

Sella

Report on the allocation and environmental impact of Banca Sella Green Bond

February, 15th 2024

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This document contains the **Report on the Allocation and the Report on the Environmental Impact of the Banca Sella Green Bond** issued on 03/21/2023.

The two reports are drawn up in line with the provisions of section 3.e "Reporting" of the **Sella Green Bond Framework group** (hereinafter: "Framework") available on the website www.sella.it and www.sellagroup.eu. The Framework was structured according to the "Green Bond Principles" published in 2021 by the International Capital Market Association (ICMA).

1. Banca Sella's Green Bond

1.1 The issue of Banca Sella's first Green Bond

Green financing has become increasingly important in the strategy of Sella group, committed to contributing to the transition towards a sustainable system. In March 2023 Banca Sella issued its first Green Bond.

The bond was entirely placed within two days of opening, with a total demand of 100 million euros. The Green Bond issue is a "senior preferred" type⁽¹⁾ with a maturity of 5 years (03/21/2028), aimed at retail customers, qualified counterparties and professional customers, with a minimum denomination of 1,000 euros and a half-yearly coupon with an annual fixed rate of 5.10%, payable from September 21st, 2023.

| | |
|------------------------------|-----------------------------|
| Issuer: | Banca Sella S.p.A. |
| Type of issue: | senior preferred Green Bond |
| Nominal amount euro: | € 100,000,000 |
| Issue date: | 03/21/2023 |
| Expiry date: | 03/21/2028 |
| Issue price: | 100% |
| Minimum denomination: | € 1,000 |
| Fixed rate: | 5.10% |
| ISIN: | IT0005532921 |
| Listing market: | Vorvel |

⁽¹⁾ "Senior Preferred" bonds allow the holders priority in the reimbursement phase, in the case of "bail-in", both over the shareholders and over the holders of other "unsecured" or subordinates bonds.

The bond issuance process was characterized by the following phases:

- in the last quarter of 2022 the Green Bond framework was defined and approved;
- in January 2023, the framework received a positive evaluation (Second Party Opinion) by ISS Corporate Solutions;
- at the end of February 2023 the bond was fully allocated;
- on March 21st, 2023 the bond was issued and admitted to Vorvel secondary market.
- One year after the placement, the reporting, assured by ISS Corporate Solutions is produced and published.

The path of Banca Sella's Green Bond



1.2 The green bond

The green bond is a financial instrument whose issuance is linked to the goal of financing projects with a positive impact on the environment (such as projects with objectives related to energy efficiency, production of energy from renewable sources, sustainable land use, etc.). For the issuance of these instruments, Sella group has followed the guidelines issued by the International Capital Market Association: the ICMA principles.

There are four ICMA principles:

- 1. USE OF PROCEEDS:** the issuer of a bond must identify and disclose the use of proceeds.
- 2. PROJECT EVALUATION AND SELECTION PROCESS:** special procedures must be followed in the evaluation and selection of projects, and have to be disclosed in a list of “eligible” categories.
- 3. MANAGEMENT OF PROCEEDS:** the issuer of the bond must guarantee maximum transparency in communicating the management of proceeds.
- 4. REPORTING:** to keep investors updated on the progress of funded projects, information on the allocation level of collected proceeds and the generated environmental impact must be provided on a regular basis.

Here is Sella group’s green bond framework published for its issuance:

1. Use of proceeds

An amount equivalent to the net proceeds raised from the Green Bonds issued under this Framework is dedicated to financing and/or refinancing, in whole or in part, new and/or existing loans, projects and investments (“Eligible Assets”) belonging to the following categories:

- Green buildings
- Renewable energy
- Energy efficiency

2. Process for project evaluation and selection

Sella group ensures that all Eligible Assets selected are compliant with official national and international environmental and social standards as well as local regulation, on a best effort basis. The Green Bond Framework Commission was established to monitor and review the Eligible Assets pool and to decide on the final allocation on the bond proceeds to the designated assets.

The GBF Commission also examines twice a year the pool of assets already allocated to verify their continued compliance.

3. Management of proceeds

The proceeds raised through Green Bond transactions are managed on an aggregated basis (i.e. portfolio approach). Sella group commits to reach full allocation within three years following the Green Bond issuance. Sella group will monitor and track the net proceeds through its internal accounting system.

4. Reporting

Sella group will publish, on an annual basis and until full allocation:

- the allocation report of the proceeds raised through the bonds issued under this Framework along with
- an impact report of the assets financed by this bond.

Sella group will keep its reports readily available for investors on its websites (sellagroup.eu)

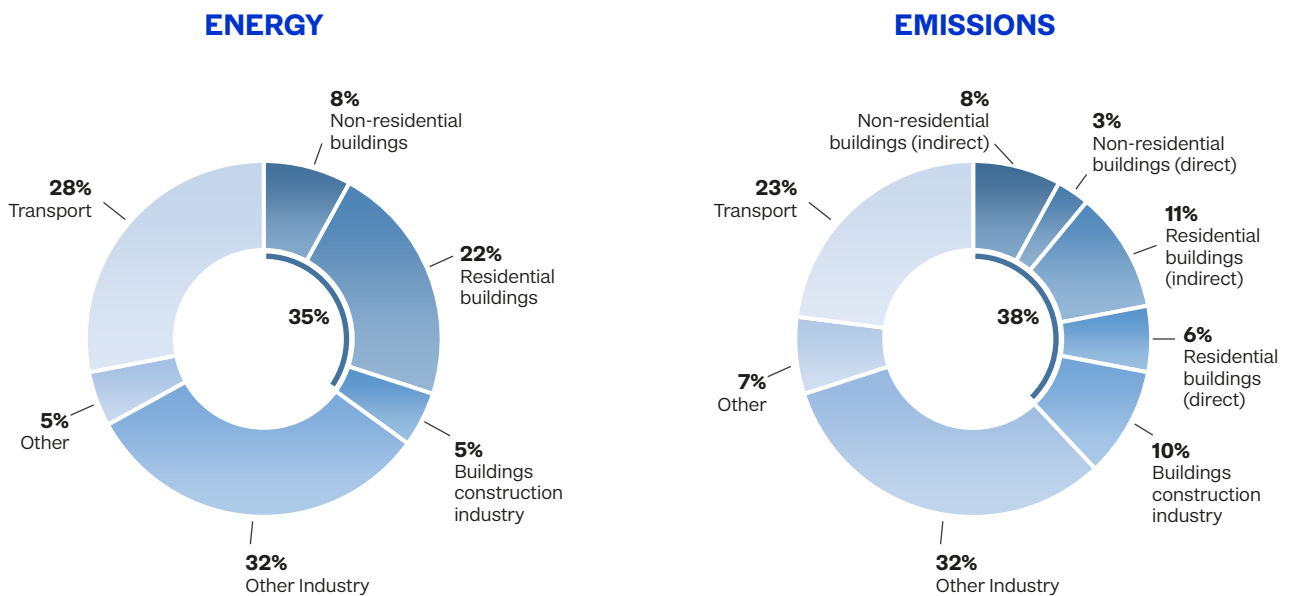
1.3 Use of proceeds

The net proceeds of 2023 issuance were allocated to the financing and refinancing of loans belonging to the “Green Buildings” category: mortgage loans for the purchase of sustainable buildings, as defined in the list of categories in the Framework.

The choice of these assets is due to Banca Sella’s plan to contribute to the energy transition by accelerating the decarbonization of the real estate sector and enhancing its resilience, either in terms of energy consumption or of market value.

The real estate sector globally consumes the largest amount of energy (approximately 35%) and contributes approximately to 38% of greenhouse gases emitted into the atmosphere⁽²⁾. The building stock is quite old, not only in Italy but also in many other European countries and is exposed to significant risk. Existing buildings, which are not energy efficient (and are generally energy-intensive), require substantial retrofitting to improve their performance. This situation, in the current panorama and in the upcoming years, in which we have been witnessing gradual global warming, requires building construction solutions in line with the initiatives to stem the phenomenon, leading to a market value depreciation of buildings with inefficient energy performance.

Global share of buildings and construction final energy and emissions, 2019





⁽²⁾ source: United Nations Environment Program – 2020 Global Status Report for Buildings And Constructions.

Reducing energy consumption and waste is of growing importance for the European Union. Energy efficiency measures are means to achieve a sustainable energy supply, reduce greenhouse gas emissions, improve supply security, reduce import costs, as well as promote European competitiveness. European Union legislation on energy efficiency has been evolving continuously for 15 years. In March 2023, the Energy Performance of Buildings Directive (EPBD) was approved in order to renovate European buildings and make them more environmentally sustainable. To support customers in making the investments necessary for energy retrofitting, Banca Sella offers financing products, at favorable economic conditions, to those who intend to purchase properties in a high energy class or renovate properties to bring them to high energy class levels. In particular, for the purchase of sustainable properties, Banca Sella offers the Green Mortgage aimed at retail customers and marked by the European Eco-label issued by the Energy Efficient Mortgages Pilot Scheme, an initiative involving main European credit institutions with the aim of encouraging the offer of mortgages to support the transition towards a more sustainable future.



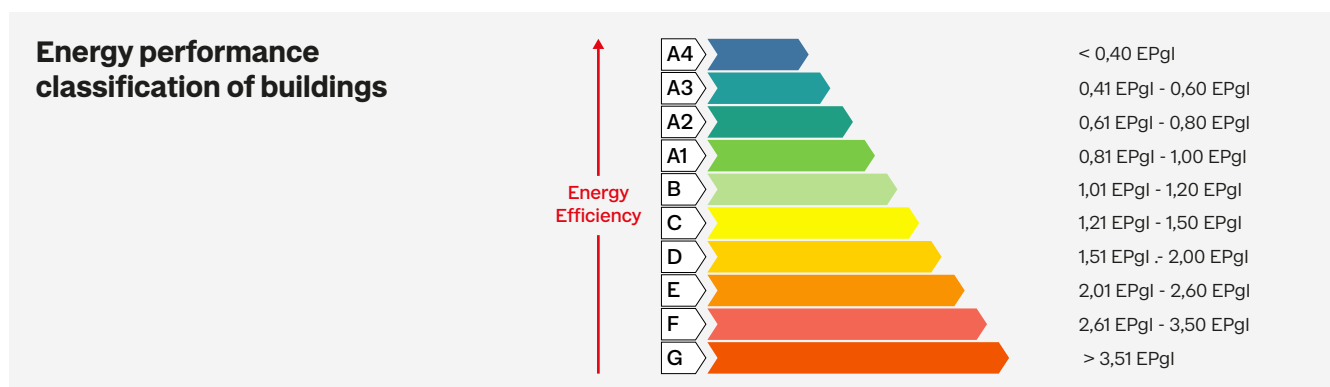
With this loan, the bank recognizes and rewards customers' virtuous choices in the real estate sector through a series of incentives and benefits: generally lower installments and lighter

bills for customers. Furthermore, the loan finances an eco-sustainable property whose market value is expected to maintain/increase in the long term. In this way, the bank not only encourages a transition to a greener economy, but also focuses on stronger and lower-risk financial operations. The eligibility criteria, identified by the Green Bond Framework Commission, regarding Green Buildings are detailed in the Framework.

| Green Buildings | |
|------------------------------------|---|
| Eligibility criteria | Financing related to: <ul style="list-style-type: none"> i. The acquisition of new or existing residential or commercial buildings built before December 31st, 2020: <ul style="list-style-type: none"> a. with energy efficiency class A or B b. which are aligned with current environmental regulation and belong to the top 15% in Italy in terms of most carbon-efficient buildings (kg CO₂ e/sqm) ii. The acquisition of new or existing residential or commercial buildings, built after December 31st, 2020, with Primary Energy Demand (PED) at least 10% lower than the threshold set for nearly zero energy buildings (NZEB) iii. Renovation projects with an improvement in energy efficiency resulting in a minimum of 30% of energy savings iv. The acquisition of tax incentives related to investments in energy efficiency renovations and improvements introduced by Italian or other EU governments, such as the Italian law decree 2020/34 (decreto rilancio) "Misure urgenti in materia di salute, sostegno al lavoro e all'economia, nonchè di politiche sociali connesse all'emergenza epidemiologica da COVID-19" |
| EU Environmental Objective | Climate Change Mitigation |
| Contribution to the UN SDGs | <p>11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and the upgrade slums</p> <p>11.C: Support least developed countries, including through technical and financial assistance, in building sustainable and resilient buildings utilizing local materials</p> <p>13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p>13.2: Integrate climate change measures into national policies, strategies and planning</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> </div> |
| Environmental benefits | To achieve energy savings through increasing the portfolio of energy efficient buildings |

For the selection of Green Buildings financing/loans, compliant with the eligibility criteria illustrated in the framework, energy performance indicators were identified.

The energy performance of a building is expressed synthetically by a classification based on a series of features of the property (from the quality of the fixtures to the quality of the heating system). There are 10 energy classes established which range from A4 (the best energy performance class) to G (the worst).



The building global energy performance index in terms of non-renewable primary energy is the core of this classification: it indicates the primary energy requirement, i.e. how much energy is consumed so that the building (or the real estate unit) reaches comfort conditions (temperature of 18°C). This index takes into account the non-renewable primary energy requirement for winter and summer air conditioning, for the production of domestic hot water, for ventilation and, for non-renewable residential sector, for artificial lighting and the transport of people or things. It is determined as the sum of the individual energy services provided in the examined building, and it is expressed in kWh/sqm/year in relation to the useful surface area.

For the selection of sustainable assets, the GBF Commission identified properties financed with class A or B energy performance certificates, which have a maximum of non-renewable primary energy requirement of 1.2 kWh/sqm per year.

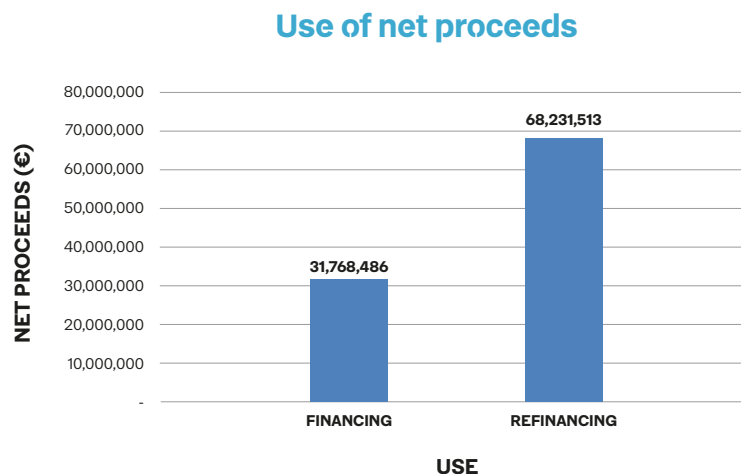
2. The Allocation Report

The “Allocation Report” refers to the eligible amount outstanding on 12/31/2023.

| | |
|--|----------------------|
| Total amount of net proceeds | € 100,000,000 |
| Total amount of net proceeds allocated to eligible assets | € 100,000,000 |
| Amount of not yet allocated proceeds, if any | - |
| Share of net proceeds used for refinancing (loans contracted before 03/21/2023) | € 68,231,513 |
| Share of net proceeds used for financing ^(*) (loans contracted after 03/21/2023) | € 31,768,486 |
| Total amount of eligible assets divided by category | |
| Green Buildings | € 100,000,000 |
| Renewable | € 0 |
| Energy efficiency | € 0 |

^(*) loans contracted from 03/21/2023 are considered in the financed portion.

The bond was fully subscribed in two days after the emission. On December 31st, the eligible amount of refinanced loans is of around 68 millions of euro and the eligible amount of financed loans is of around 32 millions of euro.



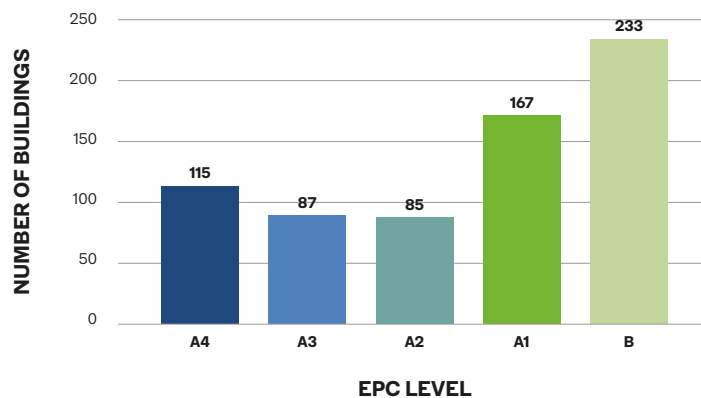
3. The impact report

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|------------------------|---|
| Green Buildings | <ul style="list-style-type: none"> · Number of environmental labels obtained or improved · Total amount of Green Buildings with a breakdown per EPC level |
|------------------------|---|

According to ICMA impact reporting metrics for energy efficiency projects, to disclose the Green Bond impact, the GBF Commission identified the number of class A or B energy performance certificates (labels) of the financed buildings and the number of financed buildings per each of these two best energy performance classes.

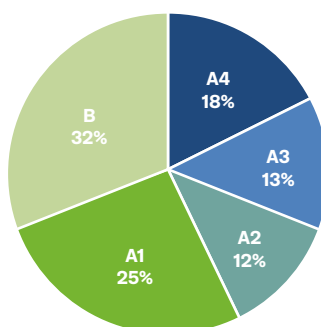
As shown by the breakdown per EPC levels of financed/refinanced buildings in the table below, 66% of the financed buildings have an A label and nearly 17% are top energy performer buildings, with an index of nonrenewable global energy lower than 0.40 kWh/sqm per year.

Breakdown of financed/refinanced buildings per EPC level

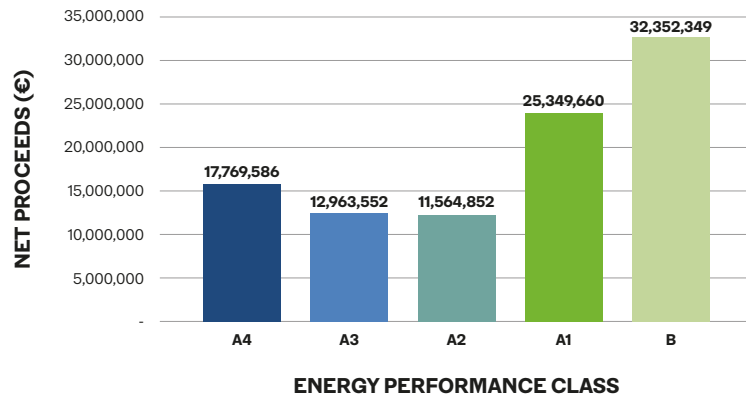


In terms of amount, 68% of the proceeds were allocated to A label buildings: 18% in label A4, 13% in label A3, 12% in label A2 and 25% in A1, as shown in the table below.

Net proceeds breakdown per EPC levels (in percentage)

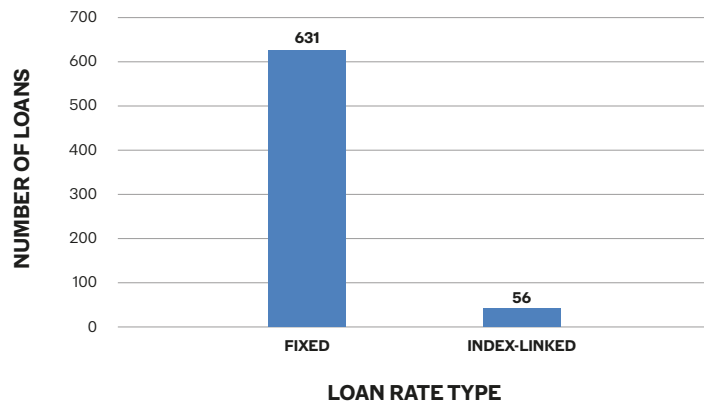


Net proceeds breakdown per energy performance class levels (in absolute value)

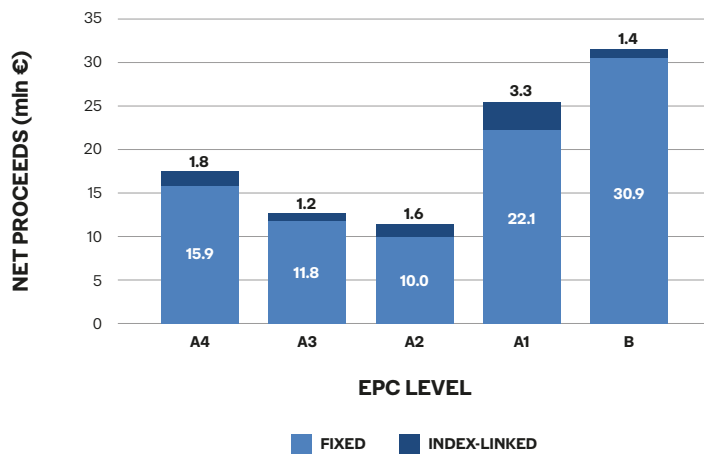


The proceeds were mostly allocated to fixed rate loans among all the five energy efficiency classes.

Loans breakdown per rate type

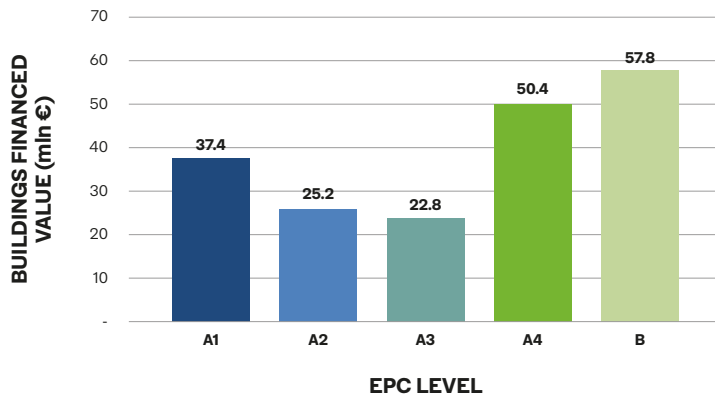


Net proceeds breakdown per EPC level and loan rate type



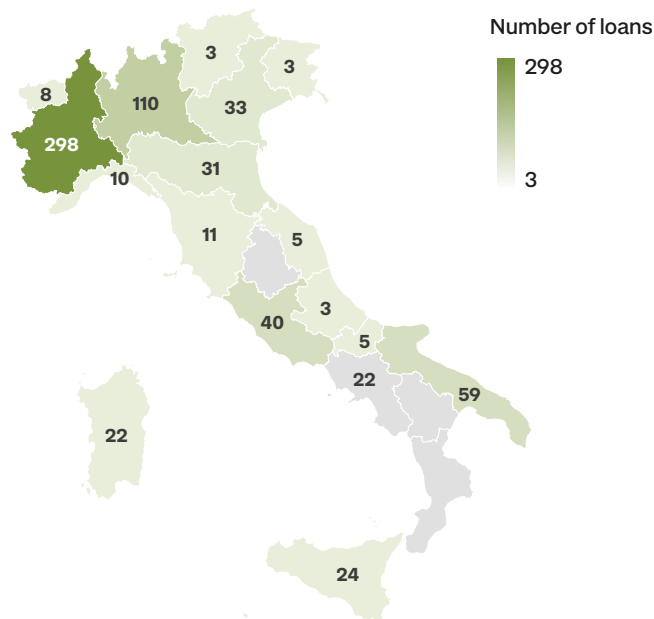
The proceeds were allocated to finance and refinance sustainable buildings with a whole market value of around 194 millions euro: in the above table it is possible to observe the breakdown of this amount in the five selected energy efficiency classes.

Buildings financed value breakdown per EPC level

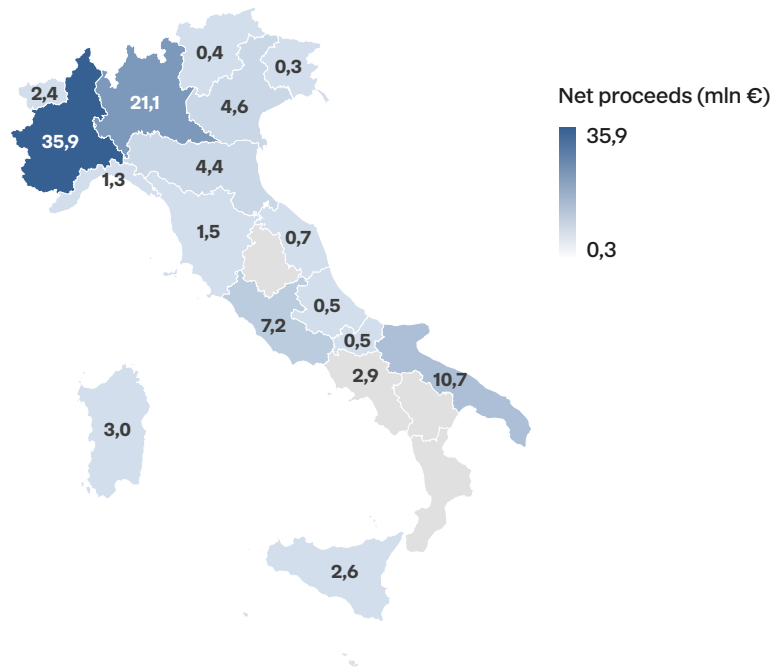


The allocation of the Green Bond proceeds both in terms of amount and of number of financed or refinanced loans from a geographical point of view (building siting region) shows a concentration in the north of Italy (Piedmont and Lombardy) which is consistent with the geographical presence of Banca Sella throughout Italy.

Breakdown of the number of financed/refinanced loans per buildings siting region



Net proceeds breakdown per buildings siting region



4. Banca Sella commitment to sustainability

Banca Sella’s business strategy is guided by the acknowledgment that positive economic performances can be sound and long-lasting only if they trigger environmental and social benefits. Indeed, sustainability is becoming increasingly integrated into the bank’s strategy, with the aim of translating long-term goals into practices, decisions and services.

The sustainability plan, which is embedded in the strategic plan, has a twofold objective:

- constantly improving its social and environmental performance and ensuring a valuable and positive impact on all stakeholders;
- being the promoter of a sustainable economy system through its financial intermediation activity, supporting its customers in their transition process to an effective sustainable and enduring business model.

Sella goal is to become a sustainability reference point for those wishing to have a positive impact on the environment and on communities. The group aims to stand out both for its commercial offerings, and for the quality of our relationship and the financial advisory. The commitment to sustainability is at the forefront of its mission and Banca Sella strives to continuously improve its practices in the journey towards a more sustainable future.

Being sustainable means actively helping customers meet their needs while generating a positive impact on their future, their family, and the environment around them. Banca Sella believes that through its actions and commitment to sustainability, it is possible to make a real difference and contribute to a better future.

Sella