

## EXTERNAL REVIEW

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on the Covid-19 Social Response Bond Report 2021 of  
Cassa Depositi e Prestiti S.p.A.

27 April 2021

## VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Covid-19 Social Response Bond 2020</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• (ICMA) Social Bond Principles, and ICMA Harmonised Framework for Impact Reporting (HFIR)</li><li>• Covid-19 Social Response Bond Report 2021</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Covid-19 Social Response Bond 2020</li><li>• CDP Green, Social and Sustainability Bond Framework</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Post-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• For CDP's Covid-19 Social Response Bond Report released in April 2021.</li></ul>

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## SCOPE OF WORK

Cassa Depositi e Prestiti S.p.A. (CDP) commissioned ISS ESG to provide an External Review on its Covid-19 Social Response Bond Report 2021 by assessing:

1. The alignment of the CDP's Covid-19 Social Response Bond Report 2021 with the commitments set forward in CDP's Framework in line with the International Capital Market Association's (ICMA) Social Bond Principles (SBPs)
2. The alignment of the CDP's Covid-19 Social Response Bond Report 2021 with best market practices as described in the ICMA Harmonised Framework for Impact Reporting (HFIR).
3. Soundness of CDP's Covid-19 Social Response Bond Report 2021 KPIs – whether the indicators used align with best market practices and are a relevant reporting tool for the social bond issued.

## ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p><b>Part 1</b></p> <p><b>Alignment with framework commitment, in line with the SBPs</b></p>	<p>ISS ESG finds that the Covid-19 Social Response Bond Report 2021 respects the commitments set forward in the Framework by CDP and remains aligned to the Social Bond Principles. All key requirements defined by the SBPs have been disclosed in the framework and have then been respected in the Covid-19 Social Response Bond Report 2021.</p>	<p><b>Positive</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with best market practices, defined in the HFIR</b></p>	<p>ISS ESG finds that the Covid-19 Social Response Bond Report 2021 is in line with ICMA's Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.</p>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Soundness of KPIs reported</b></p>	<p>ISS ESG finds that the KPIs used in the Covid-19 Social Response Bond Report 2021 of CDP align with good market practices and with the SBPs. The allocation reporting appropriately displays the allocation of the total proceeds of the bond. The indicator chosen for the impact reporting is material and in line with suggested market guideline metrics, and information regarding sourcing and methodology are properly displayed.</p>	<p><b>Positive</b></p>

## ISS ESG EXTERNAL REVIEW ASSESSMENT

### PART I: ALIGNMENT WITH FRAMEWORK COMMITMENT, IN LINE WITH THE SBPs

The table below presents the findings of ISS ESG’s assessment of the Covid-19 Social Response Bond Report 2021 against CDP’s commitments set forward in its Framework and against ICMA’s Social Bond Principles (SBPs).

SBPs’ REQUIREMENTS	CDP’S GREEN, SOCIAL AND SUSTAINABILITY BOND 2020 FRAMEWORK COMMITMENT	EVIDENCE IN CDP COVID-19 SOCIAL RESPONSE BOND REPORT 2021	FULFILMENT
<b>1. Use of Proceeds</b>			
1.1. Alignment with the project categories defined by the SBPs	<p>The proceeds will be used to 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:</p> <ul style="list-style-type: none"> <li>• Infrastructures and Development of Cities;</li> <li>• SMEs and Corporate Financing;</li> <li>• Social Housing; and</li> <li>• Green Energy and Environmental Sustainability.</li> </ul>	<p>In accordance to the eligibility criteria established in Framework, the proceeds have been used to fund loans in the category of:</p> <ul style="list-style-type: none"> <li>• SMEs and Corporate Financing;</li> </ul> <p>In particular, the financing has been dedicated to more than 6200 companies affected by the Covid-19 health emergency and the related social and economic downturn.</p>	✓
1.2. Sustainability objectives related to project categories	<p>Social objectives and benefits are defined for each project category in CDP’s framework.</p>	<p>A detailed description of core social impacts of Covid-19 Social Response projects is available in the report.</p> <ul style="list-style-type: none"> <li>• Liquidity needs of companies: over 460 million euros, equivalent to 39% of proceeds, allocated to 2,453 companies employing 36,987 people, with insufficient cashflows to endure costs of production and labour costs for the year 2020.</li> </ul>	✓

		<p>The remaining 61% of the proceeds went to companies with liquidity needs but with slightly positive cashflows.</p> <p>The Methodology for such impact calculation is available in CDP's Impact Report and on its website.</p>	
1.3. Refinancing / Financing	<p>The proceeds will be used to 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:</p> <ul style="list-style-type: none"> <li>• Infrastructures and Development of Cities;</li> <li>• SMEs and Corporate Financing;</li> <li>• Social Housing; and</li> <li>• Green Energy and Environmental Sustainability.</li> </ul>	<p>CDP has achieved the full allocation of the proceeds within one year of issuance.</p> <p>All proceeds have been used to finance SMEs and corporates affected by the Covid-19 health emergency and the related social and economic downturn.</p>	✓
1.4. Exclusion of harmful project categories	<p>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 a set of defined excluded sectors available in the framework.</p>	<p>As set out in the Annex A of CDP's Framework, the proceeds have not been allocated in any of the listed excluded sectors.</p>	✓
<b>2. Process for project evaluation and selection</b>			
2.1 Defined and transparent criteria for projects eligible for social bond proceeds	<p>A dedicated Green, Social and Sustainability Bond Working Group has been established to create the Green, Social and Sustainability Bond Framework, manage any future updates to the Framework, including expanding the list of Eligible</p>	<p>CDP has set out, since the inaugural Framework and the inaugural Social Bond in 2017, a dedicated Working Group that defines the evaluation and selection of the eligible projects, manages any updates of the Framework and oversees its implementation</p>	✓

	Categories and oversee its implementation.		
2.2 Summary criteria for project evaluation and selection publicly available	The eligibility criteria are made publicly available.	The eligibility criteria are made publicly available.	✓
2.3 Documented process to determine that projects fit within defined categories	CDP Green, Social and Sustainability Bond Working Group will review and approve, as appropriate, each proposed selected portfolio of loans/project based on the defined Eligible Categories listed by the Use of Proceeds.	All projects fit the eligible categories listed in the Use of Proceeds part of the framework.	✓
2.4 Documented process to identify and manage potential ESG risks	The Green, Social and Sustainability Bond Working Group identify and manage potential ESG risks associated with the project	The project evaluation and selection has been carried out by a Working Group including members of the Finance, Business, CDP Sustainability and Investor Relations department.	✓
2.5 Information on Responsibilities and Accountability	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.	As highlighted above, this has been respected by CDP	✓
2.6 Stakeholder involved in the process	The Green, Social and Sustainability Bond Working Group is composed of representatives from CDP's: <ul style="list-style-type: none"> <li>• Finance department;</li> <li>• Relevant business departments;</li> <li>• Investor Relations and Rating Agencies department; and</li> <li>• Sustainability department.</li> </ul>	Stakeholder involvement has been confirmed by CDP.	✓
<b>3. Management of Proceeds</b>			

3.1 Social Bond Proceeds segregated or tracked by the issuer in an appropriate manner	The net proceeds and unallocated funds of the bond will be managed by the Green, Social and Sustainability Bond Working Group that will ensure an accurate allocation of net proceeds.	The proceeds have been fully allocated.	✓
3.2 Disclosure of intended types of temporary investment instruments for unallocated proceeds	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.	The proceeds have been fully allocated.	✓
3.3 Procedure in case of divestment or postponement	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.	The proceeds have been fully allocated.	✓
3.4 Disclosure of portfolio balance of unallocated proceeds	CDP will produce a report on its Green, Social and Sustainability Bonds which will include the balance of unallocated proceeds, if any.	The proceeds have been fully allocated.	✓
<b>4. Reporting</b>			
4.1 Roles and responsibilities of each member/committee in the monitoring and reporting process	The Green, Social and Sustainability Bond Working Group will collect information from relevant departments and will produce the report.	The Green, Social and Sustainability Bond Working Group collected the information and produced the report.	✓
4.2 Formalisation of monitoring and	The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond and annually thereafter, at	The annual timeframe has been respected	✓

reporting processes	least until the full allocation of the proceeds.		
4.3 Use of Proceeds reporting	<p>CDP will produce a report on its Green, Social and Sustainability Bonds which will include:</p> <ul style="list-style-type: none"> <li>the total amount of proceeds allocated per Eligible Categories/Loans/Projects;</li> <li>the bond proceeds allocated per region and sector of activity;</li> <li>the balance of unallocated proceeds, if any.</li> </ul> <p>The Bond Report will be published within 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.</p>	<p>The section “Funds Allocation” of the Covid-19 Social Response Bond Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the SBPs.</p> <p><i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	✓
4.4 Impact reporting	<p>CDP will use qualitative or quantitative performance indicators to communicate the expected impact of its bond. This will be made available for each project category.</p> <p>The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond.</p>	<p>The section “Impact Reporting” of the Covid-19 Social Response Bond Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the SBPs.</p> <p><i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	✓
4.5 Means of disclosure: where the information is published	The framework is public and announces the report will be public	The report is intended to be available publicly	✓
4.6 External review	An SPO and verification of reporting and proceeds allocation will be carried out.	ISS ESG provides a verification on the Covid-19 Social Response Bond Report 2021.	✓

**Opinion:** ISS ESG finds that the Covid-19 Social Response Bond Report 2021 respects the commitments set forward in the Framework by CDP and remains aligned to the Social Bond



*Principles. All key requirements defined by the SBPs have been disclosed in the framework and have then been respected in the Covid-19 Social Response Bond Report 2021.*

## PART II: ALIGNMENT WITH BEST MARKET PRACTICES, DEFINED IN THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORT

ICMA Harmonised Framework for Impact Reporting has been chosen as benchmark for this analysis as it represents the most widely adopted guideline for Impact Reporting.

The table below presents the findings of an ISS ESG assessment of the Covid-19 Social Response Bond Report 2021 against ICMA Harmonized Framework for Impact Reporting guideline.

COMPULSORY REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
The impact report should illustrate the expected impact made possible as a result of projects to which social bond proceeds have been allocated.	The assessment and measurement of the impacts generated by CDP's Covid-19 Social Response Bond cover the following areas: <ul style="list-style-type: none"> <li>Liquidity needs of companies</li> </ul>	✓
Definition of core social impacts.	A detailed description of core social impacts of Covid-19 Social Response projects is available in the report. <ul style="list-style-type: none"> <li>Liquidity needs of companies: over 460 million euros, equivalent to 39% of proceeds, allocated to 2,453 companies employing 36,987 people, with insufficient cashflows to endure costs of production and labour costs for the year 2020. The remaining 61% of the proceeds went to companies with liquidity needs but with slightly positive cashflows.</li> </ul> <p>The Methodology for such impact calculation is available in CDP's Impact Report and on its website.</p>	✓

KEY OPTIONAL REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
Report on both the use of social bond proceeds, as well as the expected social impacts at least on an annual basis.	The Bond Report will be published within 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.	✓

<p>Provide a list of projects to which social bond proceeds have been allocated, or report solely on a portfolio level</p>	<p>The Covid-19 Social Response Bond Report 2021 includes the total amount of proceeds allocated per eligible project category (in this case only SMEs and Corporate Financing), the number of companies financed, the average value and duration of loans, a breakdown by company's size, a breakdown of the companies activity sectors, and a geographical breakdown.</p>	<p>✓</p>
<p>Define and disclose the period and process for including projects in their report</p>	<p>CDP has achieved the full allocation of the proceeds within one year of issuance.</p> <p>All proceeds have been used to finance SMEs and corporates affected by the Covid-19 health emergency and the related social and economic downturn.</p>	<p>✓</p>
<p>Describe the approach to impact reporting</p>	<p>Impact indicators are calculated on a project category level. An annex describing the methodology used to evaluate each impact indicator is included in the report.</p>	<p>✓</p>
<p>Indicate the total signed amount and the amount of social bond proceeds allocated to eligible disbursements.</p>	<p>A total of 1 billion euros has been raised through CDP's Covid-19 Social Response Bond, 100% of which were allocated to the 'SMEs and Corporate financing' category.</p>	<p>✓</p>

**Opinion:** ISS ESG finds that the Covid-19 Social Response Bond Report 2021 is in line with ICMA's Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.

## PART III: SOUNDNESS OF KPIS REPORTED

### Use of Proceeds Allocation report

Use of proceeds allocation reporting is key to put the reported impacts into perspective with the amount of investments allocated to the respective use of proceeds categories.

#### Level and scope of reporting

ISS ESG finds that the allocation report section of the Covid-19 Social Response Bond Report 2021 of CDP aligns with good market practices and with the SBPs. The Use of Proceeds reporting occurred at the annual anniversary of issuance, after full allocation of the proceeds and is covering all proceeds through the bond. The funds allocation is displayed at the project category (in this case only SMEs and Corporate Financing), and gives details about loans distribution by size of borrowing company, by sector of activity of borrowing companies, and by geographic distribution.

#### Information reported

ISS ESG finds that the allocation report section of the Covid-19 Social Response Bond Report 2021 of CDP aligns with good market practices by providing information on:

- The total number of loans granted to Italian SMEs and larger companies, calculated as disbursements following the emission of the bond.
- The average amount of financing provided to each company as well as the average duration of the loans.
- The percentage breakdown of micro, small, medium, and large enterprises, also divided in direct and indirect financing through CDP's loan program. More details are available in the Covid-19 Social Response Bond Report 2021.
- The percentage breakdown of the different types of activity sectors in which the borrowing companies are involved in.
- The percentage breakdown of the regional location of the borrowing companies.
- Additional data such as macro-economic data on Italy's job market and economic production, that allows a better understanding of the criteria used behind the allocation of funds.

CDP developed Covid-19 Social Response projects in Italy, with a majority of loans allocated to companies in the center-north area.

### Impact report

#### Level and scope of reporting

ISS ESG finds that the impact report section of the Covid-19 Social Response Bond Report 2021 of CDP aligns with good market practices and with the SBPs. The impact reporting occurred at the

annual anniversary of issuance, after full allocation of the proceeds and is covering all proceeds through the bond. The funds allocation is displayed at the project category level for its indicator.



### Information reported

ISS ESG finds that the quantitative impact indicator reported in this section of the Covid-19 Social Response Bond Report 2021 of CDP aligns with good market practices. Find below an assessment of the selection of the impact indicator against the ICMA Harmonized Framework for Impact Reporting.

ELEMENT	ASSESSMENT
<p><b>Choice of impact indicator</b></p>	<p>The impact indicator chosen by the issuer for this bond is the following:</p> <ul style="list-style-type: none"> <li>- Liquidity needs of companies</li> </ul> <p>The indicator is quantitative and material to the Use of Proceeds categories financed through this bond and is generally in line with the Suggested Impact Reporting metrics per project categories published by the ICMA Harmonized Framework for Impact Report for Social Bonds. This aligns with best market practices.</p> <p>The indicator “Liquidity needs of companies” is the result of a detailed study brought forward by CDP, which shows great attention to detail regarding the choice of impact indicator.</p>
<p><b>Data sourcing</b></p>	<p>For the impact indicator, the issuer displays the database or proxy used as a basis for the calculation of the impact indicator in the methodology document associated with the report, or the report itself. ISS ESG also verified the indicator calculation portfolio on a confidential basis.</p> <p>This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
<p><b>Baseline selection</b></p>	<p>The impact data is compared with reliable and relevant baselines, given the privileged access of CDP to Italy’s macro-economic data. The relevant information will be appropriately displayed in the report and methodological annexes.</p> <p>This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
<p><b>Scope of reported data</b></p>	<p>The impact data is presented at the Use of Proceed category level for the indicator. Temporal references are appropriately displayed, which aligns it with best market practices.</p>

### Mapping of the impact indicator with the UN Sustainable Development Goals

According to the ICMA high-level mapping to the Sustainable Development Goals (SDGs), the impact indicator presented by the issuer can be associated with the following SDGs:

IMPACT INDICATOR	SUSTAINABLE DEVELOPMENT GOALS
Liquidity needs of companies	 

## DISCLAIMER

1. Validity of the External Review: For CDP's Covid-19 Social Response Bond Report 2021 released in April 2021.
2. ISS ESG uses a proprietary methodology to assess the bond reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews 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 External Review is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, 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: Methodology

### ISS ESG Review of the Bond Reports

The external review of bond reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, ISS ESG assess the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG for every single use of proceeds category.

### 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 External Review 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 External Review services, contact:

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