

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of a Green, Social or Sustainability Bond (the "Bond") intended by Cassa Depositi e Prestiti (hereafter "CDP", or the "Issuer"). This second party opinion (or "SPO") is an update of the SPO provided by Vigeo Eiris in September 2018.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance (ESG) exclusive assessment methodology, and to the International Capital Market Association's Social Bonds Principles ("SBP") guidelines edited in 2018.

Our opinion reviews the following aspects:

1. **Issuer:** evaluation of the ESG performance of CDP, including:
 - ▶ Issuer's ESG rating profile, based on the sustainability rating performed in September 2017 through our complete process of assessment and ranking, which was updated in July 2018.
 - ▶ Issuer's management of potential ESG controversies, and involvement in controversial activities.
2. **Issuance:** we updated the assessment of the coherence between the Bond and the Issuer's sustainability commitments, and the evaluation of the Bond's alignment with the SBP.

Vigeo Eiris' sources of information are gathered from our ESG rating database, press content providers and stakeholders, and documents provided by CDP.

Vigeo Eiris has carried out its due diligence from March 1st to March 8th, 2019. We consider that the provided information enables us to establish our opinions with a reasonable level of assurance on their completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of opinion that the Bond considered by CDP is overall aligned with the Social Bond Principles guidelines (2018 edition).

We express an overall reasonable³ level of assurance (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability:

1. **Issuer:** CDP displays an overall good ESG performance (see Part I).
 - ▶ As of July 2018, CDP achieves an advanced performance for its Social domain and a good performance in the Governance and Environmental domains.
 - ▶ Vigeo Eiris' assurance that CDP's ESG risk factors are adequately managed is overall reasonable, including reputational, human capital and operational risks.
 - ▶ As of March 2019, CDP faces one stakeholder-related ESG controversy, through its subsidiary SACE, with minor level of severity, and is considered to be proactive on the case.
 - ▶ As of March 2019, CDP has minor indirect involvements in 8 of the 15 controversial activities under review⁴, namely: Alcohol, Chemicals of concern, Fossil fuels, Genetic engineering, Military, Nuclear energy, and Tobacco sectors.
2. **Issuance:** CDP has formalized the main characteristics of this Bond through its Green, Social and Sustainability Bond Framework (March 8th 2019 version, thereafter "Framework") that the Issuer has committed to make publicly accessible on its website⁵, in line with the good market practices.

We are of opinion that the contemplated Bond is coherent with CDP's main sustainability priorities and contributes to achieve its sustainability commitments (see Part II).

¹ This opinion is to be considered as the "Second Party Opinion" described by the Social Bond Principles voluntary guidelines (www.icmagroup.org).

² The "Social Bond" is to be considered as the potential forthcoming Bond, which issuance is subject to market conditions.

³ Definition of Vigeo Eiris' scales of assessment (as detailed on the last page of this document):

Level of Performance: Advanced, Good, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

⁴ The 15 controversial activities analysed by Vigeo Eiris are provided screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

⁵ <https://en.cdp.it/investors>

Use of Proceeds:

- ▶ The net proceeds of the Bond will be used to finance and refinance Eligible Loans/Projects corresponding to two of the categories defined in CDP's Framework, namely "Infrastructure and Development of cities" and "Education". These two eligible categories target defined populations, and are expected to contribute to social objectives (i.e. improvement of living conditions in urban agglomerates, promote access to education, socioeconomic advancement), and to environmental objectives (i.e. climate change mitigation). These objectives are overall precise, measurable and relevant, and are likely to contribute to 7 United Nations Sustainable Development Goals.
- ▶ CDP has committed to assess and quantify the social benefits of the Eligible Loans/Projects at the first anniversary of the issuance, and until the complete fund allocation.

Process for Projects Evaluation & Selection:

- ▶ The processes for categorisation, evaluation and selection of Eligible Loans/Projects are clearly defined. The related governance and the process appear to be transparent and relevant. The process relies on explicit eligibility (selection and exclusion) criteria.
- ▶ The identification and management of environmental and social risks associated with the Eligible Loans/Projects regarding Public entities is weak.

We have recommended to include in the future financing tools and programs some ESG criteria the Public entities shall fulfil to benefit of CDP's funds as well as to define the type of controversies that would cause the substitution of an Eligible Loan.

Management of Proceeds

- ▶ The rules for the management of proceeds are overall defined and would enable a documented and formalized transparent allocation process.

Reporting

- ▶ The reporting commitments and process appear to be overall good, covering the fund allocation and social and/or environmental benefits (outputs and impacts) of selected Loans/Projects.

In addition, CDP's Social Bond issuance is supported by external reviews, provided by:

- A pre-issuance consultant review in the form of a Second Party Opinion performed by Vigeo Eiris on the sustainability credentials of the Framework and of the associated bond, based on pre-issuance commitments and covering all features of the Framework and the Bond.
- An external review: on the first anniversary of the issuance and annually thereafter, at least until the full allocation of the proceeds, CDP will appoint an independent auditor and/or a SPO provider to perform an assurance engagement of the Social Bond report and review the compliance of the Eligible Loans/projects with the eligibility criteria

We suggested to extend the scope of the review to the indicators on the allocation of funds and to social benefits of the Bond.

This Opinion is valid as of the date of issuance limited to CDP's 2019 Social Bond.

Paris, March 8th 2019



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has provided CDP with the Second Party Opinion for its first 2017 social bond, and its 2018 sustainable bond. No other established relationship (financial or other) exists between Vigeo Eiris and CDP.

This opinion aims to explain for investors why the Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris and which has been analysed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Bond. CDP is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris focuses neither on financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris. The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of CDP or its financial obligations

Restriction on distribution and use of this Opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication is at the discretion of the Issuer, submitted to Vigeo Eiris approval..

DETAILED RESULTS

Part I. ISSUER

CDP's ESG performance level

As of July 2018, CDP's overall approach to manage ESG related issues is good.

Domain	Comments	Opinion
Environment	CDP's performance on the Environment pillar is good.	Advanced
	CDP commits to considering environmental factors in investment strategies and credit risk assessment and reducing its own direct environmental impacts. Financing contracts include specific clauses requiring the clients' compliance with environmental laws and international standards. A process has been launched in 2017 and is currently ongoing for the adoption of corporate environmental standards to be applied to lending and financing processes, aimed at systematizing the current climate-related investments. For specific international projects, CDP adopts ad hoc policies in cooperation with its controlled company SACE.	Good
	At this regard, CDP set up dedicated financing channels to support the energy transition. In particular, CDP invests in several climate-related investments promoting sustainable and environment-positive development, such as the Sustainable Growth Fund; Kyoto Fund; Low environmental impact vehicles Fund; Ministry of the Environment and Land and Sea Protection (MATTM) Fund; 2020 European Fund for Energy, Climate Change and Infrastructure; the European Energy Efficiency Fund on energy saving initiatives. In 2018, CDP has launched the "Climate and Sustainable Development Italian Platform", to promote mitigation projects in countries receiving development aids from Italy.	Limited
	Regarding its direct impacts, CDP holds an ISO 14001 certification (98% of personnel is covered); it has launched several initiatives to reduce its consumptions and provides training to its employees. Reporting is aligned with law obligations on extra-financial information, showing decreasing trends in terms of resources consumption.	Weak
Social	CDP's performance on the Social pillar is advanced.	Advanced
	In terms of Community Involvement, the Issuer formalised its commitment to promote social and economic development in its Code of Conduct and in its 2016-2020 Business Plan. It allocates resources to support SMEs and the access to basic services, with the amount of assets allocated to economic and social development displaying an increasing trend over the past 5 years.	Good
	In terms of Business Behaviour, adopted a formalised commitment to responsible relations with customers in its Code of ethics, including non-discrimination and equal treatment of clients and transparency of the processes. A complaint management system is in place.	Limited
	In the Human Resources domain, social dialogue is implemented and there is a dedicated structure to deal with employees' representatives. Training is considered as a key element in employees' management, as well as regular performance assessment interviews. Finally, CDP obtained an OHSAS 18001 certification and H&S indicators show a stable trend over last years.	Weak
Governance	As for Human Rights, the Issuer is currently releasing its own policy for new investments in development countries and has delegated its controlled company SACE to run E&S assessments for projects abroad, in compliance with IFC Performance Standards. With regard to non-discrimination, the Code of Conduct, where the commitment is formalised, is part of a training programme mandatory for all employees.	Advanced
	CDP's performance on the Governance pillar is good.	Good
	In terms of Business Ethics, in conformity with the Italian Legislative Decree 231/2001, CDP Code of ethics and its Principles of the Compliance System, CDP established an Anti-Money Laundering Unit which, along with the Chief Audit Officer, is in charge of compliance with business ethics-related regulation and which can be contacted by employees confidentially. Under the obligation of keeping customer records, CDP activated KYC procedures. Finally, CDP has a formalized commitment and discloses information about its lobbying activities in the EU Register of Interest Representatives.	Limited
	As for Corporate Governance, a corporate governance framework is in place, covering most of the relevant features: interaction between shareholders and board (conflict of interests), organization of the Board and its functioning, definition of the company's risk profile (risks mapping and management), executive remuneration policy. The company's internal controls system covers the standard issues related to financial, operational, and legal risks. The department "Institutional Affairs, Communications & Sustainability" has the ownership of the activities related to CSR. Regarding variable remuneration and the economic performance of the company, predetermined economic and operational performance indicators are present, but these are not disclosed.	Weak

Stakeholder-related ESG controversies

As of March 5th, 2019

- **Frequency:** CDP faces an isolated allegation: due to the activity of SACE's client, CDP is indirectly involved in one stakeholder-related ESG controversy, impacting two domains, namely Environmentally Responsible Finance and Human Rights (CDP subsidiary SACE backed controversial Koysya hydro dam Project in Ethiopia, also known as Gibe IV, impacting the lower Omo Valley and the local indigenous communities).
- **Severity:** The level of severity is minor based on the analysis of their impact on the company and its stakeholders.
- **Responsiveness:** CDP is overall proactive: the company reports transparently, implementing remedial actions.



Involvement in controversial activities

As of March 5th 2019, CDP has a minor indirect involvement in 8 of the 15 controversial activities analysed by Vigeo Eiris, due to its role as a major shareholder in Italian enterprises, in the following activities:

- Alcohol: CDP has a minor involvement in this activity: we estimate that the company derives 0-5% of its turnover from the sales of alcoholic beverages, through CDP Equity SpA (100% owned) participation and/or control of several companies involved in alcohol related activities (investment funds, food companies, hotels operators, network of gas and petrol service stations where alcoholic beverages are distributed...)
- Animal welfare: CDP has a minor involvement in this activity: we estimate that the company derives 0-5% of its turnover from intensive farming operations, though CDP Equity SpA (100% owned) participation and/or control of investments funds and agribusiness companies. Additionally, CDP is also involved in research, development and manufacture of medical devices involving animal testing for medical purpose, though CDP Equity.
- Chemicals of concern: CDP has a minor involvement in the production of restricted chemicals (OSPAR Priority List) and chemicals subject of controversy: it holds 26% of Eni, an energy company operating refineries and involved in the production of petrochemicals. Eni also operates in the chemical industry through Versalis and produces restricted chemicals (naphthalene) and chemicals subject of controversy (Benzene, Bisphenol A, hexane and PVC).
- Fossil fuels industry: CDP has a minor involvement in fossil fuels : we estimate that the company derives 0-10% of its turnover from this controversial activity, through its 26% stake in Eni, an energy company operating in the exploration, development and extraction of oil and natural gas. It also owns 59.1% of CDP Reti SpA which in turn owns 30.1% of SNAM.
- Genetic engineering (GMO): CDP has a minor involvement in genetic engineering : we estimate that through FSI Investimenti (controlled at 77% by CDP Equity SpA), the company holds 20% of BF SpA which is the largest Italian agribusiness and is involved in the production and distribution of seeds and foodstuff owning Società Italiana Sementi (SIS) is engaged in the production of seeds for crops, including some of which GM varieties exist). Additionally, that through FSI Investimenti (controlled at 77% by CDP Equity SpA), the company holds 28% of Inalca Food and Beverages, which sells food products potentially containing GMOs and does not appear to have adopted any policy to avoid or to label products containing GMOs.
- Military: CDP has a minor involvement in military sales: we estimate it derives 0-5% of its turnover from this controversial activity. CDP holds 71.6% share of Fincantieri, which is involved in military shipbuilding. Moreover, it also holds 60% share of Ansaldo NES, a division of Ansaldo Energia which is an approved vendor to the UK Ministry of Defence, Babcock Marine, BAE Systems, AWE and Rolls-Royce, and a supplier of safety critical spares for all HM Royal Navy, Nuclear Submarines. Last, CDP holds 26% of ENI, which is involved in the production of military fuels (JP-8 jet fuel).
- Nuclear energy: CDP has a minor involvement in nuclear power generation: we estimate it derives 0-5% of its turnover from this controversial activity. This turnover is derived from major nuclear parts and services: through its controlled company CDP Equity, CDP holds a 60% stake in Ansaldo Energia, a company operating in the power generation industry, servicing and working in the nuclear energy sector.
- Tobacco: CDP has a minor involvement in Tobacco sales: we estimate that the Issuer derives 0-5% of its turnover from this controversial activity, through its 26% stake in Eni, operating a network of gas and petrol service stations that include shops and restaurants where tobacco products are distributed.

CDP is not involved in any of the other controversial activities analysed by Vigeo Eiris, namely: Civilian firearms, Coal, Gambling, High interest rate lending, Pornography and Reproductive medicine, Tar sands and oil shale.

Part II. ISSUANCE

Coherence of the issuance

We are of the opinion that the contemplated Bond is coherent with the CDP's main sustainability priorities and sector issues, and contributes to the achievement of its commitments and objectives.

Context note: Specific Purpose Banks & Agencies are catalysts for the real economy. They foster social advancement, by implementing public policies on economic development, especially in strategic national sectors and deprived areas. They support Public entities in financing their activities and access to public services to all citizens.

CDP is the Italian National Promotional Institution, with the public mandate to support the growth of the Italian economy, invest in the competitiveness of the country, by supporting corporations and SMEs, and contribute to the country's infrastructure growth.

The CDP's commitment is highlighted in the company's By-laws, Code of Ethics and Corporate Governance and Responsible Investment Principles.

- By-laws: "The corporate objective of the Company is: [...] Investments in research, development, innovation, protection and leveraging of cultural assets, promotion of tourism, environment and energy efficiency, green economy....".
- Code of Ethics: "CDP and the coordinated companies act with full awareness of our role at the service of the country. We assess the economic, social and environmental impact of our actions from a long-term perspective ... We recognize the importance of protecting the environment as a primary good and are committed to promoting the rational use of resources in CDP and in the coordinated companies and devoting attention to finding innovative solutions for saving energy."
- Corporate Governance and Responsible Investment Principles, covering the following topics: i) Shareholders responsibility and rights; ii) Corporate Governance Structure; iii) Remuneration; iv) Reporting, accounts and audit; v) Sustainable Business Practices; vi) Engagement and Communication.

According to CDP, Following CDP's Framework, the CDP's 2019-2021 Industrial Plan commitments have further fostered CDP's commitments towards sustainable development, targeting by 2021 investments for Public Sector and local development, infrastructures, enterprises and cooperation, acting as anchor investors also for private initiatives.

According to CDP, with its new plan CDP intends to contribute proactively towards the achievement of the Goals set by the U.N. 2030 agenda. Sustainability will be integrated into CDP's choices through a gradual increase in lending to initiatives whose social and environmental aspects are clear and measurable.

Use of proceeds

The net proceeds of the Bond will be used to finance and refinance Eligible Loans/Projects, targeting defined populations, and are expected to contribute to social objectives (i.e. improvement of living conditions in urban agglomerates, promote access to education, socioeconomic advancement.

These objectives are overall precise, measurable and relevant, and are likely to contribute to 7 United Nations Sustainable Development Goals.

CDP has committed to assess and quantify the social benefits of the Eligible Loans/Projects at the first anniversary of the issuance, and annually thereafter until the complete fund allocation.

The net proceeds of this Bond will be used to finance and refinance, in whole or in part, 2 out of 4 of the Eligible categories of projects defined in CDP's Framework, namely:

- Infrastructure and Development of Cities
- Education

The definition of all Eligible Loan/Project categories is relevant and target populations are clearly defined.

Disbursements include past and future disbursements corresponding to on-going and future loans/projects.

The definition of the Eligible Loan/Project categories, related objectives and expected sustainability benefits have been described by the Issuer in its Framework and evaluated in the table below:

Eligible Loan/Project categories	Vigeo Eiris' comments	
	Sustainability benefits	Analysis
Infrastructure and Development of Cities	<p>Improvement of living conditions in urban agglomerates</p> <p>Public infrastructure, social housing, grids improvements, healthcare improvements</p>	<p>The definition is clear and the content is relevant, with regards to the sustainability objectives of the Bond.</p> <p>The objectives are visible, relevant, measurable and precise.</p>
Education	<p>Integration of youth, disadvantaged groups in the education system</p> <p>---</p> <p>Access to education</p> <p>Support to higher education</p>	<p>The definition is clear and the content is relevant, with regards to the sustainability objectives of the Bond.</p> <p>The objectives are visible, relevant, measurable and precise.</p>

We have also recommended to precise quantitative targets, in order to precise the objectives.

We have also recommended to assess and quantify the expected social/environmental benefits of the Eligible Loan/Projects

We have recommended to precise the share of financing and refinancing, by project category.

In addition, Vigeo Eiris considers that the Eligible Loans/Projects align with 7 of the 17 United Nations Sustainable Development Goals (UN SDG), namely:

Eligible Loan category	UN SDG	Related Targets
Infrastructure and Development of Cities	3. Good health and well-being	3.8
	6. Clean water and sanitation	6.1, 6.3, 6.B
	9. Industry, innovation and infrastructure	9.1, 9.C
	10. Reduced inequalities	10.2
	11. Sustainable cities and communities	11.1, 11.2, 11.3, 11.5, 11.6, 11.7
	12. Responsible consumption and production	12.5
Education	4. Quality education	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.A



UN SDG 3. Good health and well-being

The UN SDG 3 consists in ensuring healthy lives and promoting well-being for all at all ages. More precisely, SDG 3 targets include:

- 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.

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 3, with regards to the above-mentioned target.



UN SDG 4. Quality education

The UN SDG 4 consists in ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all. More precisely, SDG 4 targets include:

- 4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes
- 4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
- 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
- 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations
- 4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy
- 4.A Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, nonviolent, inclusive and effective learning environments for all

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Education), CDP is contributing to the UN SDG 4, with regards to the above-mentioned targets.



UN SDG 6. Clean water and sanitation

The UN SDG 6 consists in ensuring availability and sustainable management of water and sanitation for all. More precisely, SDG 6 targets include:

- 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
- 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- 6.B Support and strengthen the participation of local communities in improving water and sanitation management

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 6, with regards to the above-mentioned targets.



UN SDG 9. Industry, innovation and infrastructure

The UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation. More precisely, SDG 9 targets include:

- 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- 9.C Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 9, with regards to the above-mentioned targets.



UN SDG 10. Reduced inequalities

The UN SDG 10 consists in reducing inequality within and among countries. More precisely, SDG 10 targets include:

- 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 10, with regards to the above-mentioned target.



UN SDG 11. Sustainable cities and communities

The UN SDG 11 consists in making cities and human settlements inclusive, safe, resilient and sustainable. More precisely, SDG 11 targets include:

- 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- 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
- 11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
- 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
- 11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 11, with regards to the above-mentioned targets.



UN SDG 12. Responsible consumption and production

The UN SDG 12 consists in ensuring sustainable consumption and production patterns. More precisely, SDG 12 targets include:

- 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

By using the Bond's proceeds to refinance the defined Eligible Loans/Projects (Infrastructure and Development of Cities), CDP is contributing to the UN SDG 12, with regards to the above-mentioned target.

Process for Eligible Loans/Projects evaluation and selection

The governance and the process for Eligible Loans/Projects evaluation and selection appear to be transparent and relevant.

The Issuer is committed to attest the transparency and efficiency of selection process and the responsible management of the proceeds, through eligibility criteria as reported within the existing Framework.

The evaluation and selection process is overall defined and formalized in CDP's Framework. .

The evaluation and selection of Eligible Loans/Projects is based on relevant internal expertise and internal roles and responsibilities are well defined:

- CDP has set up an *ad hoc* Green, Social and Sustainability Bond Working Group composed by representatives from several functions across the organization:
 - Finance department
 - Relevant Business departments
 - Loans Portfolio Management
 - Investor Relations department

- Corporate Social Responsibility department.
- The Green, Social and Sustainability Bond Working Group has defined the evaluation and selection criteria and will oversee the Framework implementation and evolution in order to consider potential new Eligible categories.

The process is reasonably structured:

- The Green, Social and Sustainability Bond Working Group meets regularly in order to identify Eligible Loans/Projects, both new and refinancing operations. Representatives from the different relevant Business Departments present the list of potential Eligible Loans/Projects and the Working Group decides on their status.

The verification and traceability are ensured throughout the process:

- The Green, Social and Sustainability Bond Working Group tracks its decisions through an email exchange among its members. We have recommended keeping also the minutes of its meetings.
- Loans Portfolio Management Function is in charge of ensuring the accurate allocation of net proceeds.

The process relies on explicit eligibility (selection and exclusion) criteria.

- Loans/Projects belonging to the Infrastructure and Development of Cities, and Education Eligible categories, will be selected among those issued to Italian Public entities (municipalities, provinces and regions, Universities, etc.).
- We have recommended excluding loans or projects facing any material and critical controversies and implementing a process to identify and manage the potential controversies affecting the clients, with regards to the sustainability objectives targeted by the Bond.

The identification and management of environmental and social risks associated with the Eligible Loans/Projects regarding Public entities is weak.

So far, no monitoring is in place in order to identify and manage environmental and social risks associated with the Eligible Loans/Projects.

We have recommended to include in the future financing tools and programs some ESG criteria the Public entities shall fulfil to benefit of CDP's funds, as well as to define the type of controversies that would cause the substitution of an Eligible Loan/Projects.

Management of Proceeds

Vigeo Eiris considers that the Issuer's rules for management of proceeds are defined and would enable a documented and formalized transparent allocation process.

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

As long as the net proceeds are outstanding, the balance of the proceeds will be periodically adjusted to match allocations to the Eligible Projects portfolio.

We have recommended defining an allocation period for each issuance.

The allocation process will be verified internally, under the supervision of the Green, Social and Sustainability Bond Working Group. The Loans Portfolio Management Function will be in charge of the annual review of loans and financing operations funded, identifying loans that meet the eligibility criteria and allocating the bond proceeds from the treasury to these loans.

In case of project postponement, cancelation or divestment, the net proceeds will be used to finance other(s) eligible project(s), in compliance with the process for projects evaluation and selection, until the complete full allocation.

Monitoring & Reporting

The reporting commitments and process appear to be overall good, covering the fund allocation and social and/or environmental benefits (outputs and impacts) of selected Loans/Projects.

The process for monitoring and reporting is overall defined in the Framework.

The process is based on relevant internal expertise:

- The Green, Social and Sustainability Bond Working Group will collect information from relevant departments and will produce the report, with the assistance of Loans Portfolio Management Function, in charge of monitoring the information flow.
- Where information is available, some case studies will be selected in cooperation with relevant business departments, in order to add some qualitative information to the reporting.

The Issuer commits to transparently report on the Bond, annually and until the full allocation of the proceeds. The report will be made available on CDP's website (<https://en.cdp.it/investors>).

The selected reporting indicators related to the fund allocation and sustainability benefits are overall relevant to the defined Eligible Loan Categories. The Issuer commits to transparently report at category level on:

- Where relevant, the calculation methodologies that will be defined and made publicly available on the Issuer website for each reporting.
- The use of proceeds (in line with confidentiality practices). We have recommended reporting also on the share of refinancing vs. financing.
- The environmental and/or social benefits (outputs and impacts), based on estimates aggregated at category level and per geographic area. We have recommended defining additional indicators to evaluate and report on the nature of the financed activities and social responsibility profile of the counterparties recipients of the Eligible Loans/Projects.

For all Eligible Loans/Projects, the Issuer may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on project management and benefits.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such, they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the objectives, management and reporting of the projects to be (re)financed by this transaction.

Vigeo Eiris' methodology to define and to assess corporate ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the *Specific Purpose Banks & Agencies* assessment framework, projects specificities and emerging issues.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

Level of the Issuer's ESG performance

NB: The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating in 2017. Furthermore, this assessment has been completed by Vigeo Eiris consultant team in July 2018 based on additional information provided by the Issuer and stakeholders' views and opinion collected from public documentation.

CDP has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 16 relevant ESG drivers organized in the 6 sustainability domains. CDP's performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.
 - Scale for assessment of ESG performance: Advanced, Good, Limited, Weak.

Stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, and Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non-Communicative).
- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, and Persistent).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

involvement in controversial activities

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The issuance has been evaluated by Vigeo Eiris according to the International Capital Market Association's Social Bonds Principles (SBP guidelines edited in 2018), and according to our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The use of proceeds requirements are defined to ensure that the funds raised are used to finance and/or refinance an Eligible Project and are traceable within the issuing organisation. Each Project endorsed shall comply with at least one of the Eligible Projects category definition in order to be considered as an Eligible Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives.

The sustainability purpose of the Eligible Projects is evaluated with regard to the Issuer's commitments, and assessed based on the defined objectives, and on the assessed and estimated social/environmental benefits of the Eligible Projects.

The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements integrated in the Framework, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, social benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the Bond proceeds, collected at project level and potentially aggregated at Bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.

Level of assurance	
Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 7 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan, Spain and Mexico.

For more information: www.vigeo-eiris.com