



GREEN, SOCIAL AND SUSTAINABILITY

BOND FRAMEWORK



TABLE OF CONTENTS

1.	Introduction	p.2
2.	Millennium bcp's Sustainability approach	p.3
3.	Millennium bcp's Green, Social or Sustainability Bond Framework	p.5
	3.1. - Use of Proceeds	p.7
	3.2. - Process for Project Selection and Evaluation	p.8
	3.3. - Management of Proceeds	p.9
	3.4. - Reporting	p.9
	3.4.1. - Allocation Reporting	p.9
	3.4.2. - Impact Report	p.10
4.	External Review	p.11
	4.1. - Second-Party Opinion	p.11
	4.2. - External Verification	p.11
	Disclaimer	p.12

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1. INTRODUCTION

Banco Comercial Português, S.A. (“BCP”, “Millennium bcp” or “Bank”) is the largest Portuguese private sector bank. The Bank, based in Portugal, operates and acts with respect for people and institutions, focusing on the Customer, pursuing a mission of excellence, trust ethics and responsibility. BCP is also a distinguished leader in various financial business areas in the Portuguese market and a reference institution on an international level. BCP Group provides a wide variety of banking services and financial activities in Portugal and abroad, with operations in Poland, Switzerland, Mozambique, Angola (through its associate BMA) and China. The Bank’s development was historically supported by organic growth. A series of strategic acquisitions helped solidify its position in the Portuguese market and increase its offering of financial products and services.

The domestic activity focuses on Retail Banking, which is segmented in order to best serve Customer interests, both through a value proposition based on innovation and efficient services targeted at Mass-Market Customers, and through the innovation and personalised account management for Private, Prestige, Business Customers, Companies, Corporates and Large Corporates. Retail Banking also operates through Activobank, a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity and offering innovative products and services.

Millennium has defined five overarching priorities for the future, as follows:

- **Talent mobilization**, which will entail energizing employees to drive the Bank’s agenda as a team, promoting greater engagement and proactivity and empowering;
- **Mobile-centric digitization**;
- **Growth and leading position in Portugal**, helping Portuguese businesses thrive (e.g., building a position as the preferred partner for sound small businesses), while serving its individual customers across their full range of needs;
- **Growth in international footprint**;
- **Business model sustainability**, maintaining the improvement of its credit portfolio quality.

Sustainability is embedded in Millennium bcp governance.

- **Millennium bcp has a one-tier management and supervision model**, composed of a Board of Directors which includes an Executive Committee and an Audit Committee, the latter comprising only non-executive directors. The Bank has also a remuneration and Welfare Board and an International Strategy board;
- **In 2020, Millennium bcp revised its governance model**, creating a Sustainability Commission, which emanates from the Executive Committee and is being chaired by the CEO. The Sustainability Commission is responsible for the evaluation, debate and supervision of the implementation of the Bank’s Sustainability Strategy;
- **Already in 2021, the Bank reinforced the prioritization of the incorporation of Environmental, Social and Governance (“ESG”) aspects into the business model by setting up a ESG dedicated division, reporting directly to the CEO, to support the formulation and implementation of business strategy, governance and risk management structures in accordance with ESG regulations and targets.**



2. MILLENNIUM BCP'S SUSTAINABILITY APPROACH



BCP Group's sustainability policy, which fosters a culture of Social Responsibility, is designed to positively influence the organization's value proposition in the long term, balancing corporate performance goals with the well-being of staff, the companies and communities in which it operates, while preserving, natural resources, climate and the environment.

The Bank's intervention is structured through three major axes:

- **Environment:** implementation of measures fostering a fair and inclusive transition to a decarbonised economic development model, including the incorporation of the environmental aspect into the Bank's risk models;
- **Social:** involvement with both the external and the internal communities;
- **Corporate governance:** integration of sustainability principles into the Bank's decision-making processes.

Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to – and with – the various stakeholder groups with the goal of directly and indirectly contributing to the economic and social development of the countries in which it operates.

In the wake of the subscription in 2005 of the United Nations Global Compact Principles, the BCP Group also commits to support its 10 Principles establishing a set of values in what concerns Human rights, Labor Conditions, Environment and Anti-Corruption.

Furthermore, BCP acknowledges the importance of the Sustainable Development Goals (SDGs) of the United Nations. Considering that the pursuit of these 17 objectives implies a joint effort of states and private entities, namely companies, the Bank assumes the commitment to work actively towards a sustainable, socially inclusive and environmentally responsible development in all territories where it operates.



Within the scope of the “Think Tank on Sustainable Financing in Portugal”, promoted by the Ministries of Environment, Economy and Finances within the context of the Path to Carbon Neutrality in 2050, the Bank has signed the “Engagement Letter for Sustainable Financing in Portugal”, recognizing the importance of including environmental, social and governance risks in the decision-making and risk management processes of the financial sector.

The Millennium bcp Foundation assumes itself as an agent of value creation in society, in the various areas of its intervention, assuming a clear commitment to support the development of the communities in which it operates.

In this sense, it seeks to support initiatives of cultural, scientific and social interest that align with the values of Millennium bcp and simultaneously satisfy some of the main needs identified in these three areas of activity, in Portugal and in other countries where Millennium bcp develops its activity.

The Millennium bcp Foundation considers the preservation of the Cultural Heritage as one of its most important strategic areas of action.

Millennium bcp Sustainability Master Plan

The Bank is strongly committed towards sustainability and to business practices that are ethical, inclusive, responsible while being consistent with the goal of reducing the Bank's ecological footprint as a way to protect the environment, conserve natural resources and fight against climate change.

Since 2009, the strategy of Millennium bcp in terms of Sustainability is translated in the Sustainability Master Plan (SMP), a pluriennial plan of commitments that aggregates a number of actions which will guide the Bank in implementing ESG policies and practices, and which constitutes an integrating instrument that aims at, based on a transparent, close and consequent relationship, meeting the expectations identified in the consultation of the Bank's main Stakeholders.

The SMP 2021 defined in 2019 outlines a wide range of actions to be carried out in matters related with Sustainable Finance and Corporate Responsibility.

At this stage, The Bank has identified, as priorities for the implementation of the 2030 Agenda for Sustainable Development, SDGs 1 (Eradicate Poverty), 4 (Quality Education), 5 (Gender Equality), 7 (Renewable and Accessible Energies), 8 (Decent Work and Economic Growth), 10 (Reduce Inequalities), 13 (Climate Action), 15 (Protect Earth Life) and 17 (Partnerships for the Implementation of the Goals).

The Bank continues to promote entrepreneurship and self-employment through Millennium bcp's Microcredit, created in 2005. This type of lending has been broadly made available to entities involved with vulnerable segments of the population as an instrument to fight unemployment and social exclusion, enabling the creation of jobs.

Millennium bcp response to the COVID-19 urgency of the situation

Millennium bcp supports the economy and the community in the context of the actual COVID-19 pandemic situation, with initiatives such as:

- Launch of solutions for individuals and companies promoted by the Portuguese Government and the Portuguese Banking Association ("APB");
- Participation in the donor conference, being part of the Portuguese contribution to the EU's effort to find a vaccine and treatment for COVID-19;
- Support to the NHS through initiatives such as the "United for Survival" campaign, the conversion of Curry Cabral Hospital and the construction of the Lisbon Hospital Contingency Structure, among others;
- Integration into the Portugal #EntraEmCena movement, which brings together artists and public and private companies, in support of Culture;
- Millennium bcp Foundation supports the Food Emergency Network of the Food Bank against Hunger, reinforcing its annual contribution;
- Millennium Festival ao Largo, this year at the National Palace of Ajuda, complying with security rules while taking the best of classical music and ballet to the public.

In 2020, given the context of the Covid-19 pandemic, Millennium bcp reinforced its commitment to the future, guaranteeing that, as a Bank focused on its Customers and on supporting the economy, families and companies, it continues to actively contribute to overcoming adversities and supporting the balanced and sustainable development of the communities that in which it lives and serves.



3. MILLENNIUM BCP'S GREEN, SOCIAL OR SUSTAINABILITY BOND FRAMEWORK

Millennium bcp is setting up this Green, Social and Sustainability Bond Framework (the “Framework”) as an important and crucial tool to further integrate sustainability within its financial products and services with the goal of redirecting funds towards the financing of a more sustainable society as a whole.

Millennium bcp’s Framework will allow the Bank to issue the following Bonds:

- **Green Bonds:** the net proceeds of the Bonds will finance and/or refinance, in whole or in part, loans and/or investments with environmental benefits (“Eligible Green Assets”);
- **Social Bonds:** the net proceeds of the Bonds will finance and/or refinance, in whole or in part, loans and/or investments with social benefits (“Eligible Social Assets”);
- **Sustainability Bonds:** the net proceeds of the Bonds will finance and/or refinance, in whole or in part, loans and/or investments with a mix of environmental and social benefits (“Eligible Green and Social Assets”).

This Framework enables Millennium bcp to issue Bonds under different formats, including public or private placements, subordinated notes (including Tier 2 or Additional Tier 1 instruments) senior unsecured notes (either preferred or non-preferred) and secured or asset backed notes (such as covered bonds, ABS or RMBS). These instruments can be issued under any of Millennium bcp’s issuance programs or on a standalone basis (in benchmark format or otherwise).

This Framework has the objective to ensure transparency and quality of BCP’s Green, Social and Sustainable bond issuance. It is therefore aligned with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020) and Sustainability Bond Guidelines (2018) published by the International Capital Market Association¹:

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

3.1. Use of Proceeds

Eligible Green Assets

Green Eligible Category	Eligibility criteria	Supported SDG
Renewable Energy	Loans or investments to finance the production ² , acquisition, operation, distribution of renewable energy ³ in line with the following threshold: <ul style="list-style-type: none"> ● Facilities operating at life cycle emissions lower than 100gCO₂e/kWh declining to 0gCO₂e/kWh by 2050. 	

¹ ICMA's <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

² For projects financed under the Special Regime Electricity production, BCP will apply a prorata approach in order to solely take into account projects that are aligned with the eligibility criteria defined in this Framework. The reporting will specify the share of financing allocated to these projects.

³ For Hydropower, bcp to conduct or ensure that a social and environmental risk assessment by a specialized external body has been made and that there is no significant controversy surrounding the project. Biomass projects with waste as feedstock.

Green Eligible Category

Eligibility criteria

Supported SDG

Green Buildings

- Loans to finance new or existing construction of residential and commercial buildings as follows:
- Residential buildings with energy performance belonging to the top 15% of the most efficient buildings in Portugal or Energy Performance Certificate (EPC) levels A and A +⁴;
 - Commercial buildings with one of the following certifications or equivalent:
 - LEED Gold;
 - BREEAM Very Good;
 - HQE Excellent certification;
 - Renovation of residential and commercial buildings achieving a minimum 30% reduction in energy consumption.



Energy Efficiency

- Loans to finance energy efficiency improvement projects such as:
- District Heating/Cooling Distribution: using at least 50% renewable energy;
 - Renewable energy co-generation projects;
 - Energy storage systems⁵.



Sustainable mobility

- Loans to finance low carbon transportation solutions and related infrastructures including but not limited to:
- Public transport (e.g. trains, subways, trams, electric, biofuel and hybrid buses⁶ as well as non-fossil fuel boats);
 - Private vehicles (e.g. electric, hybrid⁷ biofuel and hydrogen vehicles, bicycles);
 - Construction, improvement, maintenance and extension of related infrastructure (e.g. stations upgrade, railway networks, signalling, charging stations, bicycle paths).



Circular economy

- Loans to finance circular economy projects including:
- Procurement based on recycled materials such as paper, plastic as well as certified forest products (FSC, PEFC or equivalent) and bio-based materials (e.g. Roundtable on Sustainable Biomaterials);
 - Waste recycling with the goal of maximizing resource recovery.



Sustainable water and waste management

- Loans to finance the acquisition, development, operation and maintenance of sustainable water and waste management projects such as:
- Energy-efficient water distribution systems and/or quality improvement⁸;
 - Waste management activities: non-hazardous waste⁹ and bio-waste collection¹⁰.



Sustainable agriculture

- Loans to finance sustainable agriculture and management of natural resources:
- EU Organic certification;
 - Certified forests (FSC, PEFC or equivalent).



⁴ The definition of the top 15% of the most carbon efficient buildings may vary over time on the basis of the energy performance of existing building stock. As such Eligible EPC levels may also evolve in the future. ⁵ Excluding power-to-gas project. ⁶ Hybrid buses with an emission threshold of <50gCO₂/p-km. ⁷ Hybrid passenger vehicles with an emission threshold of <75gCO₂/km. ⁸ Average energy consumption of the system is less than 0.5 kWh per m³ of water delivered II) Improvements to increase energy efficiency by at least 20%. ⁹ The bio-waste is source segregated and collected separately; in dedicated bio-waste treatment plants, bio-waste shall constitute a major share of the input feedstock (at least 70%, measured in weight, as an annual average). Co-digestion is eligible only with a minor share (up to 30% of the input feedstock) of advanced bioenergy feedstock listed in Annex IX of Directive (EU) 2018/2001. ¹⁰ At least 50%, in terms of weight, of the processed separately collected non-hazardous waste is converted into secondary raw materials.

Eligible Social Assets

Social Eligible Category	Eligibility criteria	Supported SDG
COVID-19 recovery	<p>Loans to finance liquidity needs or expenditures from SMEs affected by the economic downturn triggered by the COVID-19 crisis.</p> <p>Target population: general population impacted by the COVID-19 crisis.</p>	 
Microcredit financing	<p>Loans to finance microfinance institutions (MFIs) and entrepreneurs with the goal of fostering stable employment creation and preservation.</p> <p>Target population: unemployed, migrants and/or displaced persons, aging populations, underserved women owing to a lack of traditional means of finance, low-income students and other vulnerable youth.</p>	 
MSMEs financing	<p>Loans to finance Micro, Small and Medium-sized Enterprises¹¹ in underprivileged regions¹².</p> <p>Target population: MSMEs in underprivileged regions where both the overall Regional Development Composite Index (“ISDR”) and the cohesion index (“ISDR cohesion”) scores are inferior to 100 (Overall ISDR <100 and ISDR cohesion <100).</p>	
Access to essential services: healthcare	<p>Financing the construction, extension, equipment and operation of healthcare related facilities:</p> <ul style="list-style-type: none"> Public hospitals, clinics, and healthcare centers providing free of charge or subsidized medical care; Research and development on antiviral drugs and/or vaccines as well as the manufacturing and acquisition of relevant medicines and medical equipment in the context of health pandemics. <p>Target population: each and every person in need of medical care, including the most vulnerable.</p>	

¹¹ Aligned with the MSME definition by the European Commission: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361>.

¹² Índice sintético de desenvolvimento regional (ISDR), the Regional Development Composite Indicator was built by the Portuguese National Statistics Institute in partnership with DPP (a body from the Ministry of Environment, Physical Planning and Regional Development) with the goal of assessing territorial impact of public policies. The index also serves as a tool for numerous actors with an interest in territorial matters. The ISDR is based on a multidimensional approach to regional development encompassing three major components: competitiveness, cohesion and environmental quality. The composite indicators are referenced to the national average which is equal to 100 (Portugal = 100).

Social Eligible Category	Eligibility criteria	Supported SDG
Access to essential services: education	<p>Loans to finance primary, secondary schools and vocational training infrastructures and equipment:</p> <ul style="list-style-type: none"> ● Construction, renovation, extension of educational buildings and facilities; ● Furniture and additional equipment. 	
Socioeconomic advancement and empowerment	<p>Loans to finance social welfare structures:</p> <ul style="list-style-type: none"> ● Social welfare bodies benefiting underprivileged groups such as defined below. <p>Target population: unemployed, persons with disabilities, vulnerable youth and elderly.</p>	 

For the avoidance of doubt, sectors such as, but not limited to nuclear, mining, alcohol, tobacco, gambling and dedicated to fossil fuels are excluded from both Green and Social eligible categories.

3.2. Process for Project Selection and Evaluation

Eligible Green and Eligible Social Assets will constitute Millennium bcp's Green and Social Portfolio ("the Portfolio").

The process for selecting such assets is detailed hereunder:

- The relevant Business Units will carry out the first lever of identification based on the eligibility criteria set out in section 3.1.
 - Millennium bcp's will implement an internal tracking system, with a specific flagging to help track such Eligible Green and Social Assets.
- A Green, Social and Sustainability Bond working group (the "Working Group") will be charged of validating the final selection of Eligible Green and Social Assets to be included in the Portfolio, thus benefiting from the use of Proceeds raised through Millennium bcp's Green, Social and Sustainability Bonds.
 - The Working Group will also be responsible for:
 - Approving the allocation of the net proceeds;
 - Ensuring the replacement of Eligible Green and Social Assets that no longer align with the eligibility criteria or have been redeemed;
 - Validating the allocation and impact reporting;
 - If necessary, update the Framework to ensure the continued alignment with market's best practices.

The Working Group, chaired by the Head of Medium and Long Term Funding Department will be composed of the following members:

- representative of Medium and Long Term Funding Department;
- representative of the Sustainability Department;
- representative of the Risk Office Division;
- representative of the Investor Relations Division as needed;
- representative of the relevant business segments as needed;
- representative of the Operations Division as needed.



The Working Group will meet at least on a semi-annual basis and as needed.

3.3. Management of Proceeds

The net proceeds from Green, Social and Sustainability Bonds issued by Millennium bcp's will be deposited in its general account. An amount equivalent to the net proceeds of the Green, Social and Sustainability Bonds will be used to finance and/or refinance Eligible Green and Social Assets which constitute the Portfolio.

Millennium bcp's will adopt a portfolio approach, ensuring that the total nominal amount of Eligible Green and Social Assets in the Portfolio is higher than the total nominal amount of Green, Social and Sustainability Bonds outstanding.

In case of a part of the issuance proceeds will finance new origination, it is Millennium bcp's intention to allocate those proceeds within 36 months following the issuance of each Green, Social or Sustainability Bond.

Pending the full allocation of the net proceeds to the Portfolio or in case of insufficient Eligible Green or Social Assets, Millennium bcp will invest the balance of the net proceeds in cash or cash equivalent or SRI funds and/or other liquid marketable instruments as per the Bank's general internal liquidity management policy.

3.4. Reporting

3.4.1. Allocation Report

Allocation report will be made available to investors on annual basis, until full allocation of the proceeds and more frequently in case of material change.

Millennium bcp's allocation report will provide the following information:

- Total amount of Green, Social and Sustainability Bonds issued;
- Total amount of proceeds allocated to Portfolio per Eligible category;
- Total amount of unallocated proceeds, if any;
- Any other information that the Bank may consider relevant.

3.4.2. Impact Report

On an annual basis, until full allocation and more frequently in case of material change, Millennium bcp will issue a report on the environmental and/or social benefits of the Eligible Green and Social Assets financed by the issuance of Green, Social and Sustainability Bonds.

Subject to data availability, the impact reporting should provide an aggregate estimate of output and impact indicators as presented hereunder.

Both the allocation and impact reporting will be publicly available on Millennium bcp's website <https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/ESGBonds.aspx>.

Eligible Green Assets

Green Eligible Category	Output indicators	Impact indicators
Renewable Energy	<ul style="list-style-type: none"> ● Installed capacity (MW); ● Annual estimate of renewable energy generation (MWh/year). 	<ul style="list-style-type: none"> ● Estimated annual GHG emissions avoided (in tCO₂e)
Green Buildings	<ul style="list-style-type: none"> ● Energy saving (kWh/m²/year); ● Environmental certification (rating) and year of obtention; ● Number and or m² of new certified buildings; ● Number of dwellings renovated. 	
Energy efficiency	<ul style="list-style-type: none"> ● Expected energy savings; (MWh/year); ● Storage capacity (MWh). 	
Sustainable mobility	<ul style="list-style-type: none"> ● Number of clean transportation means financed by type; ● Number of kms of railway infrastructure constructed or renovated; ● Number of charging stations installed. 	
Circular economy	<ul style="list-style-type: none"> ● Annual amount of material recovered (tons/year); ● Annual amount of recycled materials (tons/year). 	
Sustainable water and waste management	<ul style="list-style-type: none"> ● Annual volume of water treated (% or m³/year); ● Annual volume of water saved (% or m³/year); ● Annual volume of waste treated/sorted (% or m³/year). 	
Sustainable agriculture	<ul style="list-style-type: none"> ● Number of hectares of certified organic farming. 	

Eligible Green Assets

Social Eligible Category	Output indicators	Impact indicators
COVID-19 recovery	<ul style="list-style-type: none"> ● Number of companies supported; ● Volume of loans granted (€m). 	<ul style="list-style-type: none"> ● Number of companies supported; ● Number of jobs maintained.
Microcredit financing	<ul style="list-style-type: none"> ● Number of structures financed; ● Volume of loans granted (€m). 	<ul style="list-style-type: none"> ● Number of people employed by financed MFIs
MSMEs financing	<ul style="list-style-type: none"> ● Number of MSMEs financed. 	<ul style="list-style-type: none"> ● Number of people employed by financed MSMEs
Access to essential services: healthcare	<ul style="list-style-type: none"> ● Number of health centres financed; ● Volume of equipment/supplies installed (€m). 	<ul style="list-style-type: none"> ● Estimated number of beneficiaries
Access to essential services: education	<ul style="list-style-type: none"> ● Number of schools financed; ● Number of equipment/supplies installed (€m). 	
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> ● Number of structures financed. 	

4. EXTERNAL REVIEW

4.1. Second-Party Opinion

Millennium bcp has appointed Sustainalytics to provide an independent evaluation of the Framework's alignment with the aforementioned principles and guidelines. The Second-Party Opinion document will be publically available on Millennium bcp's website:

<https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/ESGBonds.aspx>.

4.2. External Verification

An external audit of the allocation of the Green, Social and Sustainability Bonds proceeds will be provided on an annual basis and until the complete allocation of net proceeds and publically available on Millennium bcp's website:

<https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/ESGBonds.aspx>.



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