

## SECOND PARTY OPINION (SPO)

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Verification of the Sustainability Quality of the Issuer and Social Asset Pool

Cassa Depositi e Prestiti S.p.A  
15 January 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Social Bond 2021</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• CDP Green, Social and Sustainability Bond Framework (as of September 2020)</li><li>• CDP Social Asset Portfolio (as of 10.12.2020.)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• This SPO is valid as long as no new project categories are added to the framework and there are no material changes to the asset pool</li></ul>

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## Overall Evaluation of the Social Bond

Cassa Depositi e Prestiti S.p.A (CDP) commissioned ISS ESG to assist with its Social Bond 2021 by assessing three core elements to determine the sustainability quality of the instrument:

1. CDP's sustainability performance, according to the ISS ESG Corporate Rating.
2. CDP's Green, Social and Sustainability Bond Framework – benchmarked against the International Capital Market Association's (ICMA) Social and Green Bond Principles and Sustainability Bond Guidelines (SBGs).
3. The social asset pool – whether the projects contributes positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).

### ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b>  <b>Issuer sustainability performance</b>	<p>The issuer itself shows a moderate sustainability performance and has been given a rating of 'C-', which classifies it just below the 'Prime' threshold of 'C', according to the methodology of the ISS ESG Corporate Rating.</p> <p>It is rated 22<sup>nd</sup> out of 41 companies within its sector as of 15.01.2021. This equates to a medium relative performance, with a Decile Rank<sup>2</sup> of 6. The issuer also achieved a very high transparency level.</p>	<p><b>Status:</b> <i>NOT PRIME</i></p> <p><b>Rating:</b> C-</p> <p><b>Decile Rank:</b> 6</p>
<b>Part 2:</b>  <b>Alignment with GBPs, SBPs and SBGs</b>	<p>The issuer has defined a formal concept for its Green, Social and Sustainability Bond framework regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with ICMA's GBPs, SBPs, SBGs.</p>	<p><b>Positive</b></p>
<b>Part 3:</b>  <b>Sustainability quality of the social asset pool</b>	<p>The overall sustainability quality of the social asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Social Bond 2021 will (re-)finance eligible assets which include SME financing in Italy, and Mid-Cap financing for companies located in economically underperforming Italian areas.</p> <p>This use of proceed category has a significant contribution to SDG 8 'Decent work and economic growth'.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on CDP's Green, Social and Sustainability Bond Framework, on the analysed social asset pool as received on the 10.12.2020, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 01.10.2020).

<sup>2</sup> Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.

## ISS ESG SPO ASSESSMENT

### PART I: ASSESSMENT OF CDP's ESG PERFORMANCE

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. The overall analysis is graded on a twelve-point scale from A+ (the company shows excellent performance) to D- (the company shows poor performance or fails to demonstrate any commitment to appropriately address the topic). "Prime" status is granted to industry leaders who fulfill demanding performance expectations. Industry leaders are considered the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

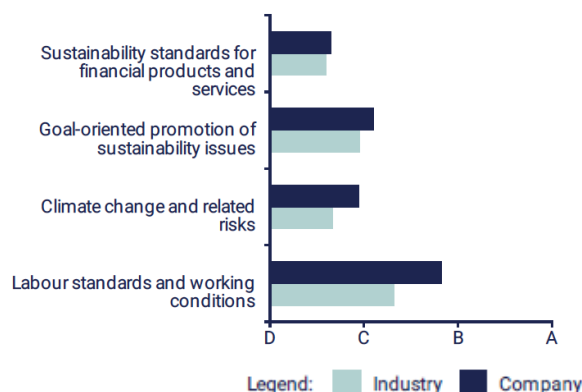
COMPANY	STATUS	RATING	DECILE RANK	TRANSPARENCY LEVEL
CDP	NOT PRIME	C-	6	VERY HIGH

This means the company sustainability performance is moderate, both compared against industry peers as well as in terms of the industry-specific requirements defined by ISS ESG.

#### ESG performance

As of 15.01.2021, this Rating places CDP 22<sup>nd</sup> out of 41 companies rated by ISS ESG in the Financials/Development Banks sector.

#### Key Issue Performance



Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

#### Sustainability Opportunities

According with its role of National Promotional Institution and Financial Institution for Development Cooperation, Cassa Depositi e Prestiti supports, through a wide range of financial services, the development of the socio-economic system in Italy and abroad. It supports several initiatives with a high social benefit including loans to social infrastructure and the provision of capital for microcredit institutions and social enterprises. The company is also the largest Italian player in the social housing market. With regard to the environment, Cassa Depositi e Prestiti finances projects in the energy efficiency, renewable energy, and clean urban transport sectors.

### *Sustainability Risks*

With regard to sustainability in financing activities, Cassa Depositi e Prestiti applies the IFC performance standards which is valid for its international finance and export credit activities.

Cassa Depositi e Prestiti also claims to have developed an impact assessment model that follows the entire investment chain in an integrated manner, from the origination phase to the final measurement of ex-post impacts.

Moreover, the company demonstrates an approach to integrating ESG in equity investment decisions. In the social dimension, the company addresses some customer-related risks regarding clients with debt repayment problems and ensures goal-oriented financial services through monitoring and ex-post impact assessments of some of its financed activities. Cassa Depositi e Prestiti has implemented good measures to ensure employee well-being, such as offering work-life balance options and implementing a health and safety management system.

Finally, Cassa Depositi e Prestiti has a code of conduct covering almost all important compliance topics. To ensure the application of the policy, the company provides compliance training, compliance risk assessments and audits, as well as anonymous reporting channels.

### *Governance opinion*

While Cassa Depositi e Prestiti's board chair is considered independent, it remains unclear whether most of the remaining board members are independent and thus whether there are independent committees for audit, nomination and remuneration in place (as of July 2020). The company discloses its remuneration policy for the CEO only, including long-term components, which could incentivize sustainable value creation. It must be noted however, that given the particular nature of CDP's operations, the composition of the Board of Directors varies depending on the type of funds used for the transactions. Regarding the company's governance of sustainability, there is no evidence of a committee tasked with the supervision of sustainability issues.

Moreover, while the company states that sustainability performance objectives are integrated into the variable remuneration of members of the executive management team, there are no details available. Cassa Depositi e Prestiti has a code of conduct covering almost all important compliance topics. To ensure the application of the policy, the company provides compliance training, compliance risk assessments and audits, as well as anonymous reporting channels.

### *Breaches of international norms and ESG controversies*

The company is not facing any controversy.

## PART II: ALIGNMENT WITH THE GREEN AND SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

### 1. Use of Proceeds

An amount equal to the proceeds from the issue of the Bonds will be exclusively allocated to finance or re-finance, in whole or in part, new and/or existing *Eligible loans/projects* that fall into the Eligible Categories and meet the Eligibility Criteria specified herein. The Eligible Categories are:

- Infrastructures and Development of Cities;
- SMEs and Corporate Financing;
- Social Housing; and
- Green Energy and Environmental Sustainability.

Each CDP's Green, Social and Sustainability Bond may focus on one, more than one or even on all of the above-mentioned Eligible Categories and it will be a tool contributing to promote the sustainable development.

- **Infrastructure and development of cities**

The proceeds derived from the issuance of CDP Green, Social and Sustainability Bonds will be exclusively used to finance or re-finance, in whole or in part, new and/or existing Eligible loans/projects aimed to foster, in particular, the sustainable growth and development of Italy, and eventually of selected developing countries, through the promotion of urban transformations, infrastructures development and general-interest projects.

CDP believes that Green, Social and Sustainability Bonds are an effective tool to channel investments to assets that have social and green objectives and benefits, thereby contributing to the improvement of living conditions in urban agglomerates, both in cities and underserved areas, for the entire population and to the development of territorial competitiveness.

Examples of target population include, but are not limited to, public services and social infrastructure (public health, public school services and buildings, environmental services, etc), disadvantaged groups, people living in unserved areas as well as in areas economically underperforming and/or devastated by natural and/or health disasters<sup>3</sup> (earthquakes, floods, pandemics, etc.).

Further details are described in the table below:

SUB-CATEGORIES	GBP/SBP CATEGORIES	ELIGIBILITY CRITERIA	EXAMPLE OF ELIGIBLE LOANS/PROJECTS
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<sup>3</sup> According to law and applicable regulations.

<p><b>Healthcare</b></p>	<p>Social categories:</p> <ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Socioeconomic advancement and empowerment</li> <li>• Affordable basic infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Activities that improve the capacity of all countries for provisions of free and subsidized healthcare services with particular focus to the underserved areas or vulnerable populations</li> </ul>	<ul style="list-style-type: none"> <li>• Financing the construction, development, maintenance or renovation of healthcare facilities, medical equipment and technologies for the improvement and protection of public health</li> <li>• Financing healthcare facilities for providing access to affordable public services to low socio-economic groups</li> </ul>
<p><b>Water and Sanitation</b></p>	<p>Social categories:</p> <ul style="list-style-type: none"> <li>• Affordable basic infrastructure</li> <li>• Socioeconomic advancement and empowerment</li> </ul> <p>Green categories:</p> <ul style="list-style-type: none"> <li>• Sustainable water and wastewater management</li> </ul>	<ul style="list-style-type: none"> <li>• Improving access to water and sanitation services</li> <li>• Improve existing sanitation facilities and sewers</li> <li>• Increase water - use efficiency</li> <li>• Improving wastewater treatment performance and better access to drinking water</li> </ul>	<ul style="list-style-type: none"> <li>• Financing infrastructures related to water treatment facilities, such as raw water abstraction and transfer infrastructure, water treatment plants, water distribution networks, water storage</li> <li>• Financing water network construction, maintenance and upgrade</li> <li>• Financing wastewater treatment plants, such as sewage networks, wastewater treatment plants, on-site sanitation facilities</li> </ul>
<p><b>Education</b></p>	<p>Social categories:</p> <ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Socioeconomic advancement and empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Activities that improve educational infrastructure</li> <li>• Activities that foster a successful integration of disadvantaged groups in the education system</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of new schools, campus, student housing, including school sports facilities, providing accessible and affordable services to the population</li> <li>• Financing the renovation, upgrade, safety, seismic retrofitting and energy efficiency of existing schools' buildings, providing accessible and affordable services to the population</li> </ul>
<p><b>Digitalisation &amp; Smart Cities</b></p>	<p>Social categories:</p> <ul style="list-style-type: none"> <li>• Affordable basic infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Develop quality and sustainable infrastructures for all that contributes to the improvement of living</li> </ul>	<ul style="list-style-type: none"> <li>• Financing the construction, equipping, or maintenance of clean transportation facilities of rail transportation projects for</li> </ul>

	<ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Socioeconomic advancement and empowerment</li> </ul> <p>Green categories</p> <ul style="list-style-type: none"> <li>• Clean Transportation</li> <li>• Green Buildings</li> </ul>	<p>conditions in urban agglomerations and underserved areas</p> <ul style="list-style-type: none"> <li>• Activities that expand or maintain access to sustainable transport systems</li> <li>• Activities that improve the construction and the maintenance of sustainable and resilient buildings</li> </ul>	<p>public use</p> <ul style="list-style-type: none"> <li>• Financing of recreational facilities such as parks, swimming pools, green and public spaces and similar, providing affordable access to all.</li> <li>• Financing the upgrade in infrastructure for the improvement of public utility grid as, for example, electricity, gas, optical fiber, etc.</li> <li>• Support digitalization and virtualization</li> <li>• Financing of roads in underserved, internal or isolated area</li> <li>• Financing the construction, equipping, or maintenance of clean transportation facilities, such as cycleways, pedestrian thoroughfares and other transportation infrastructure contributing to the reduction of harmful emissions</li> <li>• Financing the construction, refurbishment or maintenance of energy efficient buildings, including public service, recreational facilities, commercial and residential buildings in line with existing environmental standards<sup>4</sup></li> <li>• Construction, upgrade, safety and seismic retrofitting of public facilities and buildings</li> <li>• Requalification of the country's urban infrastructure, providing universal access to safe public spaces.</li> </ul>
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<sup>4</sup> Construction of new buildings, developments or renovation of existing buildings (including public services, commercial, residential and recreational) which meet recognised environmental standards, such as, for example: LEED –gold, BREEAM – good/very good, HQE –very good/excellent, CASBEE – A (very good)/ S (excellent) or equivalent or, buildings which have reduced life cycle consumption of energy levels of at least 20% less than statute/city baseline. If available, other criteria will be available within the Report, based on the specific typology of loans/projects financed.





- **SMEs and Corporate Financing**

The proceeds derived from the issuance of CDP Green, Social and Sustainability Bonds will be exclusively used to finance or re-finance, in whole or in part, new and/or existing Eligible loans/projects which are not dedicated to any other type of specific funding and have a positive social impact.

CDP is a key player in the sustainable development of the Italian economy as it provides financial support to national enterprises in order to protect their economic sustainability and increase their competitiveness. Indeed, CDP provides loans to Italian companies both indirectly and directly supporting the entire potential lifecycle of a company, from startup to restructuring, with a particular focus on long term investments and research and development

With reference to the SMEs<sup>5</sup>, which represent the majority of Italian companies, CDP encourages access to credit, through the Italian Banking system<sup>6</sup>. Given their key role in economic growth and the context of high unemployment rate in Italy, supporting SMEs is of crucial importance. For this purpose, CDP has put in place development policies through the management of lending, based on specific legislation, and economic support mechanisms to provide liquidity to Italian SMEs through structured interventions in close synergy with financial institutions and facilitating their access to credit.

Moreover, CDP also provides Italian companies<sup>7</sup> with direct lending especially financing projects involving social, cultural or innovative initiatives and also supporting companies in temporary need or that are negatively affected by natural and/or health disaster in order to protect their self-sufficiency and preserve local employments.

CDP believes that Green, Social and Sustainability Bonds are an effective tool to channel investments to assets that have social objectives and benefits and thereby contribute to the improvement of living and working conditions for people living below the poverty line and underserved populations, and to the employment preservation and generation in concerned areas.

The proceeds of the CDP Green, Social and Sustainability Bonds will be used to fund loans to Italian SMEs and other corporates with the aim to foster Italian employment and economic growth through the support of areas and populations affected by natural and/or health disasters (earthquakes, floods, pandemics, etc.) or economically underperforming Italian areas<sup>8</sup>.

Examples of target population include SMEs, *Eligible companies* as well as areas economically underperforming and/or devastated by natural and/or health disasters (earthquakes, floods, pandemics, etc.).

More details are described in the table below:

<sup>5</sup> Companies employing fewer than 250 persons, according to the EU recommendation 2003/361/CE.

<sup>6</sup> Based on specific agreements with the Italian Banking Association (ABI) with established criteria for allocating CDP funding, granting uniform and transparent terms of conditions to access.

<sup>7</sup> According to CDP definition. In relation to extraordinary situations (*i.e.*, natural and/or health disaster), CDP may select the *Eligible companies* to be financed or re-financed on the basis of additional specific criteria.

<sup>8</sup> For example, Italian regions with a level of GDP (gross domestic product at market prices per inhabitant) lower than the national average.

GBP/SBP CATEGORIES	ELIGIBILITY CRITERIA	EXAMPLE OF ELIGIBLE LOANS/PROJECTS
<p>Social categories:</p> <ul style="list-style-type: none"> <li>Affordable basic infrastructure</li> <li>Access to essential services</li> <li>Socioeconomic advancement and empowerment</li> </ul>	<ul style="list-style-type: none"> <li>Support Italian employment</li> <li>Improve the Italian economic growth through the support of companies facing natural and health disasters or based in economically underperforming Italian areas</li> <li>Support the Italian companies in order to promote socioeconomic development of territories, their growth and international expansion</li> <li>Support access to credit of small-scale industrial and other companies</li> </ul>	<ul style="list-style-type: none"> <li>Financing to Italian companies that promotes and support country development as, for example, companies active in social tourism and culture sectors.</li> <li>Financing to SMEs, including start-ups</li> <li>Support the access to banking and financial services in underserved area</li> <li>Promote sustainable tourism that creates jobs and promotes local culture and products</li> <li>Financing the preservation, protection and conservation of all cultural and natural heritage, by type of heritage, level of government, type of expenditure and type of private funding</li> <li>Financing companies operating in social infrastructure sector, supporting their access to banking and financial services</li> <li>Financing to enterprises for investment in research and development</li> </ul>

• **Social Housing**

The proceeds derived from the issuance of CDP Green, Social and Sustainability Bonds will be exclusively used to finance or re-finance, in whole or in part, new and/or existing Eligible loans/projects, such as CDP equity financing in the Fondo Investimenti per l’Abitare (FIA), which is managed by CDP Investimenti Sgr since 2010. These Bonds are an effective tool to channel investments to assets that have social objectives and benefits and thereby contribute to the improvement of housing conditions.

Examples of target population include, but are not limited to, people living without adequate housing and household in position of exclusion.

More details are described below:

GBP/SBP CATEGORIES	ELIGIBILITY CRITERIA	EXAMPLE OF ELIGIBLE LOANS/PROJECTS
<p>Social categories:</p> <ul style="list-style-type: none"> <li>Access to housing</li> <li>Affordable basic infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Projects that increase the access to social housing aiming to support people living in social and economic difficulties and person living without adequate housing</li> </ul>	<ul style="list-style-type: none"> <li>Construction, renovation or upgrade of social housing in Italy as to provide decent housing</li> </ul>

• **Green Energy and Environmental Sustainability**

The proceeds derived from the issuance of CDP Green, Social and Sustainability Bonds will be exclusively used to finance or re-finance, in whole or in part, new and/or existing loans/projects which are dedicated to the support of energy transition and the promotion of environmental sustainability.

CDP believes that Green, Social and Sustainability Bonds are an effective tool to channel investments to assets that have green objectives towards a low-carbon and more climate resilient economy, befitting the entire population.

More details are described below:

GBP/SBP CATEGORIES	ELIGIBILITY CRITERIA	EXAMPLE OF ELIGIBLE LOANS/PROJECTS
<p>Green categories:</p> <ul style="list-style-type: none"> <li>• Renewable energy</li> <li>• Energy efficiency</li> <li>• Pollution prevention and control</li> <li>• Environmentally sustainable management of living natural resources and land use</li> <li>• Climate change adaptation</li> <li>• Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area</li> <li>• Reduction of GHG emission, due to low-carbon energy use and/or energy recovery</li> <li>• Projects aiming at reducing the impacts of climate change</li> <li>• Projects aiming at developing local renewable energy production and/or energy recovery</li> <li>• Activities that improve waste management</li> <li>• Projects aiming at extending useful life of products and assets</li> <li>• Projects aiming at reducing virgin material consumption and waste generation</li> </ul>	<ul style="list-style-type: none"> <li>• Renewable energy projects including wind, solar, hydro power<sup>9</sup>, biomass<sup>10</sup>, geothermal, and their associated components</li> <li>• Energy efficiency projects such as in new and refurbished buildings, energy storage, smart grid solutions, appliance and products, such as LED street lighting</li> <li>• Public lighting</li> <li>• Natural disaster prevention</li> <li>• Financing recycling or composting projects to divert waste from landfill</li> <li>• Construction/refurbishment of energy efficient, thermal insulation for buildings in line with existing environmental standard<sup>11</sup></li> <li>• Product life extension or increased intensity of use</li> <li>• Repurposing, refurbishment and/or retrofitting of end-of-life or redundant immovable assets</li> <li>• Recovery of secondary materials, chemicals, re-usable products and parts from waste, production residues for reuse or recycling</li> </ul>

**Excluded Categories and limitations**

<sup>9</sup> Hydro projects up to 20 MW in installed capacity or, if larger than 20 MW, satisfying International Finance Corporation (IFC) Standards

<sup>10</sup> Biomass projects may be included subject to availability of adequate raw materials, locally produced and derived from cultivation byproducts, lignocellulosic materials, manure and organic waste. Vegetable oils and other dedicated cultivations are eligible in compliance with applicable regulations and lack of conflicting utilization of the resources with human consumption.

<sup>11</sup> And as defined in footnote 5.

CDP will not allocate proceeds received from the issuance of Green, Social and Sustainability Bonds to recipients either directly operating, involved in the supply chain or distribution in the following sectors:

- Tobacco
- Raising of fur animals and manufacture of fur items
- Extraction and support extraction activities of natural gas, crude oil and other products deriving from oil refining
- Nuclear power generation and treatment of nuclear fuels
- Fertilizers
- Distilling, rectifying and blending of spirits
- Explosives, weapons and ammunition
- Military fighting vehicles and ballistic missiles
- Gambling and betting activities / adult entertainment

**Opinion:** ISS ESG considers the Use of Proceeds description provided by CDP Green, Social and Sustainability Bond Framework as aligned with the 2020 SBPs, with the 2018 GBPs and SBGs, and with market best practices. Expected environmental and social benefits are clearly displayed in a granular way and the eligible categories are aligned with the broader strategy of the issuer toward sustainability. Examples of eligible projects are displayed, something that goes beyond the usual Use of Proceeds categories descriptions in the market. Moreover, the issuer includes clear exclusion criteria.

## 2. Process for Project Evaluation and Selection

A dedicated Green, Social and Sustainability Bond Working Group has been established to create this Green, Social and Sustainability Bond Framework, manage any future updates to the Framework, including expanding the list of Eligible Categories and oversee its implementation.

The Green, Social and Sustainability Bond Working Group is composed of representatives from CDP's:

- Finance department;
- Relevant business departments;
- Investor Relations & Rating Agencies department; and
- Sustainability department.

The CDP Green, Social and Sustainability Bond Working Group has defined the evaluation and selection process and the Green, Social and Sustainability Bond Framework implementation. It will select loans/projects to be financed among those already financed in CDP's portfolio and in the pipeline, according to the evaluation and selection criteria described in the Use of Proceeds section. In particular:

- Each relevant business department may propose a portfolio of loans/projects to be considered as eligible to Green, Social and/or Sustainability Bond financing, accordingly to CDP Framework requirements;
- CDP Green, Social and Sustainability Bond Working Group will do a second analysis to approve, as appropriate, each proposed selected portfolio of loans/project based on the defined Eligible

- Categories that meet to the Eligibility Criteria;
- The final decision on the allocation of the loans/projects designated to the Bonds is taken by CDP Green, Social and Sustainability Bond Working Group.

These three phases of the process of evaluation and selection involves all relevant parties to ensure autonomy and independence in the respective activities.

**Opinion:** ISS ESG considers the Project Evaluation and Selection processes as aligned with the 2020 SBPs, and with the 2018 GBPs and SBGs. Relevant internal stakeholders are involved in this process thanks to the creation of a working group. The eligibility criteria are clearly defined and publicly disclosed and the process for project selection is structured and transparent.

### 3. Management of Proceeds

The Working Group will ensure an accurate allocation of proceeds, reviewing the disbursements made and the investments that will be made. The Working Group will be in charge for the purpose of identifying loans/projects that meet the Eligibility Criteria and allocating the bond proceeds from the treasury to these loans/projects.

The proceeds of the bonds will be allocated to Eligible loans/projects and in case of loan/project that would be no longer eligible with, CDP will use the proceeds to finance/re-finance other Eligible loans/projects which are compliant with the current Use of Proceeds section. Moreover, until full allocation, the Proceeds of the Bonds will be credited to CDP's treasury liquidity portfolio and managed in cash or in other short-term instruments in accordance with CDP's risk rules.

The unallocated funds of the bond will be managed within the CDP liquidity portfolio and will be invested in accordance with CDP's risk rules in money market activity such as, for example, marketable securities.

**Opinion:** ISS ESG considers the management of proceeds as aligned with the 2020 SBPs, and with the 2018 GBPs and SBGs. Appropriate tracking of the proceeds is in place and intended types of temporary investment instruments for unallocated proceeds are disclosed.

#### 4. Reporting

CDP will publish the Bond Report within approximately one year from the date of the issuance of each Green, Social and Sustainability Bond and annually thereafter, at least until the full allocation of the proceeds.

The Bond Report provide an overview of the Eligible loans/projects financed through the proceeds raised from the Green, Social and Sustainability Bond issuances and their social and / or environmental impacts, based on some impact indicators.

The Green, Social and Sustainability Bond Working Group will collect information from relevant departments and will produce the Bond Report, which will include, for example:

- the total amount of proceeds allocated per Eligible Categories/Loans/Projects;
- the bond proceeds allocated per region and sector of activity;
- the balance of unallocated proceeds, if any.

CDP will use qualitative or quantitative performance indicators<sup>12</sup> to communicate the expected impact of loans/projects<sup>13</sup>. For each of the Eligible Categories, CDP will report the loans/projects associated with the most relevant SDG(s).

The following are potential criteria<sup>14</sup> used for this analysis:

<sup>12</sup> The methodology used to estimate the impacts of the projects financed will be well described and made public in a report that will be published on CDP website [www.cdp.it](http://www.cdp.it) for each bond issue under the framework.

<sup>13</sup> The final impacts of the Eligible loans/projects will be evaluated highlighting the component directly related to CDP's contribution. The reporting indicators will be elaborate internally based on the relevant expertise including in the Working Group. Furthermore, CDP may consider to be assisted by an external expert to develop reporting indicators in order to better represent the social impacts of eligible projects.

<sup>14</sup> For each specific bond, a sub-set of these criteria will be used according to the characteristics of eligible projects, data availability and methodological issues

Eligible Categories	Indicative Reporting Criteria
<p>Infrastructures and Development of cities</p>	<p>Number of hospitals and other healthcare facilities built/upgrade            Number of patients and/or population of regions served by new/upgraded healthcare facilities            Number of water infrastructure projects built/upgrade            Percentage/size of populations provided access to clean water and/or sanitation            Number of tonnes of clean water provided            Water use efficiency            Wastewater treatment management            Number of schools built/upgraded            Number and type of initiatives supporting public university education            Number of students served            Number of residents benefitting from basic infrastructure new/upgraded which is otherwise not accessible (i.e. rail transportation, development road)            Type of basic infrastructure funded and number of projects per each type of affordable basic infrastructure            Type of essential service funded and number of projects per each type of essential service funded            Number of beneficiaries of social infrastructures            Length of rail tracks, cycle ways, roads, pedestrian thoroughfares (km)            Length of new/upgraded energy, water grids (km)            Number of residents reached by new/upgraded grids or by transportation services            Number of refurbished buildings and surface (square meters)            Number of passengers accommodated (estimate)            Rate of coverage of the digitalization initiatives in the concerned area</p>
<p>SMEs and Corporate Financing</p>	<p>Number of SMEs financed            Number of employees of the financed SMEs (estimate)            Number of enterprises that invest in research and development</p>
<p>Social Housing</p>	<p>Number of beneficiaries            Savings in terms of housing rents            Number of jobs supported by the projects            Number of dwellings renovated or constructed</p>

Eligible Categories	Indicative Reporting Criteria
Green Energy and Environmental Sustainability	Number and type of initiatives financed in the renewable energy field Number and type of initiatives financed in the waste management field Number and type of initiatives financed for the promotion and the growth of renewable energy production (estimate) Energy savings (estimate) Estimate of CO2 emissions avoided KW of clean energy provided Number of household/residents benefitting from affordable and clean energy which is otherwise not accessible Number of solar farms or wind farms Location and type of solar or wind farms Number of electric/hybrid/ low-emission vehicles provided Number of projects for recycling or composting projects to divert waste from landfill Number of initiatives supported to prevent natural disaster and to improve energy efficiency Number of projects in the field of circular economy

CDP may select alternative quantitative or qualitative indicators to report on the impact of loans/projects financed through the proceeds of the Green, Social and Sustainability Bonds, where it believes these to be relevant to the Eligible loans/projects.

The Reporting aims at informing the bondholders about key features of the loans/projects, in line with the best market practice. For this reason, CDP will give a summary of the impact of these Eligible loans/projects and some case studies will also be presented to highlight the qualitative impacts of CDP's lending, in accordance with the recognized international standards on impact reporting.

CDP's annual Green, Social and Sustainability Bonds Report will be available on CDP's website ([https://www.cdp.it/sitointernet/it/green\\_social\\_sust\\_bonds.page](https://www.cdp.it/sitointernet/it/green_social_sust_bonds.page)) and it could be integrated in CDP's annual sustainability report.

**Opinion:** ISS ESG considers the reporting as aligned with the 2020 SBPs, and with the 2018 GBPs and SBGs. The issuer gives great details about level, frequency, scope and duration of reporting for both allocation and impact reporting. Impact indicators are well defined, and intended public disclosure further enhances the quality of the reporting.

### External review

CDP has appointed as Second Party Opinion provider to verify the sustainability credentials of this framework and assess the alignment of this framework with the Green Bond Principles and the Sustainability Bond Guidelines issued in June 2018 and the Social Bond Principles issued in June 2020 by ICMA.

The Second Party Opinion will be made available on CDP's website at [https://www.cdp.it/sitointernet/it/green\\_social\\_sust\\_bonds.page](https://www.cdp.it/sitointernet/it/green_social_sust_bonds.page)



Furthermore, CDP will appoint an independent auditor to perform an assurance engagement of the Green, Social and Sustainability Bonds Report and/or the Second Party Opinion provider to review the compliance of Eligible loans/projects with the Eligibility Criteria.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

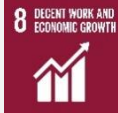
### A. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bond asset pool and using a proprietary methodology, ISS ESG assessed the contribution of the CDP’s Social Bond 2021 to the Sustainable Development Goals defined by the United Nations (UN SDGs). This assessment is based on an ISS ESG proprietary methodology while taking into account the sustainability quality of the social bond loan pool and the issuer’s specific sectorial context.

This assessment is displayed on 5-point scale (see Annex 2 for methodology):



Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Corporate financing and employment generation	Significant contribution <sup>15</sup>	

Moreover, the asset pool can also be associated to SDG 9 “industry, innovation and infrastructure” according to the issuer’s own mapping.

<sup>15</sup> This issuance/framework-specific assessment is diverging from the ISS ESG SDG assessment proprietary methodology. Based on bond-specific information provided by the issuer, ISS ESG assessed that the financing of SMEs and Mid-Caps in economically underperforming areas has a significant contribution to SDG 8 “Decent work and economic growth” when targeting employment generation.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SOCIAL ASSET POOL

### Corporate financing and employment generation

This category includes SME financing in Italy, and Mid-Cap financing for companies located in economically underperforming Italian areas.

As a Use of Proceeds category, Corporate financing and employment generation has a significant contribution to the SDG 8 “Decent work and economic growth”. The asset pool can also be associated to the SDG 9 “industry, innovation and infrastructure” according to the issuer’s own mapping.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs.

#### ASSESSMENT AGAINST ISS ESG KPIs

##### Exclusion of controversial activities

- ✓ Controversial business activities (e.g. coal and fossil fuel) are excluded from financing under this framework.

##### Non-discrimination

- ✓ For 100% of loans, policies and measures are in place to prohibit discrimination in the workplace.

##### Labour standards

- ✓ For 100% of loans granted to SME and Mid-Cap companies, high labour and health and safety standards are ensured (e.g. ILO core conventions).

##### Environmental management

- No information is available on assets for which comprehensive environmental management systems are in place. However, 100% of assets must implement measures in accordance with the national environmental legislations.

##### Controversy assessment

Due to a low controversy risk, ISS ESG does not carry out a controversy assessment for Corporate financing.

## DISCLAIMER

1. **Validity of the SPO:** This SPO is valid as long as no new project categories are added to the framework and there are no material changes to the asset pool
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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## ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from CDP's 2021 ISS ESG Corporate Rating.









## ANNEX 2: Methodology

### ISS ESG Social Bond KPIs

The ISS ESG Social Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of CDP's Social Bond 2021.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

### Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by CDP (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association 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, ISS ESG identifies the extent to which CDP's Social Bond 2021 contributes to related SDGs and has a positive association with their respective sub-targets.

## ANNEX 3: Quality management processes

### SCOPE

CDP commissioned ISS ESG to compile a Social Bond SPO. The Second Party Opinion process includes verifying whether the Green, Social and Sustainability Bond Framework aligns with the Green and Social Bond Principles and Sustainability Bond Guidelines and to assess the sustainability credentials of its Social Bond 2021, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ICMA Social Bond Principles
- ICMA Sustainability Bond Guidelines
- ISS ESG KPI set: - Corporate financing and employment generation

### ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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.

ISS ESG has conducted this independent Second Party Opinion of the Social Bond 2021 to be issued by CDP based on ISS ESG methodology and in line with the ICMA Social Bond Principles.

The engagement with CDP took place in December 2020.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour 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 ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

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

For Information about SPO services, contact:

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