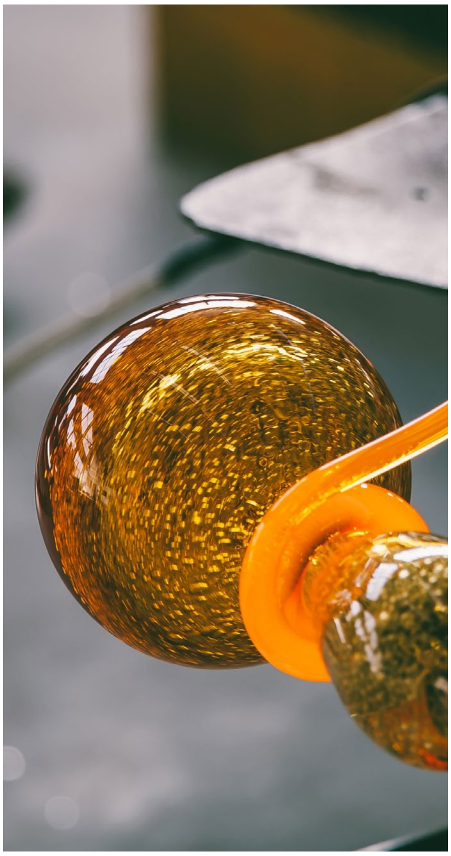
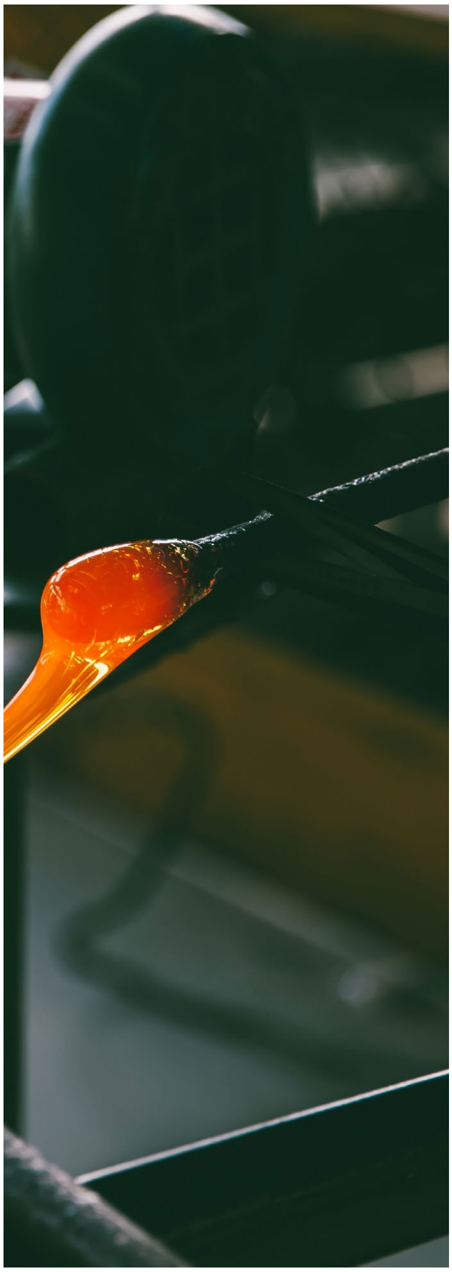
SOCIAL BOND REPORT 2022





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SUMMARY

- In June 2021, CDP issued a new Social Bond under the "CDP Green, Social and Sustainability Bond Framework".
- The proceeds of the issuance were allocated to Italian enterprises, almost exclusively SMEs, with the aim of supporting their investments, growth and employment levels.
- The funds raised were entirely allocated to more than 8,000 companies, mainly located in Central and Southern Italy.
- Approximately 52% of the proceeds raised through the issuance were allocated to the retail and manufacturing sectors.
- The allocated resources resulted in a total impact on employment of around 6,200 jobs.
- The CDP Social Bond’s contribution to sustainability and its alignment with the Social Bond Principles have been confirmed by ISS ESG, in its ex-post External Review.

The purpose of this document is to provide full transparency regarding the allocation of funds one year after issuance, in accordance with the commitment declared by the Issuer as part of the “CDP Green, Social and Sustainability Bond Framework[1]” (the “Framework”).

ISS ESG Corporate Solutions ("ICS") confirmed that as at 27 June 2022, the CDP Social Bond Report is in line with the Social Bond Principles and the ICMA’s Working Towards a Harmonised Framework for Impact Reporting for Social Bonds (“HFIR”).

8,097 COMPANIES

54.7% OF FUNDS MICRO-ENTERPRISES

56.3% OF FUNDS SOUTH OF ITALY

[1] Available on the CDP website at: https://www.cdp.it/sitointernet/en/investitori.page

Introduction

Since 2017, CDP has issued 7 ESG bonds for a total value of over 4.5 billion euro, becoming the main Italian social issuer.

The issuance of the Social Bond 2021 took place in a macroeconomic scenario of gradual economic recovery following the crisis caused by the Covid-19 pandemic.

With the funds raised, CDP supported investments, growth and employment of Italian companies located mainly in the regions of Central and Southern Italy.

The Social Bond Report 2022 provides an overview on funded projects and on social impacts generated, in line with the commitments undertaken as part of the "CDP Green, Social and Sustainability Bond Framework ".

In June 2021, Cassa Depositi e Prestiti S.p.A. ("CDP") issued its sixth **Social Bond**, the proceeds of which were used to finance **Italian enterprises**, located mainly in Central and Southern Italy, with the aim of supporting their investments, growth and employment. The issuance is consistent with CDP's main objectives, which aim to **promote social cohesion and sustainable development.**

CDP is the main Italian social issuer and one of the most important in the European market. Since 2017, the year in which CDP issued its first social bond, 7 ESG bonds have been issued to date, for a total value of **over 4.5 billion euro.** In accordance with the 2022-2024 Strategic Plan, CDP intends to continue to play a crucial role in Italy's **growth** and **sustainable development** and to have a significant economic, social and environmental impact, continuing to support local areas and enterprises.

The issuance of the Social Bond 2021 The issuance of the Social Bond 2021 took place in a macroeconomic scenario of **gradual economic recovery** from the crisis caused by the pandemic. At the end of 2021, Italian GDP had recovered about two-thirds of the contraction experienced in 2020 caused by the health crisis[2], growing by 6.6%. The recovery, supported by the easing of restrictions and progress in the vaccination roll-out, took place especially in the second and third quarters of 2021, and affected all geographical areas (+7.2% in the Northeast, +6.8% in the Northwest, +6.1% in the Centre and +5.7% in the South)[3].

However, this **recovery** has proved to be **heterogeneous** among geographical areas, business sectors and company size. A **slower recovery** compared to pre-pandemic levels was borne, in fact, by **smaller enterprises,** located in the **regions of the South** and operating in the business sectors that were particularly affected by the pandemic (e.g., trade, accommodation and food services).

These are mainly the types of enterprise to which CDP wished to allocate the proceeds of its latest social issuance, supporting initiatives belonging to the **"SMEs and Corporate Financing"** category, one of the four "Eligible Categories" defined within the CDP Framework.
This category contributes to achieving two of the Sustainable Development Goals set by the United Nations ("UN SDGs"), namely number 8, **"Decent Work and Economic Growth"**, whose aim is to **"promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"** and number 9, **"Industry, Innovation and Infrastructure" which aims to "build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation".**

CDP SOCIAL BOND 2021 - MAIN CHARACTERISTICS		
Issuer	Cassa Depositi e Prestiti S.p.A.	The issuance was taken up by over 90 investors, approximately 60 of whom were foreign investors, and attracted requests for around 2.5 billion euro.
Nominal amount	500 million euro	
Issue Date	30 June 2021	
Maturity Date	30 June 2029 (8Y)	
Coupon	0.75% fixed, annual	

[2] Bank of Italy, Annual Report 2021.
[3] Quarterly indicator of regional economic activity (ITER).

ELIGIBILITY CRITERIA

In accordance with the criteria established within the Framework and in compliance with the Social Bond Principles (**"SBPs"**) issued by the International Capital Market Association (**"ICMA"**), the proceeds of the CDP Social Bond 2021 were used to finance Italian enterprises located mainly in the regions of Central and Southern Italy through the banking system. The focus was on those sectors particularly affected by the crisis caused by the Covid-19 emergency, to support their **investments, growth** and **employment**.
None of the projects financed with the proceeds raised through the issuance of the Social Bond 2021 falls within one of the business sectors that are not eligible under the Framework.

EXTERNAL REVIEW

ISS ESG issued an External Review on the CDP Social Bond Report 2022, in which it confirms the positive contribution of the Bond to sustainable development and its alignment with the SBPs.

In particular, as at 27 June 2022, ISS ESG's Opinion was as follows:

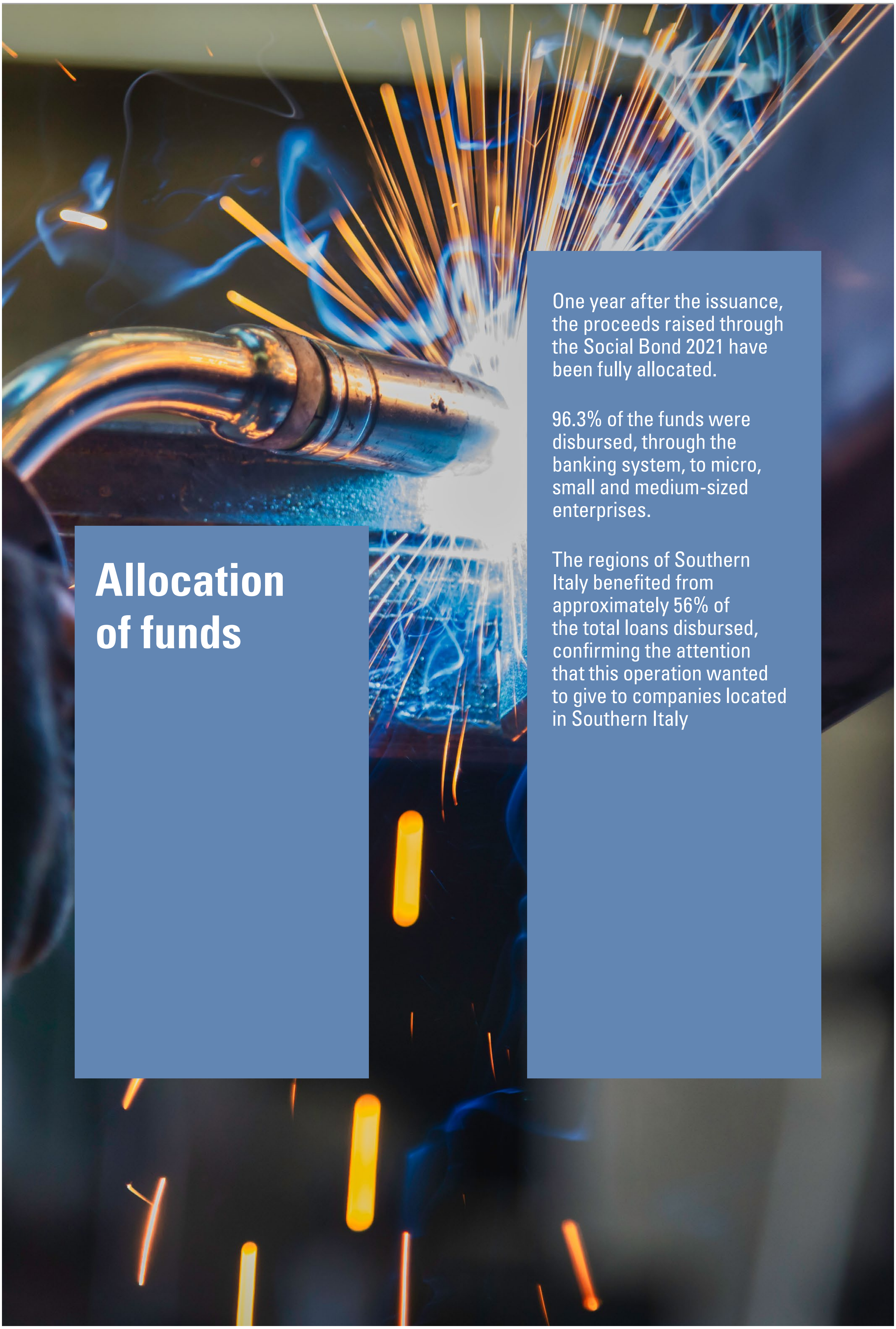
1. **Alignment with the commitments set forth in the Framework:** ISS ESG finds that the Social Bond Report 2022 meets the CDP's set forth in the Framework and is in line with the SBPs. The underlying issuance aligns with key requirements defined by the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines;

2. **Alignment with best market practices, defined in the HFIR:** : ISS ESG finds that the Social Bond Report 2022 is in line with the ICMA's Working Towards a Harmonised Framework for Impact Reporting for Social Bonds. CDP follows core principles and, where applicable, key recommendations. The proceeds have been fully allocated to social categories withing one year from the emission. The issuer has defined a target population and impact indicators with their calculation methodology;

3. **Disclosure of proceeds allocation and soundness of reporting indicators:** ISS ESG finds that the allocation of the Social Bond proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework. The indicators are relevant and align with the reporting criteria set forth in the Issuer's Framework. Data sourcing, methodologies of quantitative assessment, the baseline selection and granularity reflect best market practices.

The Opinion issued by ISS ESG on the Report is available on the CDP website at the following link:
https://www.cdp.it/sitointernet/en/investitori.page

ISS ESG



Allocation of funds

One year after the issuance, the proceeds raised through the Social Bond 2021 have been fully allocated.

96.3% of the funds were disbursed, through the banking system, to micro, small and medium-sized enterprises.

The regions of Southern Italy benefited from approximately 56% of the total loans disbursed, confirming the attention that this operation wanted to give to companies located in Southern Italy

During the first year of the Social Bond, CDP achieved **full allocation** of the proceeds[4], which have been assigned to both existing funding and new initiatives[5].

The assessment and selection of the eligible loans has been carried out and supervised by a **working group** set up specifically for the issuance of the bond, consisting of members of CDP's Finance, Business, Monitoring and Impact Analysis, Policy and Sustainability and Investor Relations departments.

With regard to the allocation of funds raised through the Social Bond 2021, some data on the portfolio underlying the issuance are shown below:

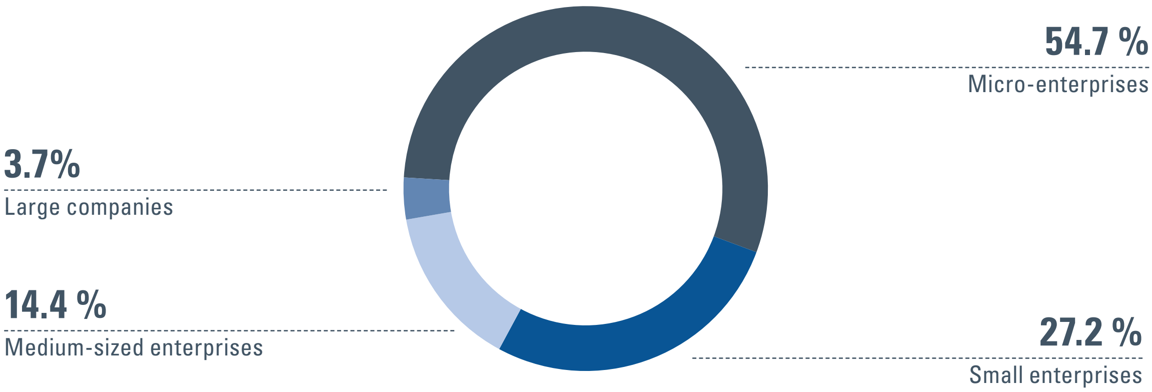
8,097 NUMBER OF ITALIAN ENTERPRISES FINANCED

~61 THOU EURO AVERAGE AMOUNT OF FINANCING PROVIDED

As mentioned in the previous paragraph, the selection of the portfolio was carried out with the aim of **protecting** the **needs of the Italian production** following the pandemic.

The figures show that, at the overall portfolio level, **96.3%** of the funds were disbursed to **micro, small and medium-sized enterprises.**
As shown in the chart below, **54.7%** of the proceeds was allocated to **micro-enterprises, 27.2%** to **small enterprises** and the remaining **14.4% to medium-sized enterprises**. The remaining 3.7% was disbursed to **large companies**[6].

DISTRIBUTION OF FUNDS BY COMPANY SIZE



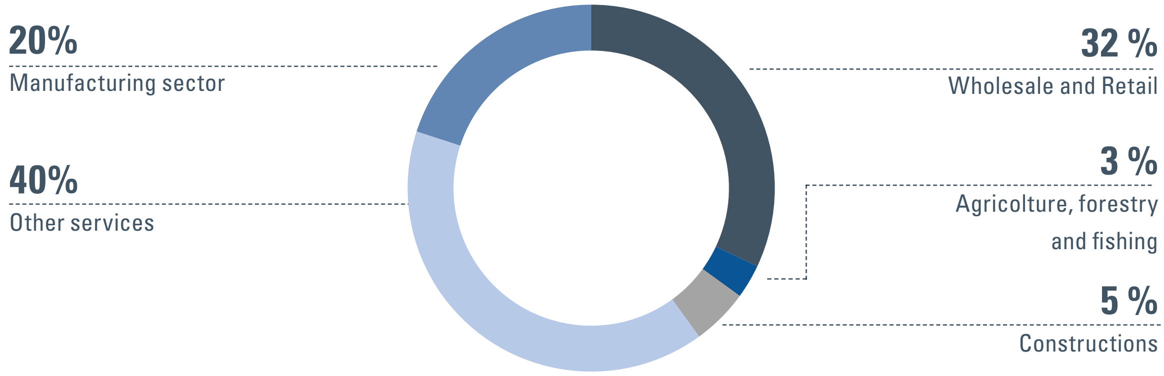
[4] The average duration of the loans disbursed and considered within the eligible portfolio underlying the issuance is about 9 years and is therefore aligned with the maturity of the Bond.
[5] "Existing funding" refers to the loans disbursed from 2018 to June 2021 (about 93% of the total), while "new initiatives" refers to those funded after the issuance of the Social Bond (about 7% of the total).
[6] "Micro-enterprises" refers to companies with fewer than 10 employees. "Small enterprises" refers to companies with between 10 and 49 employees. "Medium-sized enterprises" refers to companies with between 50 and 249 employees. "Large companies" refers to companies with more than 249 employees.

This distribution of funds by company size serves the needs of the national production fabric:

1. Small and medium-sized enterprises (SMEs) have a pivotal role in the Italian economy. They account for 80% of employment and 70% of value added. Their contribution to exports is larger than in other EU[7] countries (53% of exports in Italy vs. an EU average of 40%, and 25% in both France and Germany);
2. however, smaller enterprises suffer **greater difficulty in accessing credit** and this penalises their investments, productivity and growth in size. Company size has a direct impact on the dynamics and procedures for accessing credit due to potential higher default risks, less available information and greater impact of fixed costs, especially in certain areas of the country;
3. SMEs were more affected by the **pandemic crisis** and need support to avoid drastic contractions in investment. Even before the Covid-19 crisis, SMEs showed a propensity to invest equal to 11.5%, more than 4 percentage points lower than that of large enterprises (15.6%).

The composition of the portfolio by **business sector** reflects the attempt to allocate the proceeds from the issuance to important sectors of the Italian economy that were severely affected by difficulties during the pandemic

DISTRIBUTION OF FUNDS BY SECTOR



Approximately 160 million euro, about the **32% of proceeds**, was allocated to enterprises in the **wholesale and retail sectors**. This sector has a **significant role** in the **national economy** (employing over 20% of the country's workforce) and was also the sector hardest hit by the pandemic (-12.4% in value added in 2020 compared to 2019[8]).

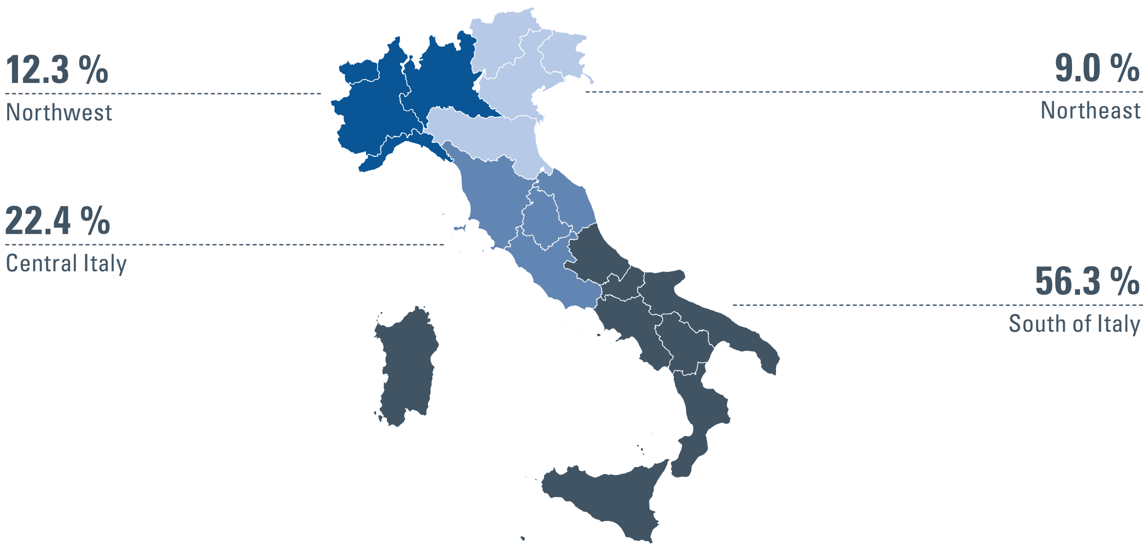
On the other hand, approximately 100 million euro, about **20% of the funds**, was allocated to enterprises operating in the **manufacturing sector**, which traditionally plays a **leading role in the Italian economy**, occupying first place both in terms of workforce employed and in terms of output. The pandemic has resulted in a decrease of the sector's activity by more than 11%[9] and its recovery is a key factor for the socio-economic development of the regions and the positioning of our country in foreign markets.

[7] EIB and European Commission, "The digitalisation of small and medium-sized enterprises in Italy", 2020.
[8] Processed by CDP Sector Strategies and Impact Department, based on Italian National Institute of Statistics (ISTAT) 2020 data.
[9] ISTAT, Report on sector competitiveness, Ed. 2021.

Lastly, it should be noted that **approximately 40% of the funds** were disbursed to enterprises operating in the **services sector**, which represent another key sector for the Italian economy with almost 74% of national value added. This sector includes over 1 million enterprises, of which 97% are micro-sized. These enterprises account for approximately 8.4 million jobs, equal to approximately 49% of the annual average workforce.

In terms of **geographical distribution**, about 56% of the total funds disbursed was allocated to the 8 regions of **Southern Italy**[10]. In particular, **Campania** is the region that benefited the most from the proceeds of the issuance (17.2%), followed by **Apulia** (13.7%) and **Sicily** (7.8%).

DISTRIBUTION OF FUNDS BY GEOGRAPHICAL BREAKDOWN



This geographical breakdown reflects the attention that this operation sought to give to enterprises located in the **South**. Indeed, although the adoption of measures to contain the virus was common throughout Italy - resulting in a fall in economic activity which was essentially identical between the North, Centre and South - the fragility of the production system of the South prevented local enterprises from starting on a recovery path comparable to that undertaken by the rest of the country during 2021. Following the pandemic, therefore, enterprises in the South are characterised by a greater degree of **vulnerability** that has left them in need of **financial support**. An operational risk indicator recently developed by ISTAT[11] allows to classify Italian enterprises (with at least 3 employees) into four risk categories (High, Medium-high, Medium-low, Low[12]) based on the probability that they may find themselves in a particularly critical situation, which could potentially lead to the closure of the business. This indicator shows that the enterprises most exposed to operational risk are those belonging to five regions of Southern Italy (Abruzzo, Basilicata, Calabria, Campania and Sardinia), to which 30% of the funds raised through the issuance of the Social Bond are dedicated.

[10] Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily.
[11] Report on the competitiveness of the production sectors - 2021 Edition.
[12] High risk - a particularly serious situation given the simultaneous presence of: i) a reduction in turnover, ii) the absence of a strategy to overcome the crisis and serious operational risks; Medium-high risk - a serious situation where two conditions are present: i) a reduction in turnover and ii) the absence of a strategy to overcome the crisis (operational risks expected); Medium-low risk - a situation that envisages: i) no reduction in turnover and ii) the existence of a strategy to overcome the crisis (without operational risks); Low risk - that is, where there is i) no reduction in turnover and ii) a strategy to overcome the crisis, without operational risks.

Impacts

CDP is committed to financing projects capable of generating the greatest impact in terms economic, social and environmental, creating long-term value.

The Social Bond 2021 had an estimated impact on employment of approximately 6,200 supported full-time jobs, of which 45% in the Southern regions.

The issuance also contributed to generating an impact on production value estimated at around 840 million euros, with positive effects also on income and private consumption.

In accordance with the aim of promoting **UN SDG 8**, the CDP Social Bond 2021 has had an **impact on employment**, estimated to **around 6,200 full-time jobs supported**[13]. This is a significant number as it is approximately 15% of the number of employees declared by the same companies that received the proceeds from the issuance in 2020.

RESULTS OF THE TOTAL IMPACT ESTIMATE[14] BY MACRO-GEOGRAPHICAL BREAKDOWN

Local Areas	Resources deployed (million €)	Production value (million €)	Added value (million €)	Jobs (thousands)	Disposable income (million €)	Consumption (million €)
Northeast	61	202.6	82.1	1.10	20.7	14.9
Northwest	45	151	60.3	0.84	15.3	11.2
Central Italy	112	197.4	90.8	1.45	22.1	16.2
Southern Italy	282	284.5	136.3	2.80	33.6	25.0
Total Italy	**500**	**835.5**	**369.5**	**6.19**	**91.7**	**67.3**

The **impact** on the **production value** generated by the disbursed resources is estimated at **around 840 million euro**, corresponding to an additional volume of value added of 370 million euro and an additional volume of GDP of approximately 400 million euro, equal to 0.3% of the variation (in absolute terms) in nominal GDP observed between 2020 and 2021. The geographical distribution of the production value created reflects, at least in part, the geographical distribution of the investments. In fact, **more than 30% of the additional production** and **value added** are concentrated **in the Southern regions** followed, some way behind, by the Central and Northwest regions[15].

It is worth noting that, although the northern regions have received a lower share of funding compared to other geographical areas, the activation of resources, in terms of production and value added, proved to be relatively higher in Northern Italy than in Central and Southern Italy. Indeed, the value added generated in the North is almost three times higher than in the South. This outcome is the result of economic **interconnections** between North and South of Italy. Indeed, due to these linkages, the investments have generated **over 200 million euro of interregional trade**, mainly **from North to South Italy**. Specifically, for every 100 euro of investment made in the South, net imports from Northern-Central Italy amounted to 31 euro (of which approximately 70% exclusively from the North), which means that more than 15% of the production activated in Northern-Central Italy depends on the investments made in the South[16].

This characteristic is particularly marked for certain manufacturing sectors, which are affected by evident geographical specialisation (*e.g.*, manufacturing of metals, manufacturing of motor vehicles, manufacturing of electrical equipment and machinery), whereas this is less pronounced for the construction sector, which is characterised by greater geographical proximity in sourcing intermediate goods and raw materials.

[13] Assessment and estimate by the Sector Strategies and Impact Department of CDP. The jobs supported summarize the two main effects on the employment, namely the number of new jobs created or the number of jobs kept. The latter are the jobs that would have been lost if there had been no intervention. The impact generated by CDP's Social Bond was assessed for each macro geographical area (Northeast, Northwest, Centre and South) along the main dimensions of the supply and uses tables drawn from the economic accounts, . These tables quantify the economic transactions carried out both inside and outside the country. This estimate was carried out using input-output matrices. For more information on the methodology used, see the document published on the CDP website at the following link: https://www.cdp.it/sitointernet/en/investitori.page

[14] The impact includes: i) the direct effects, related only to the impacts on the sector affected by the increase in demand and its intermediate inputs; ii) the indirect effects, arising when one sector activates processes in the other economic sectors (Leontief multiplier); the induced effects, i.e. those deriving from the additional income flows that stimulate an endogenous growth in final consumption (Keynesian multiplier).

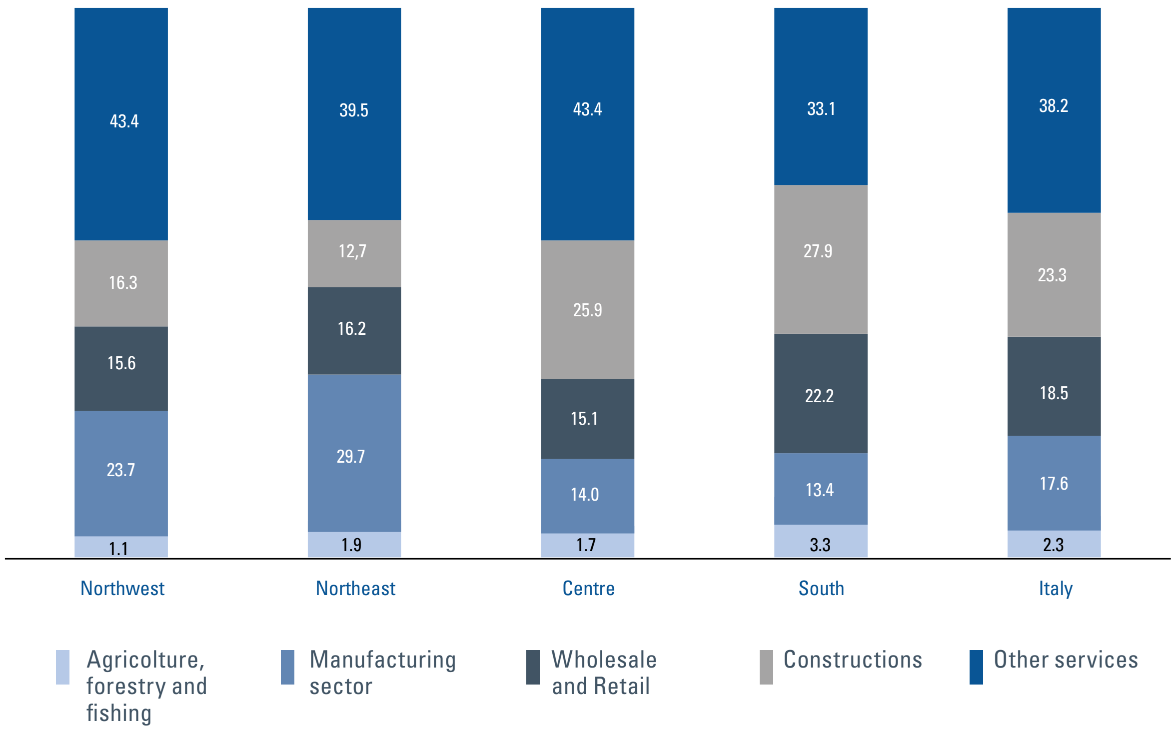
[15] The value added is the difference between the production value of a given period (output) and the cost of raw materials, intermediate goods and services (inputs) involved in the production process. The production value measures the value that was produced during the year, intended as the amount produced that has been sold, the amount produced that is ready but not yet delivered and the amount produced that is intended for use within the company. Therefore, this value differs from turnover, which indicates the value of the goods that have actually been sold.

[16] These estimates are in line with those calculated by Prometeia and SRM in the study "Economic and Productive Interdependence between Northern and Southern Italy", 2014.

The geographical distribution of supported jobs also reflects the geographical distribution of financed investments. Indeed, **approximately 45% of the impact on employment** is concentrated in the **regions of Southern Italy**.

From a sector-based point of view, after the residual category "Other services", it is the **construction** sector that records the **highest impact on employment** (23.3%). This is particularly relevant in southern regions, where this percentage reaches almost 28%. The employment effect in manufacturing sectors proves to be larger in **northern areas** than in both the Centre and the South of Italy.

DISTRIBUTION OF THE IMPACT ON EMPLOYMENT BY SECTOR AND GEOGRAPHICAL AREA (%)



Finally, the volume of investments had **beneficial effects** also on **income** and **private consumption**. Specifically, it is estimated that the increased economic activity of enterprises has generated an **increase in disposable income of 92 million euro**. This, in turn, spurred an additional volume of private consumption of approximately 67 million euro (37% of which in the South), equal to 0.1% of the increase (in absolute terms) in national private consumption observed between 2020 and 2021.

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