
- *Charging stations and supporting electric infrastructure for electrification of public and private passenger transport²²*

Contribution



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, biofuel²³ and electric bus fleets)²⁴²⁵*

Contribution



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 and farming such as:²⁶

- *Use of systems for water irrigation savings (e.g., drip irrigation systems)²⁷*

Contribution



Environmentally sustainable management of living natural resources

New and/or Existing Loans to finance and/or refinance projects that promote sustainable

Contribution



²⁰ Manufacturing and purchasing of light vehicles, personal cars and commercial vehicles with zero direct tailpipe CO₂ emission (electric) or specific emissions of CO₂ lower than 50gCO₂/km (Hybrid, eligible until December 2025).

²¹ The review is limited to the examples of projects spelled out in the Framework.

²² Technical Screening Criteria described in sections 4.9 of Taxonomy Regulation delegated act-2021-2800-annex-1.

²³ This category concerns second generation biofuels only.

²⁴ Manufacturing and purchasing of light vehicles, personal cars and commercial vehicles with zero direct tailpipe CO₂ emission (electric) or specific emissions of CO₂ lower than 50gCO₂/km (Hybrid, eligible until December 2025). Technical Screening Criteria described in sections 6.3 and 6.5 of Taxonomy Regulation delegated act-2021-2800-annex-1.

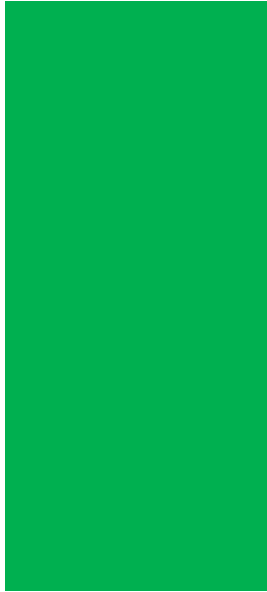
²⁵ The review is limited to the examples of projects spelled out in the Framework.

²⁶ The review is limited to the examples of projects spelled out in the Framework.

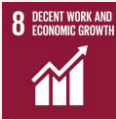
²⁷ Technical Screening Criteria described in sections 5.1 and 5.2 of Taxonomy Regulation delegated act-2021-2800-annex-1.

management of natural resources in the agriculture, forestry, farming such as:²⁸

- Land remediation/optimization (e.g., conversion of arable land to grassland, grazing, etc.)²⁹
- Organic agriculture (EU organic, USDA organic, and labels accredited by IFOAM (International Federation of Organic Agriculture Movements)) (e.g., use of cover crops, implementation of minimum tillage technologies, etc.)
- Forest management/conservation (e.g., prevention of deforestation, fires, etc.)



Social Categories

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>SMEs Financing</p> <ul style="list-style-type: none"> ▪ New and/or Existing Loans to finance and/or refinance SMEs 	<p style="text-align: center;">Contribution</p>	
<p>SMEs Financing</p> <ul style="list-style-type: none"> ▪ New and/or Existing Loans to finance and/or refinance SMEs that include SMEs located in disadvantaged areas / health emergencies (e.g., pandemics)³⁰ and the related social and economic downturn ▪ New and/or Existing Loans to finance and/or refinance SMEs, including SMEs located in areas impacted by natural disasters 		<p style="text-align: center;">Contribution</p>

²⁸ The review is limited to the examples of projects spelled out in the Framework.

²⁹ "Land 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.

³⁰ The review is limited to the examples of projects spelled out in the Framework.

SMEs Financing

New and/or Existing Loans to finance and/or Loans granted to SMEs run by female entrepreneurs

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.) dedicated to financing projects aiming at having a positive social impact on the society in the following sectors:

Education³¹ (activities of education facilities, such as schools, universities and campus, including school sport facilities, student housing and vocational training centers)

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.) dedicated to financing projects aimed at having a positive social impact in the following sectors:

Art, culture and recreational activities (including amateur sport)

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.) dedicated to financing projects aiming at having a positive social impact in the following sectors:

Contribution



Contribution



Contribution



Contribution



³¹ Tuitions are provided at favorable conditions for lower income families.

- *Art, culture and recreational activities (including museum visits, cultural heritage)*

Social Housing

Loans to finance the construction, development and acquisition of social housing to provide decent housing to low-income population^{32,33}

Healthcare

Loans to finance the construction, development, maintenance and renovation of hospitals and healthcare facilities³⁴

Healthcare

Loans to finance the construction, development, maintenance and renovation of medical equipment, and technologies (e.g., medical diagnostic devices, software for diagnostic purposes)³⁵ that strengthen the capacity to provide free or subsidized healthcare services

Contribution



Contribution



Contribution



³² Selection according to income poverty line set by ISTAT: <https://www.istat.it/it/dati-analisi-e-prodotti/contenuti-interattivi/soglia-di-poverta> and/or according to criteria defined by the Region/Country or other institutions with reference to individual social housing initiatives.

³³ The housing rent is given at a reduced rate.

³⁴ This category excludes assisted-living facilities.

³⁵ The review is limited to the examples of projects spelled out in the Framework.

2. Improvements of operational performance (processes)

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

The Sparkasse Group finances operations/processes in a variety of third-party sectors which are not listed in the Issuer’s Framework. As such, ISS-Corporate is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

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

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ³⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <p><i>Renovation of existing buildings (residential and commercial):</i></p> <ul style="list-style-type: none"> <i>The building renovation complies with the applicable requirements for major renovations³⁷ or, alternatively, leads to a reduction of primary energy demand (PED) of at least 30%³⁸</i> 		
<p>Energy Efficiency</p> <p><i>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:³⁹</i></p>		

³⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

³⁷ 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.

³⁸ 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 (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.

³⁹ The review is limited to the examples of projects spelled out in the Framework.

- *Smart meters*
- *Smart thermostats⁴⁰*

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:⁴¹



- *Efficient LED lighting appliances and systems*

⁴⁰ Technical Screening Criteria described in sections 3.5 of Taxonomy Regulation delegated act-2021-2800-annex-1.

⁴¹ The review is limited to the examples of projects spelled out in the Framework.

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

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The entirety of the assets are located in Italy.

ASSESSMENT AGAINST KPIs


ESG guidelines into lending process

The Sparkasse Group has an internal lending policy which defines lending requirements, ensures monitoring and provides a risk analysis of the financed asset. Based on the risk level identified and the size and type of collateral, the Bank classifies the asset and addresses the risk according to the risk management system.

The Sparkasse Group is in the process of integrating a due diligence process for climate and environmental risks into the credit origination and credit monitoring process, and is expected to provide training to the sales team starting in spring 2024.

Within the ESG due diligence process, the Sparkasse Group will use a methodology supplied by Cerved,⁴² an external ESG rating provider, to assign an overall ESG score to borrowers. The due diligence process applies to all corporate clients, including SMEs. For companies subjected to CSRD disclosure obligations, they will be required to fill in an ESG questionnaire as part of the due diligence process. Within the private green mortgage loans, physical risk score, energy performance certificate (EPC) score, and data on building consumptions/emissions have been assigned to all mortgaged properties. Ultimately, the physical risk and transition risk scores will be integrated into the overall risk assessment process within the loan origination process. The monitoring and reporting tool for ESG risks of the portfolio is currently under development, and the monitoring of climate and environmental risks in existing credit portfolio and loan origination process will be in place by the end of Q2 2024. Under the new process, ESG risks will be monitored after the loans have been granted and will also be verified annually based on the ESG scores attributed during the loan origination process.

Labour, Health and Safety

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Sparkasse Group confirms that all assets financed will be located in Italy. High health and safety and labor standards are ensured by the country's national legislation and mandatory social standards.

⁴² Cerved, Credit & ESG Rating, <https://www.cerved.com/en/risk-intelligence/credit-esg-rating/>

Biodiversity



Sparkasse Group confirms that all assets financed will be in Italy, an Equator Principles Designated Country. Countries with this designation are deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.

Community Dialogue



Sparkasse Group confirms that all assets financed will be in Italy, an Equator Principles Designated Country. Countries with this designation are deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.

Inclusion



Sparkasse Group's Code of Ethics prohibits any form of discrimination in the affordability and accessibility of the social categories. A due diligence process is conducted internally to verify that inclusion criteria are met. In addition, activities financed under the Third and Public sector categories will be free to access or subsidized for the targeted vulnerable populations.

Responsible treatment of customers with debt repayment problems



Sparkasse Group has a policy in place ensuring that responsible treatment of customers with debt repayment problems will be provided. This policy is enacted through the monitoring of existing exposures and constant interactions with clients. The bank collaborates with the customer by providing adequate assistance to identify the reasons for the difficulties and the most appropriate measures to resolve the anomaly. Monitoring activities of counterparties for which there is an increase in perceived risk are especially aimed at making corrective actions to avoid, where possible, the transition to the states of default. For example, appropriate covenants are stipulated with the client to mitigate credit risk, use of collaterals and considerations on loan-to-value ratios for real estate. In specific situations of the borrower and as last resort, forbearance short-term and long-term measures are also contemplated as forms of interventions. These measures may include temporary suspension of contractual obligations such as interest only payments with reassessment of repayment structure, repayment term extension (payment moratorium), reduced number of installments, capitalization of arrears, interest rate reduction, debt asset swaps, rescheduled payments, waiver for financial covenants and debt forgiveness. Debt restructuring programs include extending a loan with consequent reduction in the installment and a credit

quality monitoring tool, to use past lending performance in limiting borrowers' indebtedness. Furthermore, the bank staff responsible for interacting with customers receives adequate and specific training.

Exclusion criteria

Sparkasse Group's policy excludes the subsectors of companies that produce weapons and those in the gambling industry. Within the Green, Social and Sustainability Funding Framework, there is also a list of excluded categories and limitations which includes the alcoholic beverages and tobacco sector and environmental damage/deforestation sector. To mitigate money laundering risks, Sparkasse Group also has an anti-money laundering policy in place.

PART III: CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABLE DEBT INSTRUMENTS WITH SPARKASSE GROUP’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	<p>The Issuer aims to support its communities on their journey to sustainability and has made six commitments: “integral and transparent conduct of business for shareholders and investors,” “creating value for customers,” “human capital development,” “responsible management of suppliers and business partnerships,” “sustainable growth of territories and support for local communities” and “environmental protection.” The strategic ESG topics have been defined through a materiality analysis according to GRI Standards and 17 topics with differing degrees of relevance have been identified. As of 2022, the top three topics include “data protection and security,” “asset, financial and income solidarity,” and “sustainable finance.”⁴³⁴⁴</p>
ESG goals/targets	<p>To achieve its strategic ESG topics, Sparkasse Group has set up an ESG plan with activities covering its short-term targets for 2023. The activities described in the plan have been disclosed to the relevant supervisory authority, the Bank of Italy, and are monitored by the ESG Committee every quarter. The ESG Plan for 2023 has not been published, but it has been disclosed to ISS-Corporate on a confidential basis. The Group ESG strategy and plan for 2024 through 2026 will be published later this year.</p> <p>The Issuer doesn’t have any mid-term targets or verified science-based targets.</p>
Action plan	<p>The Issuer’s ESG plan defines the ownership, the timeline and the required CapEx and OpEx for each short-term target. The ESG plan is not public but has been disclosed to ISS-Corporate.</p>
Climate Transition Strategy	<p>The Issuer is currently developing a Climate Transition Strategy, which is not yet public. The Issuer’s ESG Plan includes commitments to join an ESG/Net-Zero Initiative in the future. The majority of energy supply is produced from renewable energy</p>

⁴³ Gruppo Sparkasse, Dichiarazione Consolidata Non Finanziaria, https://www.sparkasse.it/wp-content/uploads/CRBZ-DNF_2022.pdf

⁴⁴ According to the Issuer, the topics as of 2023 are “data protection and security”, “management of risks”, and “innovation and quality of the offer”. The report will be available by the end of April on the Issuer’s website.

	<p>sources, and in 2023, the Issuer established Sparkasse Energy, a Special Purpose Vehicle to produce solar energy to cover the energy consumption for the entire company by 2025. The Issuer has set up a mobility plan to monitor and optimize employees' travel habits. In 2024, the Issuer plans to evaluate further objectives addressing Scope 1, 2 and 3 greenhouse gas emissions. The final result is expected by the end of the year.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry⁴⁵</p>	<p>Sexual harassment in the workplace, financial market irregularities and embezzlement.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports on its ESG performance and initiatives annually. The report is prepared according to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). A materiality assessment is carried out to identify key ESG issues, which are then linked to one or more SDGs. The results are included in the report.</p>
<p>Industry associations, Collective commitments</p>	<p>The Issuer is part of Ambrosetti's Valore Acqua community as well as ABI Lab "Action Plan for CO₂ Offset," and they are planning to join an ESG/ Net-Zero Initiative in the future.</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>The Issuer has never issued any green, social or sustainability bonds before.</p>

⁴⁵ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Public & Regional Bank industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

Rationale for issuance

Sparkasse Group made six commitments to support its communities on their journey to sustainability. The Issuer offers sustainable products and services to its customers promoting environmental or social benefits. With the establishment of the Framework, the Issuer wants to attract dedicated funding to support its sustainability goals. The green and social eligible categories correspond to the 17 strategic ESG topics identified through the materiality analysis.

Opinion: *The key sustainability objectives and the rationale for issuing green, social and sustainable debt instruments are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.*

DISCLAIMER

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf>

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Cassa di Risparmio di Bolzano S.p.A. commissioned ISS-Corporate to compile a green, social and sustainable debt instruments SPO. The second-party opinion process includes verifying whether the Green, Social and Sustainability Funding Framework aligns with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) and to assess the sustainability credentials of its green, social and sustainability debt instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA)

ISSUER'S RESPONSIBILITY

Cassa di Risparmio di Bolzano S.p.A.'s responsibility was to provide information and documentation on:

- Green, Social, and Sustainability Funding Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the green, social and sustainable debt instruments to be issued by Cassa di Risparmio di Bolzano S.p.A. has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).

The engagement with Cassa di Risparmio di Bolzano S.p.A. took place from February to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

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

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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