

SECOND PARTY OPINION¹ ON THE SUSTAINABILITY OF CASSA DEPOSITI E PRESTITI'S "SOCIAL BOND"

January 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of a new "Social Bond"² (the "Bond") intended by Cassa Depositi e Prestiti ("CDP" or the "Issuer"), in compliance with its updated Green, Social and Sustainability Bond Framework ("Framework") to govern the issuance of Bonds for a new Eligible Category, namely "Social Housing".

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

Our opinion reviews the following aspects:

1. **Issuer:** evaluation of the ESG performance of CDP (ESG profile rated in September 2019), of the Issuer's management of potential ESG controversies and of its involvement in controversial activities³.
2. **Issuance:** in this SPO, we only assess the Social Bond corresponding to the new Eligible Category "Social Housing". We assessed the coherence between the Bond and the Issuer's sustainability commitments, its alignment with the SBP 2018, and the Bond's potential contribution to sustainability.

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with Issuer's managers and stakeholders involved in the Social Bond, held via a telecommunications system.

Vigeo Eiris has carried out its due diligence assessment in March 2019 on the previous Framework, complemented by additional assessment in September and October 2019 to cover the new Eligible Category "Social Housing".

We consider that we were provided with access to all the appropriate documents and people we solicited. We consider that the information made available enables us to establish our opinion with a reasonable⁴ level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of opinion that the new Social Bond considered by CDP is aligned with the four core components of the Social Bond Principles voluntary guidelines (June 2018).

We express a reasonable⁴ level of assurance (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability:

1. Issuer (see Part I)

- ▶ CDP displays an overall good performance, ranking 9th in our "Specific Purpose Banks & Agencies" sector. CDP managerial approach is considered advanced in the Social pillar, Good in the Governance and Environmental pillars.
Our assurance that the Issuer's risk factors are adequately managed is overall reasonable: it appears good regarding human capital and operational risks, while moderate on reputational risk.
- ▶ As of January 20th, 2020, CDP faces only one stakeholder-related ESG controversy, through its subsidiary SACE. The frequency is considered isolated, with minor level of severity, and the Issuer is considered to be proactive on the case.
- ▶ CDP has minor indirect involvements in 8 of the 15 controversial activities³ analysed by Vigeo Eiris, due to its role as a major shareholder in Italian enterprises namely: Alcohol, Animal welfare, Chemicals of concern, Fossil fuels, Genetic engineering, Military, Nuclear energy, and Tobacco.

¹ This opinion is to be considered as the "Second Party Opinion" defined in the Social Bond Principles voluntary guidelines 2018 (www.icmagroup.org).

² The "Social Bond" is to be considered as the potential forthcoming Bond, which issuance is subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The 15 controversial activities screened under Vigeo Eiris' methodology are: 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.

⁴ Definition of Vigeo Eiris' scales of assessment (as detailed on the Methodology section, at the end of this document):
Level of Performance: Advanced, Good, Limited, Weak.
Level of Assurance: Reasonable, Moderate, Weak.

2. Issuance (see Part II):

CDP has formalized the main characteristics of the Bond in a Framework with a new eligible category “Social Housing” (last updated version of the Framework was provided to Vigeo Eiris on October 18th, 2019). The Issuer has committed to make both its Framework and the SPO publicly accessible on its website, before the issuance⁵, in line with best market practices.

We are of the opinion that the contemplated Framework is coherent with the CDP’s publicly disclosed strategic sustainable development priorities, and with its main sector’s sustainability issues: it contributes to the achievement of its sustainability commitments.

Use of Proceeds:

- ▶ An amount equivalent to the net proceeds of the Bond will be exclusively allocated to finance or re-finance, in full or in part, new and/or existing Loans/Projects, such as CDP’s equity financing in the Fondo Investimenti per l’Abitare (FIA), corresponding to one Eligible Category defined in the Issuer’s Framework, namely “Social Housing” (the “Eligible Category”). We consider the Eligible Category to be clearly defined.
- ▶ The target populations that will benefit from the Eligible Category are defined.
- ▶ The Eligible Category is intended to contribute to two main social objectives, namely Access to housing, and Affordable basic infrastructures. We consider this objective is formalized, clearly defined and relevant.
- ▶ The expected social benefits of the Loans/Projects are clear, namely contribute to the improvement of housing conditions for people living without adequate housing and household in position of exclusion. The Issuer has committed it will assess and, where feasible, quantify the expected social benefits from this Bond in its annual reports. An area of improvement would be to estimate ex ante quantified expected social benefits (targets) for the Eligible Categories.
- ▶ In addition, the Eligible Loans/Projects are likely to contribute to two of the United Nations Sustainable Development Goals (“SDGs”), namely Goals 1. No Poverty, and Goal 11. Sustainable Cities and Communities.
- ▶ The Issuer has communicated in its Framework that the Bond will finance both past and future disbursements, with a commitment to minimize the share of refinancing. However, the Issuer has not communicated either on the share of refinancing nor on the accepted lookback period.

Process for Projects Evaluation & Selection:

- ▶ The governance and the process for the evaluation and selection of the Eligible Loans/Projects are overall defined and formalized in the Framework. We consider that the process is reasonably structured, overall relevant and overall transparent.
- ▶ The process relies on partially explicit eligibility criteria, which are relevant to the social objectives and expected benefits of the Eligible Category.
- ▶ The identification and management of material environmental and social risks associated with the Eligible Loans/Projects appear to be limited.

Management of Proceeds

- ▶ The rules for the management of proceeds are overall clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting commitments and process appear to be good, covering the fund allocation and the social benefits (outputs and impacts) of the Eligible Projects/Assets.

⁵ <https://en.cdp.it/investors>

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

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website.
- 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 on the Social Bond report and to review the compliance of the Eligible Loans/projects with the eligibility criteria.

An area of improvement includes to commit to appoint an external financial auditor to certify all the reported data.

This Second Party Opinion is based on the review of the Framework and information provided by the Issuer, according to our exclusive assessment methodology and to the SBP voluntary guidelines (June 2018)

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has provided CDP with several Second Party Opinions (2017, 2018, 2019). 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.

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 of the SPO is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

DETAILED RESULTS

Part I. ISSUER

Cassa depositi e prestiti (“CDP”) provides financing services. The Company offers loans, equity, and guarantees to state and regional governments, local authorities, public bodies, and public-law entities through postal savings products under state guarantee and the issuance of bonds.

CDP’s ESG performance

CDP displays an overall good performance, ranking 9th in our “Specific Purpose Banks & Agencies” sector. CDP managerial approach is considered advanced in the Social pillar, Good in the Governance and Environmental pillars.

Domain	Comments	Opinion
Environment	<p>CDP’s performance in the Environment pillar is good.</p> <p>The Company has set up an Environmental Policy that covers most of the sector’s environmental issues, including direct and indirect impacts. This commitment is backed by an exhaustive EMS (ISO 14001). The performance has improved compared to the last review, with the implementation of an external review of the CSR report, and a wider coverage by the certified environmental system.</p>	Advanced
	<p>CDP has committed to include environmental standards in its lending/financing policies, however without quantitative targets. Since 2017, CDP’s International lending are now submitted to Environmental Impact Assessment (EIA) provided by SACE. CDP participates in several investments’ funds promoting environment-positive development such as climate-related investments, the Kyoto Fund, 2020 European Fund for Energy, etc. CDP’s performance could still be increased by establishing new environmental standards in investment (positive screening, engagement measures, etc.) or by expanding the share of its portfolio covered by environmental standards.</p>	Good
	<p>CDP has committed to reduce its direct GHG emissions but without quantified targets. The Company now reports on its CO2 emissions per employee, which have decreased relatively from 2016 and 2018. This improvement explains the slightly better performance of CDP. An area for improvement would be to conduct climate risk assessments for all its clients, to obtain green certifications (e.g for buildings), to report on CO2 emissions linked to its portfolio and to increase its investments in renewable energy projects.</p>	Limited
	<p>The Company has committed to reduce the environmental impacts related to the transport of its personnel. The average energy use for transportation by employee has significantly improved between 2016 and 2018. In 2018, CDP has launched the “Climate and sustainable development Italian platform” to promote mitigations projects in countries receiving development aid from Italy. CDP’s performance could be increased by setting targets to back its climate commitment, by precisising its report to display a positive trend in its transport mix, and setting up cooperating actions with local authorities (mobility plans).</p>	Weak
Social	<p>CDP’s performance on the Social pillar is advanced.</p> <p>CDP’s performance in the Human Resources domain is advanced and is improving. The HR Management and Industrial Relations is responsible for promoting positive relations with employees and trade unions, in line with local regulation. In addition, the Company formalised a commitment to promote career development and employees undergo regular performance assessment interviews. KPIs on number of training hours per employee increased over the past 3 years. CDP Health & Safety policy engagement addresses risks related to employee’s mental/physical health.</p>	Advanced
	<p>CDP displays an advanced performance in the Community Involvement domain and is improving. CDP 2019-2021 Business Plan frames the strategy to promote local development and to support key economic segments, with a target to provide EUR 25bn to Public Sector & Infrastructures by 2021. The Italian Fund for Investments (FII) is the main tool used to support SMEs and MidCap companies in Italy, in cooperation with the government. CDP is involved in financing social housing and related KPIs display a significant increase in resources dedicated to this segment. Tax reporting is comprehensive.</p>	Good
	<p>CDP displays a robust performance in the Human Rights domain, which represents an improvement. The Company assesses risks related to human rights violations in its financing and investment activities as part of its reputational assessment. Regarding the promotion of diversity, CDP has set up additional measures to support employees and their families, such as smart working options, nursery subsidies and complementary parental paid leaves. However, it is not clear how the Bank aims to promote female presence in management positions, which remained stable.</p>	Limited
	<p>CDP displays a robust performance in the Human Rights domain, which represents an improvement. The Company assesses risks related to human rights violations in its financing and investment activities as part of its reputational assessment. Regarding the promotion of diversity, CDP has set up additional measures to support employees and their families, such as smart working options, nursery subsidies and complementary parental paid leaves. However, it is not clear how the Bank aims to promote female presence in management positions, which remained stable.</p>	Weak

Governance	<p>CDP's performance on the Governance pillar is good.</p> <p>CDP achieves an advanced performance in the Business Behaviour domain. This improvement mirrors a more comprehensive strategy to promote business ethics, now including reputational verifications conducted by a Compliance & AML Dept. for potential joint venture partners and suppliers. The Supervisory Board is involved in the compliance assessment of high-risk transaction and dedicated AML assessment are conducted for operations in non-EU countries. CDP formalised commitment continues to ensure fair relations with customers who can now benefit from seminars and capacity building activities. However, information on customers' complaints management is limited. CDP discloses lobbying activities in the EU Register of Interest Representatives.</p> <p>CDP's performance in the Corporate Governance domain is robust, improving since to the previous review. CSR issues seem to have greater visibility at governance level, with the Head of Sustainability Area reporting to the CEO Staff, the Board discussing ESG issues and risks related to compliance, staff retention and community impacts included in the internal controls system. However, the information on Board Directors remains limited. Variable remuneration based on the MBO system is said to be linked to individual and collective objectives, but disclosed information is limited.</p>	Advanced
		Good
		Limited
		Weak

Stakeholder-related ESG controversies

As of January 20th, 2020, CDP is facing only one stakeholder-related ESG controversy, due to CDP subsidiary SACE backed controversial Koyscha hydro dam Project in Ethiopia, also known as Gibe IV, impacting the lower Omo Valley and the local indigenous communities. This controversy is linked to two of the six domains we analyse:

- Environment (for the criteria "Environmentally Responsible Financing")
- Human Rights (for the criteria "Fundamental Human Rights")

Frequency: the controversy is considered isolated, in line with the sector average.

Severity: the impact on both the company and its stakeholders is considered minor, better than sector average.

Responsiveness: CDP is considered overall proactive: the company reports transparently, implementing remedial actions.

Involvement in controversial activities

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, through CDP Equity SpA (100% owned) participation and/or control of investment funds and agribusiness companies. Additionally, CDP is also involved in research, development and manufacture of medical devices involving animal testing for medical purpose, through 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 other of the 15 controversial activities analysed by Vigeo Eiris, namely: Civilian firearms, Coal, Gambling, High interest rate lending, Pornography, Reproductive medicine, Tar sands and oil shale.

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.

Part II. ISSUANCE

Coherence of the issuance

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.

We are of the opinion that the contemplated Social Bond is coherent with the CDP's publicly disclosed strategic sustainable development priorities, and with its main sector's sustainability issues; it contributes to the achievement of its sustainability commitments.

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.

In particular, CDP defines itself as a primary national player in social and affordable housing and contributes to the growth of the Italian real estate sector and promotes urban transformation:

- Since 2008 CDP has been financing social housing. In *CDP Investimenti Sgr* has created and since then managed the *Fondo Investimenti per l'Abitare (FIA)*, a Housing Investment Facility approved by the Bank of Italy in 2010, which mission is to invest in the private social housing sector to increase the supply of social housing for rent at fixed prices and sales at reduced prices in Italy, in support and integration of the sectoral policies of the State and local authorities. The objective is to create affordable housing for families who are unable to meet their housing needs in the market, but with higher incomes than those who qualify for a social housing allocation (the "grey band").
- CDP is involved in financing social housing and related KPIs display a significant increase in resources dedicated to this segment
- The new CDP's Industrial Plan 2019-2021 has further fostered CDP's engagement to proactively contribute to the achievement of the U.N. sustainability development Goals. It aims at several improvements, including integrated offer and customized business products (for all companies) to cover needs not addressed by the market, in support to several sectors of the economy and to the upgrading of urban areas, including for public services such as senior housing, social housing and student housing services.

By issuing this new Social Bond, CDP directly contributes to some of its corporate's sustainable development strategy and commitments.

Use of proceeds

An amount equivalent to the net proceeds of the Bond will be exclusively allocated to finance or re-finance, in full or in part, new and/or existing Eligible Loans/Projects, as CDP's equity financing in the *Fondo Investimenti per l'Abitare* (FIA), corresponding to one Eligible Category in the Framework, namely "Social Housing" (the "Eligible Category"). We consider the Eligible Category is clearly defined.

The target populations that will benefit from the Eligible Category are clearly defined.

The Eligible Category is intended to contribute to two main social objectives, namely Access to housing, and Affordable basic infrastructures. We consider this objective is formalized, clearly defined and relevant.

The expected social benefits of the Loans/Projects are clear, namely contribute to the improvement of housing conditions for people living without adequate housing and household in position of exclusion. The Issuer has committed it will assess and, where feasible, quantify the expected social benefits from this Bond in its annual reports.

An area of improvement would be to estimate ex ante quantified expected social benefits (targets) for the Eligible Categories.

The Issuer has communicated in its Framework that the Bond will finance both past and future disbursements, with a commitment to minimize the share of refinancing. However, the Issuer has not communicated nor the share of refinancing neither on the accepted lookback period.

An area of improvement includes to transparently communicate on the intended share of refinancing and to define a lookback period for the refinancing of the Loans.



The definition of the Use of Proceeds has been described by the Issuer in its Framework and is summarized in the table below:

CDP's updated Framework for "Social Housing"

Eligible category	Definition	Target populations	Social objectives and expected social benefits
<p>Social Housing</p>	<p>Financial support to the social housing sector, through (re)financing of Loans/Projects, such as CDP's equity financing in FIA⁶</p> <p>The Issuer declares in internal documents that the Eligible projects/Assets financed will be in the end:</p> <ul style="list-style-type: none"> - Expenditures for all phases, from the concept plan to the housing allocation - For assets/projects located in Italy - Compliant with the social housing investments criteria defined by the Italian law and by FIA regulation 	<p>The issuer states in its Framework that the target population include "people living without adequate housing and household in position of exclusion"</p> <p>The issuer also declares he can refer to the Italian regulation (DL 25/6/2008 n. 112 art.11 comma 2), defining the social groups entitled to social housing as:</p> <ul style="list-style-type: none"> - low-income, even single-parent families or single income; - young low-income couples; - elderly in disadvantaged social or economic conditions; - students away from home; - parties subject to an enforcement procedure; <p>Other subjects possessing the requisites of which to Article 1 of the Law of 8 February 2007, n. 9;- regular low-income immigrants, residents from at least ten years in the national territory or from at least five years in the same region.</p> <p>Moreover, social agreements with Municipalities also define basic criteria (citizenship, residence in the Municipality, not to be a housekeeper, income limits-ISEE) and further requirements for a household to be eligible to social housing.</p>	<p style="text-align: center;">Access to housing & Affordable basic infrastructure</p> <p style="text-align: center;">Improvement of housing conditions for people living without adequate housing and household in position of exclusion</p>

⁶ FIA (*Fondo Investimenti per l'Abitare*) is a Housing Investment Facility mostly owned by CDP Investimenti Sgr. Its mission is to invest in the private social housing sector to increase the supply of social housing for rent at fixed prices and sales at reduced prices in Italy, in support and integration of the sectoral policies of the State and local authorities. Its objective is to create affordable housing for families who are unable to meet their housing needs in the market, but with higher incomes than those who qualify for a social housing allocation (the "grey band"). FIA invests in units of real estate investment trusts operating locally and managed by other asset management companies, through investments of up to 80%. FIA is a long term investors with a target return generated by a flow of coupons from the rental of buildings and the revaluation at maturity at the time of sale.

In addition, the Eligible Loans/Projects are likely to contribute to two of the United Nations Sustainable Development Goals (“SDG”s), namely Goals 1. No Poverty, and Goal 11. Sustainable Cities and Communities.

Eligible category	UN SDGs	Potential contribution to the following targets
Social Housing		<p><i>UN SDG 1. End poverty in all its forms everywhere</i></p> <ul style="list-style-type: none"> 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
		<p><i>UN SDG 11. Make cities and human settlements inclusive, safe, resilient and sustainable</i></p> <ul style="list-style-type: none"> 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

By using the Bond’s proceeds to finance and/or refinance the defined Eligible Loans/Projects (Social Housing), CDP is contributing to the UN SDGs 1 and 11, with regards to the above-mentioned targets.

Process for Projects evaluation and selection

The governance and the process for the evaluation and selection of the Eligible Loans/Projects are overall defined and formalized in the Framework. We consider that the process is reasonably structured, overall relevant and overall transparent.

The evaluation and selection process are based on relevant internal expertise, with defined roles and responsibilities.

- CDP has set up a Green, Social and Sustainability Bond Working Group (or “Group”) composed by representatives from several functions across the organization:
 - Finance department
 - Relevant Business departments
 - Investor Relations department
 - Corporate Social Responsibility department.

- The selection process is overall clearly defined
 - The Group has defined the evaluation and selection criteria and will oversee the Framework implementation and evolution, in order to consider potential new Eligible categories.
 - Representatives from the relevant Business Department propose a shortlist a portfolio of loans/projects to be considered as potential Eligible Loans/Projects, according to the Issuer’s Framework.
 - The Group will select the Eligible Loans/Projects to be financed for the “Social Housing” Eligible Category, among those already financed in CDP’s portfolio and in the pipeline. The Green, Social and Sustainability Bond Working Group does a second analysis to approve, as appropriate, each proposed selected portfolio of loans/project based on the defined Eligible Categories that meet 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.
 - The role of FIA in the decision process is detailed in CDP’s internal documentation. FIA controls the asset management companies and the characteristic of each Local Fund as well as their organizational and internal control structures.

The traceability and verification of the process are overall ensured throughout the process:

- The Group meets regularly, and its decisions of selection are tracked through an email exchanged among its members.

- The Group will ensure an accurate allocation of proceeds, reviewing the disbursements made and the investments that will be made. Moreover, as already mentioned above, 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 Issuer has committed to appoint an independent auditor and/or a second party opinion provider in order to review the compliance of eligible loans/projects with the eligibility criteria.

Area of improvement includes to have the selection and exclusion of Projects/Loans for this Bond reviewed by an external auditor.

The process relies on partially explicit eligibility criteria, which are relevant to the social objectives and expected benefits of the Eligible Category.

The Issuer is committed to apply eligibility criteria as defined in its Framework.

- The selected Eligible Loans/Projects have to comply with the definition of the Eligible Category
- Additional relevant eligibility criteria have been defined in internal documents, in particular
 - Financial support only to the private social housing sector
 - Only for housings located in Italy
 - For all the phases of the projects (from the concept plan to housing allocation)
 - Compliant with the investment criteria for social housing in general, as defined by the Italian law (DL n.112/2008, DPCM 16.07.2009) and by the fund regulation.
 - Compliant with FIA's officially disclosed investment criteria
 - Compliant with more specific criteria defined by local entities but which are always be consistent with FIA's.
- Under the same conditions, FIA gives preference to projects that do not use new lands (i.e. no urban spread on agricultural lands) and to high performance security, energy and environmental sustainability operations.

Areas of improvement would consist in (i) formalizing all the considered exclusion criteria in the Framework communicated to the Investors; (ii) excluding loans/projects or entity facing any material or critical controversies.

The identification and management of material environmental and social risks associated with the Eligible Loans/Projects appear to be limited. If an extended system is in place and identifies most material ESG risks, we don't have a clear visibility on the ESG risks covered nor of the system in place to track and react in case of ESG controversies associated with the real estate managers, local funds, or with financed operations.

The Issuer declares that the financed local funds are compliant with all Italian regulations on environmental and social aspects (environment, health and safety of dwellers, labour rights, human rights, accessibility for disabled people, etc.). Moreover, CDP requires from the local funds to issue a declaration of compliance with the Italian regulation. It also states that all companies managing local funds have specific rules that are consistent with Italian laws.

In addition, for investment in the social housing sector, CDP investimenti Sgr carries out due diligences on the investment opportunities, covering some ESG risks:

- on the local funds/entity to be financed: CDP performs KYC (know your customer) assessment, to review the integrity and professionalism of the local fund/entity and of its managers. In particular, CDP verifies, for example the adherence to category association codes of conduct, professional competence and reputational profiles, the risk management system in place, *decreto legislativo 231/01* organizational model, conflict of interest policy, anti-money laundering procedures, the respect of workplace health and safety legislation... In addition, the FIA's participation to the local funds comes with an increase in the protection of rights and in the examination of conflicts of interest. Last, Local Fund Managers are supervised entities operating within a highly regulated system and are subject to the information and inspection supervision of the Bank of Italy.
- on the real estate asset management companies: CDP declares to assess the integrity and professionalism requirements of asset management companies, as well as their expertise in the social housing sector. Controls cover the background of proponents in all phases of the operation: development, construction, management and disposal.
- regarding the social housing operation (project): CDP Investimenti Sgr's due diligence covers:
 - if the potential project would allow the construction of a greater number of social housing units than it would have been generated by a public funding of equal value

- the coordination of the projects with other local urban development policies and programmes, the coherence and integration of the operation within local public policies, and the possible participation of more than one local community
- the implementation of measures that are economically, socially, environmentally and energy sustainable. In particular, FIA appreciates if projects are located in areas already served by the public transports, and where not present, local funds work with local authorities to obtain public connections for dwellers
- the quality, energy and environmental performance of the buildings; the urban and social integration of new projects.
- under the same conditions, FIA gives preference to operations that do not consume new territories (i.e. no urban spread on agricultural lands) and to high performance security, energy and environmental sustainability operations.

The Issuer states that several elements are communicated periodically to FIA (environmental investigation results, information on the rental status and on the compliance with the contractual terms; compliance with housing policies for each investment; compliance with the current regulations regarding the safety of construction sites), as well as a reporting on any critical issue that could have reputational or negative impact on investors or investments.

Areas of improvement would be (i) to systematise the control of ESG controversies related to the real estate, local funds, or financed operations as well as action plan and procedures to face such cases (ii) to extend the ESG selection criteria and process to fully cover climate change adaptation, soils artificialisation, unfair housing allocation, and disrespect of dwellers rights risks.

Management of Proceeds

The rules for the management of proceeds are overall clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are overall clearly defined:

- The Issuer commits that the net 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.
- Unallocated funds will be invested in accordance with CDP's risk rules in money market activity such as, for example, marketable securities.
- The Issuer has committed to do its best effort to achieve the full allocation within 1 year
- 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.
- In case of project postponement, cancelation or divestment, the net proceeds will be used to finance other(s) Eligible Loans/project(s), in compliance with the process for projects evaluation and selection defined in the Framework, until the complete full allocation.

Traceability and verification of the tracking method and allocation of the proceeds are overall ensured:

- The allocated funds will be tracked at the working group's level. Moreover, for some activities, CDP has updated the existing systems with the aim to ensure a better traceability of the information.
- 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.
- The Issuer has committed he will appoint an independent auditor and/or a SPO provider to perform an assurance engagement to review the compliance of the Eligible Loans/projects with the eligibility criteria.

Areas of improvement would consist in (i) committing not to invest unallocated proceeds in temporary placements and instruments relating to controversial activities; (ii) in committing to systematically appoint an external financial auditor to certify the tracking method, the allocation of proceeds and the temporary placements.

Monitoring & Reporting

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

Regarding the monitoring, data collection, consolidation, validation and reporting, the Issuer has committed to update and formalize a new process for the Green, Social and Sustainability Bond issuances, still in progress.

- The Green, Social and Sustainability Bond Working Group will collect information from relevant departments and will produce the report.
- The reporting indicators will be elaborated internally based on the relevant expertise including in the Working Group and in particular in the Sustainability Department. Moreover, for this new Social Housing Bond, CDP will involve FIA Team that is composed with experienced professionals working in the social housing sector for over 10 years, in partnership with the main industry professionals and institutions (banking foundation, cooperatives, non-profit organization, etc.).
- Where information is available, case studies will be selected, in cooperation with relevant business departments.

Regarding the reporting, the Issuer commits to transparently report in a “Bond report” for each Bond issuance, within one year from the date of issuance and annually thereafter, at least until the full allocation of the proceeds. This report will be made publicly available on CDP’s website (<https://en.cdp.it/investors>).

The Issuer has committed (Framework) to report on the proceeds and social impact, consolidated at Category level:

- Allocation of proceeds: the selected reporting indicators are considered overall relevant.

Reporting indicators
<ul style="list-style-type: none"> - The total amount of net proceeds allocated to selected Projects - Amount allocated, detailed by region and sector of activity, as well as for some subcategories - The balance of unallocated funds, if any

Areas of improvement include for the Issuer to commit to report on the share of refinancing, and details on the temporary placements if any.

- Social benefits: the selected indicators are considered relevant.

Eligible category	Social benefits indicators	
	Outputs and outcomes	Impacts
Social Housing	<ul style="list-style-type: none"> o Number of beneficiaries o Number of dwellings renovated or constructed 	<ul style="list-style-type: none"> o Nb. of jobs supported by the projects

The issuer commits to inform the bondholders about key features of the loans/projects, in line with the best market practice. CDP has committed it 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

The Issuer has committed to use qualitative or quantitative performance indicators to communicate the expected impact of the financed Eligible Loans/Projects. The social benefits will be evaluated highlighting the component directly related to CDP’s contribution.

The Issuer has also committed that the methodology used to estimate social impacts of the projects financed will be well described and made public in a report to be published on CDP website (www.cdp.it) for each Bond issued under the Framework.

The Issuer states it may integrate alternative indicators where it believes these to be relevant to the Loans/projects.

Last, for the Social Bonds issued to finance Social Housing, the Issuer has committed to have the social benefit indicators and results of the Bonds verified by an external reviewer (financial auditor) within the mandatory review of its Non Financial Disclosure.

An area of improvement would include to commit to report, at least to the investors, in case of material developments relating to the Bond and/or to the Eligible Loans/projects, including in case of ESG controversies.

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.

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. Our SPO is also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Direction of Sustainable Finance and/or the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council.

All employees have signed Vigeo Eiris' Code of Ethics, and all the consultants have also signed its add-on covering financial rules of confidentiality.

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.

CDP has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, 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.

Management of 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 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 is considered as long as they are public, documented and traceable.

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

- 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, Persistent).
- 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, 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).

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) 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 Framework has been evaluated by Vigeo Eiris according to the SBP 2018 and to our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based on material issues considered in Vigeo Eiris' ESG assessment methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

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

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
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.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
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	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
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.		



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, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat, and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com