



Green, Social and Sustainable Bonds Framework

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1. Introduction

The UBI Banca Group (“UBI Banca”, “UBI” or the “Group”) intends to further the vision of a bank that is distinguished by quality: sound, reliable, efficient, and user friendly; a bank that makes life easier for people and that supports the local economy, finding new solutions to meet the demands of customers, the local community, and investors, to improve relations with staff and suppliers, while putting regulatory compliance and respect for people and the environment first.

This Green, Social and Sustainable Bonds Framework (the “Framework”) has been developed to demonstrate how UBI Banca will issue Green Bonds, Social Bonds and Sustainability Bonds to fund new and existing loans, projects and businesses with environmental and social benefits in alignment with the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018.

For each Green, Social and Sustainable Bond issued (the “Bond”), UBI Banca Management asserts that it will adopt:

- (a) the Use of Proceeds and
- (b) Policies and Internal Control Procedures:

in respect of each of

- (i) project evaluation and selection,
- (ii) management of proceeds and
- (iii) reporting,

as set out in this Framework.

2. UBI Banca’s Sustainability Approach

Objective of the Group is "to banki fairly and well" by putting regulatory compliance, the respect for people and the environment first.

Given its retail status, UBI Banca is primarily dedicated to the development of the local communities it serves, by actively financing their economic and social needs.

UBI Banca’s approach to sustainability is based on the Group’s steady commitment to both internal policies and international standards.

Under the 2016/2017-2020 Business Plan, a strategy of sustainable growth was defined, aiming at meeting demand for sound credit and to manage clients' wealth responsibly in compliance with the principle of “Fare Banca per Bene” (to bank fairly and well).

The main objectives of the plan include:

- supporting the real economy through increased financing, including grants to support enterprises operating in the Third sector and infrastructure development;
- contribution to the local communities by supporting high social investments and social entrepreneurship programmes linked to local development, by creating synergies between the public, private and private social sectors so to contribute to create shared value, by maintaining a significant level of contributions through donations and sponsorships in support of social, cultural, recreational, sports, health care and assistance projects for grassroots entities, organizations, and institutions;






- investments in the growth and well-being of employees through professional training and development programs and benefits in connection with the corporate welfare system;
- reducing the environmental footprint of the Group's premises, increasing energy efficiency and renewable energy sourcing;
- supporting energy transition to develop a low carbon economy, by helping individuals and businesses to reduce their carbon footprint through dedicated loans and the participation in project finance initiatives.

Materiality Matrix


The analysis of the materiality led to the identification in 2015 of sustainability-related topics that are material for UBI Banca and its stakeholders. The analysis was updated annually and the material topics were grouped into strategic planning areas, represented in UBI Banca Sustainability Report.

On the international front, the Group commits to promote universal principles such as:

- **Global Compact:** signatory since 2003¹, UBI Banca is committed to the promotion of the ten universal principles of Global Compact in the field of human rights, to protect labour, the environment and to fight corruption and cooperate to build a more inclusive and sustainable global economy.
- **Sustainable Development Goals (SDGs) outlined in the United Nations 2030 Agenda:** in context of achieving its objective of "banking fairly and well", the Group has committed to support the following SDGs through its activity.

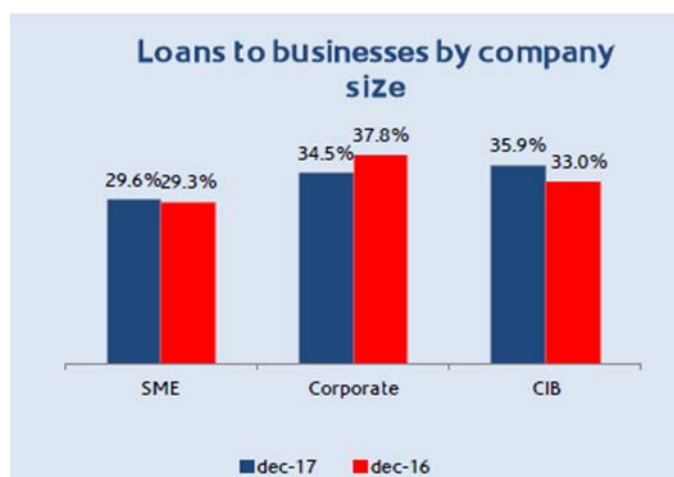
	<ul style="list-style-type: none"> ✓ Basic banking services and savings programs for vulnerable sectors ✓ Initiatives to support households in difficult times helps (SDG 1.4)
	<ul style="list-style-type: none"> ✓ Support for projects and organizations in the social and healthcare and assistance framework to ensure that all persons have access to essential health services, medicine and quality care. (SDG 3.8).
	<ul style="list-style-type: none"> ✓ Banking services and contributions to academic and university training institutes and financial education initiatives targeting young persons and continuing education programs for the Group's employees (SDG4.4).
	<ul style="list-style-type: none"> ✓ Employee management policies for non-discrimination (SDG 5.1), ✓ Full and effective participation of women at all decision-making levels (SDG 5.5), ✓ Equal pay for equal work (SGD 8.5) and safe, protected labour environment for all workers (SDG 8.8).
	<ul style="list-style-type: none"> ✓ Use of renewable energy sources through the Group's energy sourcing ✓ Financing in plants and infrastructure to support energy transition (SDG 7.2) and increased energy efficiency (SDG 7.3).

¹ UBI Banca was established in 2007, but the former Banca Popolare di Bergamo has been signatory since 2003.

8 DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> ✓ Support for local productive growth (SDG 8.1) and productivity (SDG 8.2) ✓ Support for the creation of decent jobs, entrepreneurial activity, creativity and innovation, encouraging formation and growth of SMEs (SDG 8.3 and 8.5).
9 INDUSTRY INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> ✓ Lending policies designed to promote access for SMEs to financial services (SDG 9.3). ✓ Financing for sustainable infrastructures (SDG 9.1). ✓ Banking services and contributions to universities and research institutes (SDG 9.5).
10 REDUCED INEQUALITIES 	<ul style="list-style-type: none"> ✓ Non-profit organizations operating in the area of social assistance to promote social and economic inclusion for all persons, without any type of discrimination (SDG 10.2), ✓ Equal opportunities and reduced inequalities in performance (SDG 10.3).
11 SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> ✓ Home mortgage sector financings to support households to afford adequate housing (SDG 11.1). ✓ Protecting and upgrading the cultural heritage of local communities (SDG 11.4). ✓ Responsible management of the Group's properties and operations (SDG 11.6).
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	<ul style="list-style-type: none"> ✓ Compliance with the relevant regulatory texts in all activities supports to fight all forms of corruption and bribery (SDG 16.5). ✓ Policies adopted in relation to the Group's activities in specific economic sector (arms, diamonds, gold) to fight any form of violence, child abuse (SDG 16.2), illegal flows of cash and weapons, organised crime (16.4)

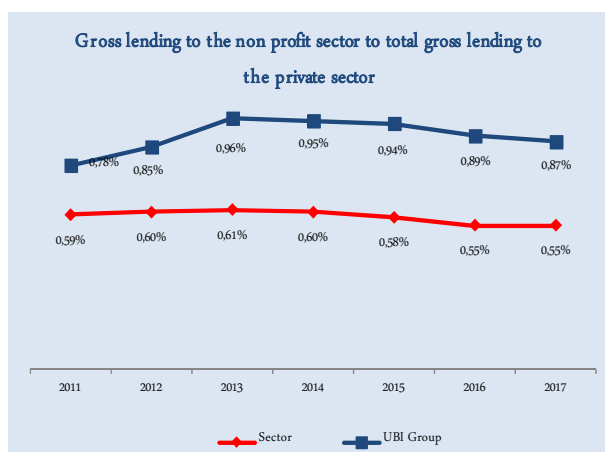
2.1. Commitment to the community

The distribution of lending is consistent with the Group's mission to support local economies: more than half of the Group's business involves production companies in a wide range of economic sectors, and primarily manufacturing, property, trade, and construction activities. The Group's customers are predominantly small and medium-sized enterprises, which in total account for 3/4 of the lending to businesses. More information on loans to businesses such as geographical and sector breakdown can be found in the Consolidated Annual Report and the Sustainability Report.



Financing non-profit and civil economy to support access to essential services

UBI Comunità, which is the commercial division dedicated to entities operating in the third sector and the civil economy, strengthens and diversifies support for the activities of a number of different non-profit organizations (NPOs). It promotes and supports investments in projects with the potential to produce social impacts and initiatives with substantial social value with appropriately structured products and services.



As a result of the activity of UBI Comunità, in the Italian market at the end of 2017 UBI Banca had a share of loans to NPOs of 0,87% of the total loans compared to 0,55% average for the whole banking sector, with a market share of 9,58% compared to the global loans market share of 5,96%.

In addition, in 2012 UBI Banca started to issue bonds (called Social Bonds without explicit references to any standards or guidelines) linked to specific social projects relevant for the community, that provide a donation (usually

0,5% of the amount issued) to the project. For the most relevant projects, a percentage of the donation is linked to the achievement of the social impact of the project (usually measured through the SROI indicator). Since 2012 UBI Banca collected 973 million euros and made donations for up to 4,6 million of euros.

2.2. Commitment to the environment

In total, at the end of 2017 UBI Banca had a portfolio of renewable energy operations amounting to €1,9 billion (of which €1,2 billion in project finance). The transactions concluded during the year in the renewable energy field numbered 49, for a total amount disbursed of €234,2 million. It is estimated that the power output financed in project finance by UBI Banca amounts to 1,4 million MWh of electricity per year, equal to the domestic electricity requirement of an entire region such as Liguria, with savings on emissions of over 452 thousand tons of CO₂.

The product range includes banking, financial and risk management products and services designed to help customers to manage their activities in a sustainable way:

- for individuals, **Forza Sole** (Sun Strength) for the installation of domestic photovoltaic systems and **Creditoplà Home Refurbishment** for the refurbishment and energy-efficient retrofitting of homes²;
- for businesses, **Nuova Energia Fotovoltaico** (New Photovoltaic Energy) for the installation of photovoltaic systems, **Energie rinnovabili** (Renewable Energy) for the installation of systems for

² In addition to the tax incentives provided for energy-efficient retrofitting and refurbishment (65% tax deduction for energy-efficiency and earthquake proofing work on buildings and 50% tax deduction for refurbishments - Law No. 208 of 28th December 2015, known as the 2016 Legge di stabilità ("stability" annual finance law) extended until 31/12/2016), they can take advantage of fee-free financing at a particularly competitive interest rate.

generating electricity and/or heat from wind, biogas and biomass and **Full Power** leasing for investments in renewable energy.

With particular reference to project finance activities, projects to be financed must pass authorisation procedures required by the current Italian regulatory framework, including an environmental impact assessment, and are also subject to technical, legal, administrative and insurance assessments carried out on behalf of the Bank by major international independent consultants. The product range includes banking, financial and risk management products and services designed to help customers to manage their activities in a sustainable way.

With this Green, Social and Sustainable Bonds Framework, UBI Banca equips itself with a dynamic resource allowing the bank to specifically raise funds to support initiatives aiming at fostering sustainable growth and well-being in local communities.

3. UBI Banca Green, Social and Sustainable Bonds Framework

UBI Banca has developed a framework under which it can issue three types of bonds (the “Bonds”):

1. Green Bonds – for which the funds raised are exclusively allocated to Green Eligible Projects;
2. Social Bonds – for which the funds raised are exclusively allocated to Social Eligible Projects; and
3. Sustainable Bonds – whereby the funds raised are allocated to Green Eligible Projects and to Social Eligible Projects.

UBI Banca’s Framework is in line with the Green Bond Principles 2018, the Social Bond Principles 2018 and the Sustainability Bond Guidelines 2018 structured through the following four core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting.

Going forward, UBI Banca may extend the categories of Eligible Projects. Any changes made will be documented in an updated Framework and published accordingly on UBI Banca’s website at <https://www.ubibanca.it/pagine/Investor-relations-EN.aspx>

3.1. Use of Proceeds

Green Eligible Projects and Social Eligible Projects constitute the Eligible Projects. They correspond to portfolios of new and/or existing loans.

3.1.1. Green Eligible Projects

The proceeds of any UBI Banca Green Bond will be exclusively allocated to Green Eligible Projects as defined within the following list of Eligible Categories.

1. **Renewable energy**

Renewable energies aim at replacing carbon-intensive energy sources, significantly reducing global warming emissions. By financing renewable energy, UBI Banca, intends to contribute specifically to SDG 7.2 “Affordable and Clean Energy” and SDG 11.6 “Sustainable Cities and Communities”

The Green Eligible Projects may include financing infrastructures and plants generating and/or distributing renewable energy such as:

- Offshore and onshore windmills
- Solar photovoltaic
- Bioenergy /biomass
- Geothermal
- Hydropower projects up to 20 MW in installed capacity.

2. Energy Efficiency

Investing in assets related to energy efficiency is key to fight climate change. UBI Banca, by financing energy efficiency projects, contributes specifically to SDG 7.2 “Affordable and Clean Energy” and SDG 11.6 “Sustainable Cities and Communities”

The Green Eligible Projects may include financing related to the following assets and projects:

- Energy storage
- Smart grid
- District heating
- Efficient lighting (LED lighting, compact fluorescent lighting)
- IT Optimization service, infrastructure and broadband.

3. Sustainable mobility

Public transportation and the spread of eco-compatible means of transport are crucial to achieve a more sustainable mobility. Public transportation, in addition to contributing to the reduction of CO₂ emissions from road transportation, connects people and contributes to quality of life in cities, reducing traffic and noise. UBI Banca, by financing public transportation contributes specifically to SDG 11.6 “Sustainable Cities and Communities”

The Green Eligible Projects may include:

- Private transportation: Hybrid/Electric vehicles acquired by private individuals or business fleets (including car sharing and carpooling fleets and infrastructures for recharging car batteries);
- Public mass and freight transportation: Investment, acquisition, maintenance and replacement of rolling stocks as well as infrastructure in rail and metro, and any public bus network.

In this category, UBI Banca includes only non-diesel transportation, and only transportation consistent with the restrictions defined in section 3.1.3. “Exclusion criteria” below.

4. Sustainable Water

Increasing resilience to climate change includes financing infrastructures that aim at improving the efficiency of water management and water treatment. Financing high-quality, sustainable and resilient infrastructures are key to achieve the SDG 9.1 “Industry, Innovation and Infrastructure”.

The Green Eligible Projects may include all financings contributing to water collection, treatment, recycling, and related infrastructure such as:

- Infrastructure for clean and/or drinking water
- Water Recycling Equipment & Services.

5. Circular economy

UBI Banca promotes a circular economy and contributes to pollution prevention and control by financing infrastructures that turn waste into resources. UBI Banca, by financing such projects, contributes specifically to both the SDG 11.6 “Sustainable Cities and Communities” and the SDG 9.1 “Industry, Innovation and Infrastructure”.

The Green Eligible Projects may include all financing contributing to the development of a circular economy such as:

- Projects to salvage, use, reuse and recycle post-consumer waste products
- Environmental remediation projects.

6. Green Buildings

Construction and refitting of buildings aim at reducing the overall impact on environment and promote urban sustainable growth. UBI Banca is willing to contribute to the retrofit of existing buildings, to improve energy performance in all regions where the bank operates.

As such UBI Banca contributes specifically to SDG 7 “11 “sustainable cities and communities”

The Green Eligible Projects may include the financing or refinancing of the following real estate projects:

- Acquisition, construction, development, renovation of buildings that meet recognized environmental standards such as LEED Gold, BREAM Good/Very Good, HQE Very Good/Excellent, CASBEE A (Very Good) / S (Excellent) or equivalent or that comply with Energy Efficiency Class A³.
- Renovation of buildings that allow reaching Energy Efficiency class B² or where at least 50% of the improvements are for energy efficiency purposes (e.g. energy audits, insulation and high-efficiency glazing, implementation of energy management systems and more efficient heating, ventilation and air conditioning systems, renewable energy production such as solar panels, solar boilers and geothermal systems).

³ The Energy Efficiency Class ranks from G (worst class) to A+ (best class) and is shown on the APE (Energy Performance Certificate) introduced by Legislative Decree no.192/2005 as amended by Decree no. 63/2013 converted by Law August 3, 2013 n. 90. New buildings must meet the energetic performance requirements of class A or B.

3.1.2. Social Eligible Projects

The proceeds of any UBI Banca Social Bond will be exclusively allocated to Social Eligible Projects as defined within the following list of Eligible Categories.

1. SMEs financing

SMEs financing supports employment, facilitates access to the labour market, and thwarts job insecurity.

By financing SMEs, UBI Banca strives for employment generation especially in economically disadvantaged Italian areas and specifically contributes to achieve SDG 8 “Decent Work and Economic Growth” and SDG 9.3 “Industry, Innovation and Infrastructure”

The Social Eligible Projects may include SMEs financing for Small-Medium Enterprises (SMEs) as defined in accordance with EU definition, http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

- that are located in areas with a GDP per capita below national average, as per the most recent ISTAT annual publication at the time of the issuance of UBI Banca’s Social Bond or
- that are located in areas impacted by natural disasters in Italy, in accordance to law and applicable regulation, or
- which purpose is to maintain jobs or create new jobs in their place of settlement through projects that provide at least one of the following:
 - partnerships or new production chains that involve public and/or Third Sector Entities⁴,
 - welfare initiatives for employees and/or the community.

The target populations of these financings are the people working in SMEs, to maintain their jobs and to create capacity for new jobs.

2. Financing non-profit and civil economy to support access to essential services

By financing non-profit and Third Sector entities, UBI Banca supports the accomplishment of general interest initiatives, which strive for civic, solidarity and social utility purposes.

The Social Eligible Projects may include financing for investments and day by day operations of Third Sector Entities⁴ and Religious Entities and their networks (together the “Eligible Organizations”), e.g.:

- Associations and NGOs,
- Voluntary Organizations and Social Development Associations,
- Social Enterprises, Social Cooperatives and Mutual Aid Companies,
- Foundations and Philanthropic entities,
- Religious bodies for their social utility purposes (including maintenance and renovation of historic heritage).

Eligible Projects cannot include funding to organizations that discriminate in any way in carrying out their activities.

Eligible Organizations are aiming at reducing exclusions and inequalities; they operate in sectors of general interest such as:

⁴ Organisations belonging to the categories defined by Legislative Decree 3 July 2017 No 117 and subsequent updates.

- healthcare,
- education,
- social, recreational and sports activities,
- welfare and solidarity,
- art and culture, including restoration of artistic heritage and conservation of the environment,
- public utility infrastructures and services.

The target populations of these financings are the people benefitting from positive socio-economic outcomes, thanks to the support of Eligible Organizations' investments and day by day operations.

3.1.3. Exclusion criteria

Any kind of investment connected to the fossil fuel, to nuclear power generation, and to the armament sector will be excluded from Green Eligible Projects.

Moreover, proceeds from the Social Bond will not be made available to SMEs connected with the following sectors: Armaments, Tobacco, Furs, Gambling and Nuclear Power Generation.

3.2. Process for Project Evaluation and Selection

An internal "Sustainable Finance" working group will review the evaluation and the selection of the projects. This working group will be composed of representatives from the Business Departments with full knowledge of the technical and sustainability characteristics of the Green Eligible Projects and Social Eligible Projects, from the Corporate Social Responsibility department, from the Treasury department, and from the Investor Relation department.

The working group will be in charge of the following:

1. To review and validate the selection of Eligible Projects.
 - Business teams will propose loans as Use of Proceeds of each Bond.
 - The Sustainable Finance working group will review and approve, as appropriate, the proposed portfolio of loans based on the defined Eligible Categories listed by the Use of Proceeds. Loans determined as eligible will be recorded in a separate document, the Green, Social and Sustainability Register as described in section 3.3 Management of Proceeds.
2. To monitor the Eligible Projects portfolio, during the life of the transaction. Specifically, during the life of each Bond, the working group can decide to replace some Eligible Projects, in accordance with, inter alia, the following Substitution Conditions:
 - If an Eligible Project no longer meets the eligibility criteria,
 - When Eligible Projects mature or are redeemed before each Bond's maturity.
3. To manage any future updates of the Framework
 - The sustainable finance working group will appoint a second opinion provider following each update of the section 3 of this Framework

- Updates of the framework will only apply to Green, Social and Sustainable Bonds that take place after the issuance of such new Second Opinion

The proceeds derived from the issuance of UBI Banca's Green, Social and Sustainable Bonds will be allocated to the financing or re-financing, in whole or in part, of new or existing loans which are not dedicated to any other type of specific funding and which fall respectively under the definition of Green Eligible Projects, Social Eligible Projects and Eligible Projects.

Only Green Eligible Projects can be allocated to UBI Banca's Green Bonds, only Social Eligible Projects can be allocated to UBI Banca's Social Bonds.

For its inaugural issuance under the Green, Social and Sustainable Bonds Framework, UBI Banca will focus on a Green Bond with the goal of financing a portfolio of project finance loans in renewable energy, that complies with the Eligibility criteria defined in the Use of Proceeds section above.

3.3. Management of Proceeds

Pending the full allocation to Eligible Projects, UBI Banca commits to earmark and hold the balance of unallocated proceeds in the form of cash or cash equivalent investment instruments or other liquid marketable instruments in line with UBI Banca's treasury management.

UBI Banca will track the use of proceeds of its Bonds issued under this Framework during the lifetime of each Bond. For this purpose, UBI Banca will establish a Green, Social and Sustainability Register for the Bonds issued. The register will contain for each Bond issued:

- Category of the portfolio of Eligible Project allocated
- Description of the loans
- Outstanding amount at allocation date
- Loan maturity.

3.4. Reporting

UBI Banca commits to publish annually an allocation report and an impact report, as detailed below.

The allocation report and the impact report will be provided until the proceeds have been fully allocated. If, after completion of the allocation period, some Eligible Projects are replaced, in accordance with the substitution conditions detailed in the section 3.2. "Process for Project Evaluation and Selection", UBI Banca will publish an updated allocation report and an updated impact report

3.4.1. Allocation report

UBI Banca will provide to investors an annual reporting on the allocation of the proceeds. The reporting will provide the following information:

- The total amount of proceeds allocated per Eligible Projects category
- Share of financing and refinancing (in %)
- The amount of unallocated proceeds

3.4.2. Impact report

UBI Banca will report on the environmental and social impact of the Bonds issued under this Framework through aggregated output and impact metrics.

Environmental reporting indicators will include output metrics per Green Eligible Projects category, on an aggregated portfolio basis, such as:

- Expected annual renewable energy generation in MWh
- Expected Amount of energy saved (MWh)
- Expected capacity (passengers / freight) of private and public transportation
- Energy Efficiency certification or Class

Environmental reporting indicators will also include expected impact metric per Green Eligible Projects category, on an aggregated portfolio basis, i.e. the estimated annual GHG emissions reduced/avoided, in tons of CO₂e.

UBI Banca report will provide the terms, definition and method, including the conversion factor table that will be applied to the impact reporting indicators calculation.

Social reporting indicators will include per Social Eligible Projects category, on an aggregated portfolio basis, the following information:

- SMEs financing
 - In aggregate and broken-down per geography:
 - Number of SMEs supported
 - Estimated number of employees of the financed SMEs
- Financing non-profit and civil economy to support the access to essential services:
 - In aggregated and broken-down per category of essential services / Sector activity
 - Number of Eligible Organization supported
 - Estimate of the number of final beneficiaries supported by the Eligible Organization

UBI Banca report will provide the key underlying methodology and/or assumptions used in the quantitative determination of social impact reporting indicators.

3.5. External Review

Second opinion:

Before each issuance, a leading second opinion provider will provide a second opinion:

- to confirm the alignment of the bond to the ICMA's Green Bond Principles, Social Bond Principles or Sustainable Bond Guidelines,
- to assess the sustainable added value of the assets, and
- to provide a review of UBI Banca's sustainability performance.

The Second Party Opinion document will be made available on UBI Banca's website.

Post issuance external verification

On an annual basis, an external auditor will verify the tracking of the Bonds' proceeds and the compliance with the Framework of the selected Eligible Projects and of the reporting metrics, as published in the allocation report and in the impact report.