

REPORT REVIEW

Sella Group Green Bond Allocation and Impact Report

Green Bond Allocation and Impact Report Sella Group

18 March 2024

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">Green Bond Allocation and Impact Report
Relevant standard(s)	<ul style="list-style-type: none">Harmonised Framework for Impact Reporting (HFIR), updated June 2023, as administered by the International Capital Market Association (ICMA)Sella Group's Green Bond Allocation and Impact Report (as of February 15, 2024)
Scope of verification	<ul style="list-style-type: none">Sella Group's Green Bond Framework (as of December 14, 2022)Bond(s) identification: IT0005532921 / A 5-year bond, which matures on March 21, 2028 (EUR 100,000,000)
Lifecycle	<ul style="list-style-type: none">Post-issuance verification
Validity	<ul style="list-style-type: none">As long as no changes are undertaken by the Issuer to its Green Bond Allocation and Impact Report as of February 15, 2024

CONTENTS

SCOPE OF WORK.....	3
ASSESSMENT SUMMARY.....	4
REPORT REVIEW ASSESSMENT.....	6
PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN BOND FRAMEWORK	6
PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING.....	8
PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS.....	12
ANNEX 1: Methodology	17
ANNEX 2: Quality management processes	18
About this Report Review	19

SCOPE OF WORK

Sella Group (“the Issuer”) commissioned ISS-Corporate to provide a Report Review with Limited Assurance¹ on its Green Bond Allocation and Impact Report by assessing:

1. The alignment of the Sella Group’s Green Bond Allocation and Impact Report with the commitments set forth in Sella Group’s Green Bond Framework (as of December 14, 2022)².
2. Sella Group’s Green Bond Allocation and Impact Report - benchmarked against the Harmonised Framework for Impact Reporting (HFIR), updated June 2023, as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Green Bond issued.

¹ A limited or reasonable assurance is provided on the information presented in Sella Group Green Bond Allocation and Impact Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Standards (Green Bond/Social Bond/SLB Principles) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer [or Sella Group] is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles as of December 14, 2022.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>Sella Group's Green Bond Allocation and Impact Report meets the Issuer's commitments set forth in the Green Bond Framework. The proceeds have been used to (re)finance Green Buildings in accordance with the eligibility criteria defined in the Framework.</p>	<p>Aligned</p>
<p>Part 2</p> <p>Alignment with the Harmonised Framework for Impact Reporting</p>	<p>The Green Bond Allocation and Impact Report is in line with ICMA's Harmonised Framework for Impact Reporting. The Issuer follows core principles and where applicable key recommendations.</p> <p>Sella Group adheres to the core principles by reporting the allocation from green bonds annually until full allocation, illustrating the environmental impacts or outcomes, employing ESG risk management, and transparently tracking the allocation of proceeds.</p>	<p>Aligned</p>
<p>Part 3</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework³.</p> <p>Sella Group's Green Bond Allocation and Impact Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices.</p>	<p>Positive</p>

³ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

**Limited
Assurance
Conclusion**

Based on ISS-Corporate Limited Assurance methodology⁴, Part I, II, and the sampling check assessment results nothing has come to ISS-Corporate attention indicating that the information provided by the Issuer in its Report does not present fairly, in all material respects, the allocation of the bond proceeds to eligible Green Projects as described in the Issuer's Bond Framework.

⁴ ISS-Corporate limited assurance procedure is based on common market practices and voluntary guidelines, such as ISAE 3000. It solely relies on the analysis of the information provided by the Issuer, which remains the responsibility of the Issuer, including data on the allocation of proceeds, project descriptions, sample portfolios, and impacts of projects. The External Review was conducted through desk-based analysis, and no on-site visits were conducted. However, limited assurance reviews have inherent limitations, and they may not be able to detect all instances of non-compliance in the matters being reviewed, including fraud, error, or non-compliance. We prepared this External Review for the Issuer, and we do not assume any responsibility for any reliance on this report by any persons or users other than the party for whom it was prepared.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN BOND FRAMEWORK⁵

The following table evaluates the Green Bond Allocation and Impact Report against the commitments set forth in Sella Group’s Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

HARMONISED FRAMEWORK FOR IMPACT REPORTING	OPINION	ALIGNMENT WITH COMMITMENT
<p>1. Use of Proceeds</p>	<p>Sella Group confirms to follow the Use of Proceeds’ description provided by Sella Group’s Green Bond Framework. The report is in line with the initial commitments set in Sella Group’s Green Bond Framework: Green Buildings.</p> <p>The Issuer’s green categories align with the project categories and are in accordance with the eligibility criteria set in Sella Group’s Green Bond Framework. Environmental benefits at category level are described and quantified.</p> <p>The Issuer provides an analysis of the environmental benefits of the project categories, defines the percentage of assets that are refinanced or financed, and defines exclusion criteria for harmful project categories, in line with best market practices.</p>	<p>✓</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>Sella Group confirms to follow the Process for Project Evaluation and Selection description provided by Sella Group’s Green Bond Framework. The report is in line with the initial commitments set in Sella Group’s Green Bond Framework: Green Buildings.</p> <p>The selected projects are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the</p>	<p>✓</p>

⁵ The Issuer’s Green Bond Framework was assessed as aligned with the GBP (as of June, 2021) as of December 14, 2022.

	<p>project categories are identified and managed through an appropriate process.</p> <p>The Issuer defines responsibilities in the process for project evaluation and selection and is transparent about it, and involves various stakeholders in this process, in line with best market practices.</p>	
3. Management of Proceeds	<p>Sella Group confirms to follow the Process for Management of Proceeds description provided by Sella Group’s Green Bond Framework. The report is in line with the initial commitments set in Sella Group’s Green Bond Framework: Green Buildings.</p> <p>The proceeds collected are equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process.</p>	✓
4. Reporting	<p>The Sella Group Impact Report is coherent with the Reporting description provided by Sella Group’s Green Bond Framework. The report is in line with the initial commitments set in Sella Group’s Green Bond Framework: Green Buildings.</p> <p>The sections “Allocation reporting” and “Impact Reporting” of the Green Bond Allocation and Impact Report comply with the pre-issuance commitment expressed in the Framework. The report is intended to be publicly available on the Issuer’s website.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	✓
5. Verification	<p>ISS ESG has provided a Second Party Opinion (SPO) on Sella Group’s Green Bond Framework.</p>	

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the Green Bond Principles and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bond Issuers are required to report on both the use of green bond proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. Harmonised Framework for Impact Reporting has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Sella Group’s Green Bond Allocation and Impact Report against ICMA’s Harmonised Framework for Impact Reporting.

CORE PRINCIPLES		
ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Reporting on an annual basis	Sella Group has reported within one year from issuance and all the proceeds have been fully allocated. The report will be available on Sella Group’s website.	✓
Illustrating the environmental impacts or outcomes	The assessment and measurement of the impacts generated by Sella Group Green Bond(s) covers the following areas: a. Environmental classification (EPC Label)	✓
ESG Risk Management	The Issuer has created a Green Bond Framework (GBF) Commission that oversees the eligibility of Green Assets to be financed under the Green Bond Framework. The GBF Commission is made up of senior members from the Sustainability, Group Finance, and all the relevant product departments that contribute to the origination of Green Eligible Assets. As part of their responsibilities, the GBF commission annually assesses the impacts stemming from the activities included in the categories of Eligible Assets, as well as identifying and managing potential ESC risks associated to the Eligible Assets.	✓

Allocation of proceeds - Transparency on the currency	All Green Bond-related cash-flows are reported in one currency (EUR) when allocating the Green Bond proceeds and reporting on the category.	✓
--	---	---

RECOMMENDATIONS

ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	No projects were added or removed during the reporting period.	-
Disclose total amount of proceeds allocated to eligible disbursements	A total of EUR 100 m has been raised through Issuer’s Green Retail Bond. 100% of the proceeds have been allocated to Green Assets.	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	The Issuer followed a transparent process for the allocation of proceeds. During the allocation process, the GBF Commission identified Eligible Assets with the adequate EPC certification, breaking down the number of assets under each EPC certification.	✓
Report at project or portfolio level	The Green Bond Allocation and Impact Report includes the total amount of proceeds allocated per eligible project category, type within categories and per geographical breakdown (country). Reporting is done at portfolio level.	✓
Describe the approach to impact reporting	The Issuer identifies the specific eligible projects and clearly defines, for each EPC Certification, the total project’s allocated proceeds.	✓
Report the estimated lifetime results and/or project economic life (in years)	The Issuer reports solely on EPC Certifications, which does not have an estimated lifetime result.	-

<p>Ex-post verification of specific projects</p>	<p>The Issuer did not conduct an ex-post verification and no ex-ante assumptions were made.</p>	<p>-</p>
<p>Report on at least a limited number of sector specific core indicators</p>	<p>The Sella Group reports on certification standards (EPCs) that is a core indicator for the Green Building sector.</p> <p>A description of core environmental impacts for each target area is available in the report:</p> <ul style="list-style-type: none"> ▪ EPC Label (Class A or B), belonging to the top 15% in Italy in terms of carbon-efficient buildings. 	<p>✓</p>
<p>If there is no single commonly-used standard, Issuers may follow and disclose their own calculation methodologies</p>	<p>Sella Group uses the single commonly-used standard of EPC Certifications as their indicator. All assets financed under the Green Bond are classified under EPC Certifications and no calculation methodology is required.</p>	<p>✓</p>
<p>Disclosure on the conversion approach (if applicable)</p>	<p>The Issuer does not elect to convert units reported for individual projects based on a standard conversion factor.</p>	<p>-</p>
<p>Projects with partial eligibility</p>	<p>The Issuer does not include projects with partial eligibility.</p>	<p>-</p>
<p>When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach</p>	<p>The Issuer only reports on one project category and no separate reporting approach or attribution approach is required.</p>	<p>-</p>

OPINION

Sella Group follows the Harmonised Framework for Impact Reporting's core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best practices. Sella group reports the allocation of green bonds annually until full allocation applying a formal internal process to track proceeds, outlining the allocation of the Green Bond Pool to the respective green project categories, and reporting on the single commonly-used standard EPC Certification.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to putting the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories and projects.

The Use of Proceeds allocation reporting occurred within one year from the issuance, after the full allocation of the proceeds.

Proceeds allocated to eligible projects/assets

The proceeds' allocation is broken down at the project category level, by energy class of the buildings, and by regions. The Issuer has provided details about the type of projects included in the portfolio.

The allocation report section of the Green Bond Allocation and Impact Report of Sella Group aligns with best-market practices by providing information on:

- The total amount of proceeds dedicated to re-financing
- The total amount of proceeds in million euros
- The breakdown per EPC levels of the buildings financed and re-financed
- The allocated net proceeds breakdown per EPC levels
- The allocated net proceeds breakdown per loan rate type
- The breakdown of financed and re-financed loans per region
- The breakdown of allocated proceeds in million euros per region

Impact Reporting Indicators





The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <ul style="list-style-type: none"> ▪ Number of environmental labels obtained or improved ▪ Total amount of green buildings divided by EPC level <p>This indicator is qualitative, quantitative, and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics for Green Building Projects by the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds. This aligns with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>For its impact indicator(s), the Issuer uses Internationally recognized certification standards for Green Buildings such as Energy Performance Certificates (EPCs), in line with the core indicator proposed by the ICMA Harmonized Framework for Impact Reporting (for Social Bonds). All the buildings financed have an EPC certification (APE in Italy).</p>
<p>Baseline selection</p>	<p>The impact data is compared with relevant baseline since regional, national, or internationally recognized standards provide important baselines against which the green building project can be benchmarked. The Issuer chose the Energy Performance Indicators of the buildings as eligible categories, the report is in line with the suggestion of the ICMA Harmonized Framework for Impact Reporting.</p>
<p>Scale and granularity</p>	<p>The impact data is presented at the Use of Proceed category level for the indicator(s).</p>

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Group’s Green Bond Allocation and Impact Report, the impact indicator(s) adopted

by Sella Group for its green bond can be mapped to the following SDGs, according to the ICMA "A High -Level Mapping to the Sustainable Development Goals"⁶.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<p>Number of environmental labels obtained or improved</p>	 
<p>Total amount of green buildings divided by EPC level</p>	 

OPINION

The allocation of the bond’s proceeds has been disclosed, with a detailed breakdown across different eligible categories as proposed in the Framework, and the Green Bond Allocation and Impact Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA’s recommended metrics in the HFIR.

⁶ [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as no changes are undertaken by the Issuer to its Green Bond Allocation and Impact Report as of February 15, 2024.
2. ISS-Corporate, a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
3. External Reviews are based on data provided by the party to whom the External Review is provided ("Recipient"). ISS-Corporate does not warrant that the information presented in this External Review is complete, accurate or up to date. ISS-Corporate will not have any liability in connection with the use of these External Reviews, or any information provided therein.
4. Statements of opinion and value judgments given by ISS-Corporate are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the External Review is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above. Statements of opinion and other judgments given by ISS-Corporate are based on the information provided by the Recipient during the preparation of the External Review and may change in the future, depending on the development of market benchmarks, even if ISS-Corporate is requested by the Recipient to provide another External Review on the same scope of work.
5. This External Review, certain images, text, and graphics contained therein, and the layout and company logo of ISS-Corporate, are the property of ISS-Corporate (or its licensors) and are protected under copyright and trademark law. Any use of such ISS-Corporate property requires the express prior written consent of ISS-Corporate. The use shall be deemed to refer in particular to the copying or duplication of the External Review wholly or in part, the distribution of the External Review, either free of charge or against payment, or the exploitation of this External Review in any other conceivable manner.

The Recipient that commissioned this report may have purchased self-assessment tools and publications from ISS-Corporate or ISS-Corporate may have provided advisory or analytical services to the Recipient. If you are an institutional client of ISS, you may inquire about any Recipient's use of products and services from ISS-Corporate by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS-Corporate exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

The parent company of Institutional Shareholder Services (“ISS”), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG (“DB”) with the remainder owned by Genstar Capital (“Genstar”) and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo,

another entity controlled by DB, with General Atlantic to become the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management’s ownership of ISS are withdrawn.

© 2024 | Institutional Shareholder Services Inc. and/or its affiliates

ANNEX 1: Methodology

Review of the post-issuance Reports

The ISS-Corporate Report Review provides an assessment of labelled transactions reporting against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Report-Reviews.pdf>

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to which the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Sella Group's Green Bond Allocation and Impact Report
- Sella Group's Green Bond Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS-CORPORATE'S VERIFICATION PROCESS

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

This independent Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Sella Group took place from January to March 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

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

About this Report Review

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

We assess the alignment of the Issuer's report with external principles (e.g., ICMA Green / Social Bond Principles, ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the alignment of the Issuer's Report against the commitments in the respective Framework, and analyze the disclosure of proceeds allocation, the data source, and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well as informed as possible about the proceeds allocation and the impact of the sustainability finance instrument(s).

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on Report Review services, contact: SPOsales@isscorporatesolutions.com

Project team

Project lead

Marco Casanova Escribano
Analyst
Sustainable Finance Research

Project support

Claudia Muñoz Carmona
Associate
Sustainable Finance Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research