

Second-Party Opinion

Millennium bcp Green, Social and Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Millennium bcp Green, Social and Sustainability Bond Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles, and 2020 Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories¹ for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 3, 4, 6, 7, 8, 9, 10, 11, and 12.



PROJECT EVALUATION / SELECTION Millennium bcp’s internal process in evaluating and selecting projects is overseen by the Green, Social, Sustainability Bond Working Group (or the “Working Group”) that is expected to meet on a semi-annual basis. The Working Group will also be responsible for approving the allocation of net proceeds, replacing the ineligible green and social assets, validating allocation and impact reporting, and updating the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Millennium bcp’s processes for management of proceeds is overseen by the Bank’s Medium- and Long-Term Funding Department. The Bank tracks and allocates proceeds through a portfolio approach and intends to allocate all proceeds within 36 months after issuance. Pending allocation of net proceeds or in case of insufficient eligible assets, Millennium intends to invest the balance of the net proceeds in cash, cash equivalent, or other liquid instruments that are in line with the Bank’s liquidity management policy. This is in line with market practice.



REPORTING Millennium intends to report on allocation and impact of proceeds on its website on an annual basis until full allocation. Millennium’s allocation report may include the total amount of bonds issued, total amount of proceeds allocated by category, and amount of unallocated proceeds. In addition, Millennium is committed to reporting on relevant impact metrics. Sustainalytics views Millennium’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Porto, Portugal

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¹ Renewable Energy, Green Buildings, Energy Efficiency, Sustainable Mobility, Circular Economy, Sustainable Water and Waste Management, Sustainable Agriculture, COVID-19 Recovery, Microcredit Financing, MSME Financing, Access to Essential Services: Healthcare, Access to Essential Services: Education, Socioeconomic Advancement and Empowerment.

Introduction

Banco Comercial Português, S.A. (“Millennium bcp”, “Millennium”, the “Bank”, or the “Issuer”) provides banking services and financial services with a focus on retail banking and is headquartered in Porto, Portugal. As of March 2021, Millennium bcp serves approximately 5.7 million customers with 1,380 branches in Portugal, Poland, Switzerland, and Mozambique.

Millennium bcp has developed the Millennium bcp Green, Social and Sustainability Bond Framework (the “Framework”) under which it intends to issue Green Social and Sustainability bonds, subordinated notes, senior unsecured notes, asset backed notes, covered bonds, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that support the transition into a more sustainable economy all the while addressing environmental and/or social issues. The Framework defines eligibility criteria in thirteen areas:

Green categories:

1. Renewable Energy
2. Green Buildings
3. Energy Efficiency
4. Sustainable Mobility
5. Circular Economy
6. Sustainable Water and Waste Management
7. Sustainable Agriculture

Social Categories:

8. COVID-19 Recovery
9. Microcredit Financing
10. MSME Financing
11. Access to Essential Services: healthcare
12. Access to Essential Services: education
13. Socioeconomic Advancement and Empowerment

Millennium bcp engaged Sustainalytics to review the Millennium bcp Green, Social and Sustainability Bond Framework, dated April 2021, and to provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG), Green Bond Principles 2018 (GBP), and Social Bond Principles 2020 (SBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, and Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Millennium bcp Green, Social and Sustainability Bond Framework is available on Banco Comercial Português, S.A.’s website at: <https://ind.millenniumbcp.pt/pt/Institucional/investidores/Pages/Inv.aspx>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Millennium bcp's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Millennium bcp representatives have confirmed (1) they understand it is the sole responsibility of Millennium bcp to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Millennium bcp.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Millennium bcp has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Millennium bcp Green, Social and Sustainability Bond Framework

Sustainalytics is of the opinion that the Millennium bcp Green, Social and Sustainability Bond Framework is credible, impactful and aligns with the four core components of the SBG, GBP, and SBP. Sustainalytics highlights the following elements of Millennium bcp's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Green Buildings, Energy Efficiency, Sustainable Mobility, Circular Economy, Sustainable Water and Waste Management, Sustainable Agriculture, COVID-19 Recovery, Microcredit Financing, SME Financing, Access to Essential Services: Healthcare, Access to Essential Services: Education, Socioeconomic Advancement, and Empowerment – are aligned with those recognized by the GBP and SBP. Sustainalytics notes that the financing under the Framework will be in Portugal.
 - Millennium may use proceeds for both project-based lending and for general purpose loans for pure-play businesses that derive >90% of revenues from activities identified in the eligible categories. Sustainalytics recognizes that the GBP, SBP and SBG prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. Nevertheless, Sustainalytics recognizes that the financing of "pure-play" companies through green/social bonds is commonly accepted as an approach which can generate positive impacts.
 - Within the Renewable Energy category, Millennium may finance or refinance the production, acquisition, operation, and distribution of renewable energy⁵ such as solar, wind, hydropower

⁵ For projects financed under Portugal's PRE Special Regime for electricity production, Millennium bcp will apply a pro-rata approach to exclude high-efficiency cogeneration projects. During reporting, Millennium will specify the share of financing allocated to these projects.

- and bioenergy from waste biomass⁶ that have lifecycle emissions lower than 100gCO₂e/kWh and declining toward 0gCO₂e/kWh. Regarding financing of refurbishment of hydropower facilities, Millennium has confirmed that environmental and social assessment will be conducted by a specialized body and that no significant controversy will be connected to the facility.
- Under the Green Buildings category, the Bank may finance or refinance the construction or renovation of residential and commercial buildings that meet the following criteria:
 - Residential buildings with energy efficiency performance that belongs to the top 15% of most efficient buildings in Portugal or have an Energy Performance Certificate (EPC) “A” and “A+”.
 - Commercial buildings with certification schemes: LEED (“Gold” or above), BREEAM (“Very Good” or above), or HQE (“Excellent” or above). Sustainalytics recognizes That BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category. Sustainalytics recognizes these as credible, robust certification schemes and notes the minimum certification levels are aligned with market practice. For Sustainalytics’ assessment of the certification schemes, please refer to Appendix 1.
 - Renovations of commercial and residential buildings that achieve a minimum of 30% reduction in energy consumption. Sustainalytics positively views the financing of top 15% most energy efficient buildings or the use of energy efficiency thresholds for the renovation of buildings.
 - Within the Energy Efficiency category, the Bank may finance or refinance district heating/cooling distribution projects that use at least 50% of renewable energy. Other projects in this category include renewable energy cogeneration projects and energy storage systems.⁷
 - Under the category of Sustainable Mobility, Millennium may finance or refinance public transport such as trains, subways, trams, busses that are electric, biofuel and hybrid vehicles. The emission threshold for hybrid busses is <50gCO₂e/p-km. Private vehicles that may be financed by the Bank include electric vehicles, hydrogen vehicles, bicycles and hybrid vehicles that have an emission threshold of <75gCO₂e/km. Other projects under this category include the construction, improvement, maintenance, and extension of related infrastructure such as stations upgrade, railway networks, signaling, low-carbon or electric charging stations and bicycle paths.⁸ Sustainalytics positively notes the use of emission thresholds for low-carbon transport.
 - Within the category of Circular Economy, the Bank may finance or refinance procurement of recycled materials such as paper, plastic, certified forest products and bio-based materials. The forest products will be certified by the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC) or an equivalent certification, while the bio-based materials will be certified by the Roundtable on Sustainable Biomaterials (RSB). For Sustainalytics’ assessment of forestry certification schemes, please refer to Appendix 2, and for the assessment on bio-based material certification, please refer to Appendix 3.
 - Under the Sustainable Water and Wastewater category, Millennium may finance or refinance the acquisition, development, operation and maintenance of water distribution systems that improve energy efficiency by 20% and/or water quality.⁹ Sustainalytics positively notes the establishment of a minimum threshold for efficiency improvements. Other projects in this category include the waste management activities of non-hazardous waste and bio-waste collection.
 - Within the category of Sustainable Agriculture, the Bank may finance or refinance sustainable agriculture and forestry operations and/or companies that are certified by the Forest Stewardship Council (FSC), Programme for Endorsement of Forest Certification (PEFC), or EU Organic Certification. Sustainalytics recognizes the abovementioned schemes as robust and

⁶ Millennium bcp has confirmed to Sustainalytics that the feedstock for waste biomass may include forestry residues.

⁷ Millennium has confirmed that Energy Storage Systems such as “power-to-gas” will produce Hydrogen using the electrolysis method.

⁸ Millennium has confirmed that related infrastructure projects will not contain infrastructure such as construction or retrofits of road infrastructure, parking structures and fossil fuel charging stations.

⁹ Millennium has confirmed that water and wastewater treatment projects will not include water procured from fossil-fuel operations.

- credible certification schemes. For Sustainalytics' assessment on forestry certification scheme, please refer to Appendix 2 and for assessment on EU Organic certification, please refer to Appendix 4.
- Within the Covid-19 Recovery category, Millennium intends to provide loans to finance micro, small and medium-sized enterprises (SME) affected by the economic downturn triggered by COVID-19 crisis. While Sustainalytics notes positively Millennium's efforts to prioritize SMEs that face significant adversity as a result of a natural or health disaster including COVID-19, Sustainalytics encourages the Bank to concentrate its efforts on targeted segments of SMEs in order to maximize the social benefit of such financing.
 - Under the category of Microcredit financing, the Bank intends to provide financing to microfinance institutions (MFIs) which provide access to financing for targeted populations including unemployed, migrants/displaced persons, aging populations, students, and vulnerable youth. While Sustainalytics recognizes the positive intention of Millennium to finance MFIs to entrepreneurs that align with the above targeted populations, Sustainalytics further notes that market expectation within this category is to provide clear definitions for the associated target populations and/or the most underserved regions and encourages the Issuer to report on the beneficiaries and associated positive social impacts achieved.
 - Within the MSME Financing category, Millennium may provide loans to micro, small and medium-sized enterprises (MSME)¹⁰ in underprivileged regions where the overall Regional Development Composite Index¹¹ (ISDR) and Social Cohesion Index (ISDR Cohesion) scores are <100. Sustainalytics recognizes the ISDR's objective to capture income levels, unemployment, access to essential services and poverty using ISDR Cohesion Index, the regions with a score below 100 cover approximately 40% of the population and 39% of all businesses in Portugal. While recognizing these objectives, Sustainalytics encourages Millennium BCP to use stronger targeting of populations to identify the most underserved regions in Portugal.
 - Under the Access to Essential Services: Healthcare category, the Bank may finance or refinance the construction and operation of public hospitals, clinics, and healthcare centers providing universal healthcare access¹² for free or for a subsidized cost. Other projects under this category may include pandemic-related healthcare such as research and development of antiviral drugs and vaccines, and manufacturing and acquisition of relevant medical equipment and medicines.
 - Within the Access the Essential Services: Education category, the Bank may finance or refinance construction and renovation of public and private institutions such as primary and secondary schools that provide access to education at a cost-free or subsidized rate regardless of the ability to pay. Other projects under this category include financing of vocational training centers and the procurement of essential equipment such as furniture etc. Millennium may provide essential services in underprivileged regions as defined above (using the ISDR and ISDR Cohesion). Sustainalytics encourages Millennium BCP to use stronger targeting of populations to identify the most underserved regions in Portugal.
 - Under the Socioeconomic Advancement and Empowerment category, Millennium may provide loans to social welfare bodies that provide benefits to underprivileged groups such as youth, elderly, and unemployed persons. While Sustainalytics recognizes Millennium bcp's intention to serve underprivileged groups, it also notes that the best practice generally includes the targeting of population segments or regions that face challenges to socio-economic development.
 - Sustainalytics notes that Millennium excludes the financing of activities within certain sectors such as those that are dedicated to fossil fuels, nuclear, mining, alcohol, tobacco, and gambling.

¹⁰ Small and Medium Enterprises (SME) are defined by the European Commission as enterprises that employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. You can find more information here: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361>

¹¹ The Regional Development Composite Indicator or Índice sintético de desenvolvimento regional (ISDR) was built by the Portuguese National Statistics Institute in partnership with Ministry of Environment, Physical Planning and Regional Development with the goal of assessing territorial impact of public policies. The ISDR is based on a multidimensional approach to regional development encompassing three major components: competitiveness, social cohesion and environmental quality. The composite indicators are referenced to the national average which is equal to 100 (Portugal = 100). More information on the ISDR Index can be found here: https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaques&DESTAQUESdest_boui=414438900&DESTAQUESmodo=2

¹² Universal Health coverage is defined as ensuring access to all in need of healthcare regardless of the ability to pay. More information can be found at: https://www.who.int/healthsystems/universal_health_coverage/en/

Sustainalytics is of the opinion that the addition of exclusionary criteria strengthens the Framework.

- Project Evaluation and Selection:
 - Millennium’s internal process in evaluating and selecting projects is overseen by the Green, Social, Sustainability Bond Working Group (or the “Working Group”) that is expected to meet on a semi-annual basis. In addition to project selection, the Working Group will be responsible for approving the allocation of net proceeds, replacing the ineligible green and social assets, validating allocation and impact reporting, and updating the framework. The Working Group will be chaired by the Head of Medium- and Long-Term Funding Department and will be composed of representatives from the following departments: Medium- and Long-Term Funding, Sustainability, Risk Office Division, Investor Relations, Operations and other relevant segments.
 - Based on the establishment of a Working Group, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Millennium’s process for management of proceeds is overseen by the Bank’s Medium- and Long-Term Funding Department. The Bank tracks and allocates proceeds through a portfolio approach. The net proceeds from the bond(s) issued by Millennium will be deposited in its general account. An amount equivalent to net proceeds of the bond(s) will be used to finance or refinance eligible green and social assets in the portfolio. The Bank intends to allocate all proceeds within 36 months after issuance. Pending allocation of net proceeds or in case of insufficient eligible green and social assets, Millennium intends to invest the balance of the net proceeds in cash, cash equivalent, socially responsible investment (SRI) funds, or other liquid marketable instruments that are in line with the Bank’s internal liquidity management policy.
 - Based on the tracking process and the temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Millennium intends to report on allocation and impact of proceeds on its website on an annual basis until full allocation. Millennium’s allocation report may include the total amount of bonds issued, total amount of proceeds allocated by category, and amount of unallocated proceeds. In addition, Millennium is committed to reporting on relevant impact metrics. More information on impact metrics can be found in Appendix 5.
 - Based on the allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Millennium bcp Green, Social and Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 5: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Millennium bcp

Contribution of Framework to Millennium bcp’s sustainability strategy

Millennium bcp demonstrates a commitment to sustainability focused on three areas: (i) *Environment*: aimed at incorporating environmental factors into the Bank’s risk models, (ii) *Social*: aimed at involving both the external and internal communities, and (iii) *Corporate governance*: aimed at integrating sustainability principles into the Bank’s decision-making processes.¹³

In 2019, Millennium bcp conducted a materiality analysis through a survey to shareholders, clients, employees, community, suppliers and media to improve its approach to sustainability.¹⁴ The result of the materiality analysis is integrated in the 2021 Sustainability Master Plan (SMP), articulating the initiatives and actions on different material issues, which are connected with the prioritized six UN SDGs.¹⁴ Sustainalytics highlights several initiatives and goals of Millennium bcp as below:

¹³ Millennium bcp, “Sustainability”, at: <https://ind.millenniumbcp.pt/RelContas/2019/en/sustainability/default.aspx>

¹⁴ Millennium bcp, “Sustainability Report 2019”, (2019), at: <https://ind.millenniumbcp.pt/relcontas/2019/files/SustentabilidadeBCP2019.en.pdf>

- In order to strengthen its sustainable financing policies and regulations, under the Corporate Governance area, and in line with SDGs 7 (Affordable and Clean Energy) and 8 (Decent Work and Economic Growth), Millennium bcp has implemented the initiatives including (i) strengthening partnerships in the supply chain to mitigate the impact on climate change, (ii) promoting the issuance of green or social bonds, (iii) promoting renewable energies through loans to the energy sector, and (iv) creating specific credit lines for increased energy efficiency, sustainable mobility, sustainable construction.¹⁵ In 2019, the Bank financed renewable energy infrastructure and equipment projects, and offered microcredit created 368 jobs.¹⁵
- In order to improve its environmental performance, under the Environment area committed to SDG 13 (Climate Action), Millennium bcp has implemented initiatives including (i) purchasing 30% and 80% energy-efficient vehicles for the Bank's car fleet by 2025 and 2030 respectively, (ii) redefining emission reduction targets in line with Science Based Targets Initiative, and (iii) broadening employees' knowledge on carbon footprint-related topics such as scope 3 emissions.¹⁵ In 2020, the Bank achieved energy reductions of 63.3%, electricity by 52.0% and CO2 emissions by 61.4% compared to the 2012 baseline.¹⁶ Furthermore, the Bank is committed to consuming electricity fully from renewable sources as of 2021.¹⁶

Given its sustainability strategy and initiatives, Sustainalytics is of the opinion that the Millennium bcp Green, Social and Sustainability Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental and social priorities. Sustainalytics encourages Millennium bcp to establish quantitative environmental and social targets to strengthen its sustainability strategy and performance.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents, and waste generated in construction, occupational health and safety, and community relations/stakeholder participation. In addition, as a financial institution, Millennium bcp is exposed to risks of financing environmentally and socially harmful activities.

Sustainalytics is of the opinion that Millennium bcp can manage and mitigate potential risks through implementation of the following regulations and procedures:

- Millennium bcp is compliant with EU Directive 2011/92/EU which requires Environmental Impact Assessment (EIA) for projects associated with significant effects on the environment prior to development consent being given, ensuring the mitigation of environmental risks relevant with land use changes and infrastructure development.¹⁷
- In accordance with EU regulation on construction and demolition waste, projects financed by Millennium bcp are required to follow the guidelines set out in Portuguese law. These regulations are aimed at ensuring waste management is carried out without endangering human health or causing harm to the environment.¹⁸
- Millennium bcp has established an Environmental Policy,¹⁹ in line with its Code of Conduct,²⁰ articulating the Bank's commitment to minimizing the environmental impacts from its operations while responsibly using natural resources and preventing waste. As such, the Bank has integrated social and environmental criteria, and defining sectoral and environmental policies in the risk assessment process and the credit decision.¹⁵
- Portugal is classified as "Designated Countries" by the Equator Principles (EPs), suggesting the existence of strong environmental and social governance systems and institutional capacity designed to protect the local environment and communities.²¹

¹⁵ Millennium bcp, "BCP's Contribution to the United Nations' Sustainable Development Goals in the Context of the 2021 Sustainability Master Plan", (2020), at: https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Documents/2020/Relat-ODS-Millenniumbcp_en_16set20.pdf

¹⁶ Millennium bcp provided internal information regarding the Bank's sustainability performance.

¹⁷ EC, "Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment Text with EEA relevance", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32011L0092>

¹⁸ EU, "Waste Framework Directive", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32008L0098&from=EN>

¹⁹ Millennium bcp, "Environmental Policy", at: https://ind.millenniumbcp.pt/en/Institucional/sustentabilidade/Documents/Internal_Codes_2.pdf

²⁰ Millennium bcp, "Code of Conduct", at: https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Code_of_Conduct.pdf

²¹ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

- In regard to an occupational health and safety (OH&S) for large-scale development or construction projects, Sustainalytics notes that Millennium bcp is not directly responsible for on-site safety for projects that it finances and that the Bank relies upon regulatory safeguards to ensure OH&S risks at construction sites are mitigated. Given that Millennium bcp mostly finance SMEs, large scale development or construction projects are assessed on a case-by-case basis in line with the Bank's Health and Safety at Work Policy.²² According to the Health and Safety at Work Policy, companies financed by the Bank have to assess the risks of the safety and health of their employees and have appropriate prevention measures in place.²²
- In regard to a community relations issue associated with large-scale projects, Millennium bcp assesses the issue on a case-by-case basis aligned with applicable national or EU regulations.²³
- Millennium bcp is a signatory to the UN Global Compact in compliance with the 10 Principles²⁴ on human rights, labour, environment, anticorruption, and transparently disclosing its performance on them to the UN Global Compact. In line with the 10 Principles, the Bank is committed to avoid any human rights abuses, forced/compulsory/child labour.²⁴
- Under the Framework, Millennium bcp will exclude financing projects associated with fossil fuels, nuclear, mining, alcohol, tobacco, and gambling.

Based on the above, Sustainalytics is of the opinion that Millennium bcp has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All thirteen use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on five below where the impact is specifically relevant in the local context.

Importance of financing renewable energy, energy efficiency, and green buildings projects in Portugal

In 2017, energy production and processing accounted for 29.5% of total emissions in Portugal, making it the highest emitting sector.²⁵ The Portuguese government has committed to reducing emissions from energy generation by approximately 60% by 2030 compared to the 2005 baseline when supported by efficient energy technologies.²⁶ In order to achieve this target, renewable energy resources, mainly solar and wind energy, should account for approximately 80% of primary energy generation by 2050.²⁶

In 2018, around 55.3% of electricity production in Portugal was from renewable sources.²⁶ Given the potential, the Government aims to “accelerate the production of energy from renewable energy sources” by promoting renewable cogeneration while gradually reducing fossil fuel cogeneration between 2020 and 2025.²⁷ Additionally, the Government is committed to promoting the efficient use of renewable energies in heating and cooling systems through the acquisition and renovation of heating and cooling systems using renewable energy sources between 2020 and 2030.²⁷ **Error! Bookmark not defined.**

As part of its efforts to improve energy efficiency, the Government articulates the needs of prioritizing the rehabilitation and renovation of buildings and promoting zero-emissions buildings.²⁷ **Error! Bookmark not defined.** For example, the Government has set several action measures targeted to achieve between 2020 and 2030 in the building sector such as: (i) “promote rehabilitation as the main form of intervention in building stock and urban development”, (ii) “promote sustainable technique in construction and sustainable buildings”, and (iii) “promote the electrification of buildings accompanied by an increased use of renewables”.²⁷ **Error! Bookmark not defined.**

Based on the above, Sustainalytics is of the opinion that Millennium bcp's financing for energy efficiency, renewable energy, and green buildings projects is expected to bring positive environmental impacts and facilitating the transit to a decarbonized economy in Portugal.

²² Millennium bcp, “Regulations on Occupational Safety, Hygiene and Health of Group Banco Comercial Portugues”, at: <https://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Regulations-on-Occupational-Safety-Hygiene-and-Health.pdf>

²³ Millennium bcp has provided its internal process for the community relations issue.

²⁴ United Nations Global Compact, “The Ten Principles of the UN Global Compact”, at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

²⁵ Portuguese Environment Agency, “Executive Summary State of Environment Report Portugal”, (2019), at: <https://sniambgeoviewer.apambiente.pt/GeoDocs/geoportaldocs/rea/REA2019/REA2019EN.pdf>

²⁶ Republica Portuguesa/Fundo Ambiental/Portuguese Environment Agency, “Long-term Strategy for Carbon Neutrality of the Portuguese Economy by 2050”, (2019), at: https://unfccc.int/sites/default/files/resource/RNC2050_EN_PT%20Long%20Term%20Strategy.pdf

²⁷ Republica Portuguesa, “Portugal's National Energy and Climate Plan 2021-2030”, (2019), at: https://ec.europa.eu/energy/sites/ener/files/documents/pt_final_necp_main_en.pdf

Importance of financing SMEs to support employment generation and COVID-19 response in Portugal

In 2017, SMEs in Portugal accounted for 99.9% of the total enterprises and 77.4% of employment, of which approximately half of the employment came from (i) manufacturing and (ii) wholesale and retail trade sectors.²⁸ Additionally, it is notable that micro-sized enterprises comprise 95.4% of total enterprises and 40.9% of employment in Portugal, while the rest are from small- and medium-sized enterprises (SMEs).²⁸ Given their potential, the Government of Portugal has strived to enhance SME's access to finance through government guaranteed loans that have grown from 5.4% to 10.5% between 2009 and 2018.²⁹

Given that Portugal is specialized in the tourism sector (hotels, restaurants, services, marketing and digital services), MSMEs have been heavily disrupted by the coronavirus outbreak.³⁰ Accordingly, as of March 2020, the Government of Portugal has announced four programs to finance Portuguese SMEs in key sectors, specifically "(i) tourism; (ii) restaurants (and other similar activities); (iii) extractive and manufacturing industry; and (iv) travel agency activities, touristic animation, event organisation (and similar activities)", aimed at ensuring SMEs to have sufficient liquidity to sustain jobs and continue their business activities.³¹

Based on the above, Sustainalytics acknowledges the importance of financing SMEs in Portugal affected by the COVID-19 crisis. Sustainalytics is of the opinion that Millennium bcp's financing can increase access to finance for Portuguese SMEs and support their employment generation/continuity, particularly SMEs disrupted by the COVID-19 pandemic.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Millennium bcp Green, Social and Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Mobility	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Circular Economy	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Waste Management	6. Clean water and sanitation	6.4 By 2030 substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and

²⁸ EC, "Portugal – SBA Fact Sheet 2019", (2019), at:

<https://ec.europa.eu/docsroom/documents/38662/attachments/23/translations/en/renditions/native>

²⁹ OECD, "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard (37: Portugal)", (2020), at: <https://www.oecd-ilibrary.org/sites/6707606e-en/index.html?itemId=/content/component/6707606e-en>

³⁰ Intra Interreg Europe/European Union, "Portuguese Measures for SMEs under COVID-19", (2020), at: <https://www.interregeurope.eu/intra/news/news-article/8259/portuguese-measures-for-smes-under-covid-19/>

³¹ European Commission, "State aid: Commission approves €3 billion Portuguese guarantee schemes for SMEs and midcaps affected by Coronavirus outbreak", (2020), at:

		substantially reduce the number of people suffering from water scarcity
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Agriculture	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality
COVID-19 Recovery	3. Good Health and Wellbeing	3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases
	8. Decent work and Economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Microcredit Financing	9. Industry Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains
SMEs Financing	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
Access to Essential Services: healthcare	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services: education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Socioeconomic Advancement and Empowerment	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services.
	10. Reduce Inequalities	10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average

Conclusion

Millennium bcp has developed the Millennium bcp Green, Social and Sustainability Bond Framework under which it may issue sustainability bonds and use the proceeds to finance projects that support green infrastructure and enhance access to finance for underserved populations. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The Millennium bcp Green, Social and Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Millennium bcp Green, Social and Sustainability Bond Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 4, 6, 7, 8, 9, 10, 11, and 12. Additionally, Sustainalytics is of the opinion that Millennium bcp has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Banco Comercial Português, S.A. is well-positioned to issue sustainability bonds and that that Millennium bcp Green, Social and Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendices




Appendix 1: Certification Schemes for Green Buildings

	LEED ³²	BREEAM ³³	HQE ³⁴
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.
Certification Levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • Pass • Good • Very good • Excellent • Exceptional
Areas of Assessment	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy • Environment (Site, Components, Worksite, Water, Waste, Maintenance) • Comfort (Hydrothermal, Acoustic, Visual, Olfactory) • Health (Spaces quality, Air Quality, Water Quality)
Requirements	Prerequisites (independent of level of certification) + Credits with associated points. These points are then added together to obtain the LEED level of certification. There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification. Credits with associated points. This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.	Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility. Based on the total number of stars obtained per area, an overall HQE level is then given. Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.

³² USGBC, "LEED rating system", at: www.usgbc.org/LEED.

³³ BREEAM, "How certification works" at: <https://www.breem.com/discover/how-breem-certification-works/>.

³⁴ HQE, "Introduction to HQE certification", at: <https://www.behqe.com/cerway/essentials>.

<p>Performance Display</p>			
<p>Accreditation</p>	<p>LEED AP BD+C LEED AP O+M</p>	<p>BREEAM International Assessor BREEAM AP BREEAM In Use Assessor</p>	<p>HQE Construction Certification Referent HQE Operations Certification Advisor</p>
<p>Qualitative Considerations</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries. Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>HQE certification has the greatest number of targets concerning individuals. The "Comfort" and "Health" related themes are the most developed in this scheme. The HQE scheme recognises European and international standards (in particular the ISO and ASHRAE standards).</p>

Appendix 2: Sustainalytics' assessment of forestry certification schemes

	Programme for the Endorsement of Forest Certification (PEFC)³⁵	Forest Stewardship Council (FSC)³⁶
Background	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements 	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	<ul style="list-style-type: none"> • Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement • Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification • Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards • Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products • PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo • Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement 	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
Governance	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in

³⁵ PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

³⁶ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: https://ca.fsc.org/preview_principles-criteria-v5_a-1112.pdf

	endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
Scope	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) ³⁷ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC • Only accredited certification bodies can undertake certification • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials • The CoC standard includes specifications for the physical separation of certified and non-certified wood • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody 	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC
Non-certified wood sources	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> - operations and harvesting, including land use conversion, - management of areas with designated high environmental and cultural values, - protected and endangered species, including CITES species, - health and labour issues, - indigenous peoples' property, tenure and use rights, - payment of royalties and taxes. b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations. 	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
Accreditation/verification	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a

³⁷ ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>


	<p>meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices³⁸ and both have also faced criticism from civil society actors.^{39,40} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

³⁸ FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

³⁹ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

⁴⁰ EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 3: Sustainalytics' assessment of bio-based materials certification

	The Roundtable on Sustainable Biomaterials
Background	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs, and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.
Clear positive impact	Promoting sustainable biomaterials.
Minimum standards	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody.
Directly addressing social and environmental risk	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management, and land and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certified entities undergo a self-assessment process and, afterward, receives a visit from a third-party auditor. Annual audits will also take place after the validation.
Third -party expertise and multi-stakeholder process	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.
Performance Display	
Accreditation	<ul style="list-style-type: none"> • ASI • SGS Global Services
Qualitative considerations	The RSB certification is considered strong by organizations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56 784 hectares of farmland.

Appendix 4: Sustainalytics' assessment of Organic Certifications

	EU Organic⁴¹
Background	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.
Performance display	
Third-party verified	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.
Qualitative considerations	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.

⁴¹ European Commission, "Organic farming", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming_en.

Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Comercial Português, S.A.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Millennium bcp Green, Social and Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 04, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories – Renewable Energy, Green Buildings, Energy Efficiency, Sustainable Mobility, Circular Economy, Sustainable Water and Waste Management, Sustainable Agriculture, COVID-19 Recovery, Microcredit Financing, SME financing, Access to Essential Services: Healthcare, Access to Essential Services: Education, Socioeconomic Advancement and Empowerment – for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 2, 3, 4, 6, 7, 8, 9, 10, 11, and 12.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Millennium bcp's internal process in evaluating and selecting projects is overseen by the Green, Social, Sustainability Bond Working Group (or the "Working Group") that is expected to meet on a semi-annual basis. The Working Group will also be responsible for approving the allocation of net proceeds, replacing the ineligible green and social assets, validating allocation and impact reporting, and updating the framework. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Millennium bcp's processes for management of proceeds is overseen by the Bank's Medium- and Long-Term Funding Department. The Bank tracks and allocates proceeds through a portfolio approach and intends to allocate all proceeds within 36 months after issuance. Pending allocation of net proceeds or in case of insufficient eligible assets, Millennium intends to invest the balance of the net proceeds in cash, cash equivalent, or other liquid instruments that are in line with the Bank's liquidity management policy. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
|---|--|

- | | |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Millennium intends to report on allocation and impact of proceeds on its website on an annual basis until full allocation. Millennium's allocation report may include the total amount of bonds issued, total amount of proceeds allocated by category, and amount of unallocated proceeds. In addition, Millennium is committed to reporting on relevant impact metrics. Sustainalytics views Millennium's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): amount of unallocated proceeds | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): Number of companies supported, number of jobs created and/or maintained |

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (*please specify*):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines

specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

- iv. Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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