Disclosure Statement, Operating Principles for Impact Management

Cassa Depositi e Prestiti (CDP) is a founding signatory to the Operating Principles for Impact Management ("Impact Principles"). The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms that CDP’s core/client business, including (a) impact management systems; (b) policies and practices; and (c) investment services, with respect of activities promoted by its International Cooperation department are managed in alignment with the Impact Principles.

With reference to CDP Cooperazione Internazionale allo Sviluppo operations, the total assets under management in alignment with the Impact Principles is USD 5,685 million as of December 31, 2020.¹

¹ The total assets under management refers to the Covered Assets as of December 31, 2020, and it includes the commitments not yet disbursed at that time and the Revolving Fund for Development Cooperation, managed by CDP. Exchange Rate as of December 31, 2020 (EUR 1 = USD 1.1227).
PRINCIPLE 1 - Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- Cassa Depositi e Prestiti S.p.A. (CDP) is the Italian Financial Institution for the International Development Cooperation, designated by provision of Law n. 125/2014 on International development cooperation, with a mission to invest in the developing countries included in the OECD DAC list of ODA recipients, with the framework of the Italian development cooperation policy according to the three-year Programming and Policy-planning Document, to achieve sustainable and inclusive growth in line with the Sustainable Development Goals and the 2030 Agenda, the European Consensus on Development.

- According to Law 125/2014, the CDP manages the public Revolving Fund for Development Cooperation, including concessional loans and financing to support private sector; finances, with its own resources, development cooperation initiatives in support of both public and private recipients, also partnering with European, multilateral and international financial institutions and blending with other public or private resources, subject to the favorable opinion of the Joint Development-Cooperation Committee; and provides financial advisory to the development cooperation institutions (e.g. the Ministry of Foreign Affairs and International Cooperation and the Italian Development Cooperation Agency).

- The Joint Development Cooperation Committee is chaired by the Ministry of Foreign Affairs and International Cooperation or by the Deputy Minister of Development Cooperation and composed by (i) the General Director for Development Cooperation; (ii) the Director of the Italian Development Cooperation Agency; and, for specific initiatives, (iii) the Director General of the Treasury of the Minister of Economy and Finance.

- Alongside with the country’s strategic objectives, CDP has structured its own process for identifying specific priorities with respect the promotion of sustainable development at national and international level. This process is designed in order to ensure the engagement of stakeholders - both internal and external - through a structured approach of listening, dialogue and discussion, aimed at anticipating and managing their expectations within the context in which CDP operates. Through stakeholder engagement, CDP establishes a long-term relationship with its stakeholders to identify and understand their concerns and expectations regarding sustainable development targets. The result of this process is the definition of the Materiality Matrix which underlines the most relevant economic, social, environmental and governance issues relevant for CDP.
- At the same time, CDP priorities and objectives are also set with respect the potential contributions and impacts generated by CDP’s business on the 17 Sustainable Development Goals (SDGs). The alignment of CDP supported activities with respect to SDGs is verified in the ex-ante impact assessment and it is detailed in the annual integrated report that, along with financial information, describes CDP’s contribution to SDGs.

**PRINCIPLE 2 – Manage strategic impact on a portfolio basis**

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- CDP Cooperazione Internazionale allo Sviluppo had its Strategic Plan approved by the Board of Directors in the early months of 2020, having at its core the sustainable development of developing countries and emerging markets.
- Each transaction of CDP Cooperazione Internazionale allo Sviluppo has to be approved by the aforementioned Joint Development Cooperation Committee and its impact is assessed internally too.
- Staff incentives are also calibrated with respect to the transactions closed during the year and being all the transaction impactful there is an objective alignment of interest between the staff and the impact performance of the portfolio.

**PRINCIPLE 3 - Establish the Manager’s contribution to the achievement of impact.**

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- Additionality is one of the pillars of CDP’s mandate, both at national and international level. Therefore, the additionality is one of the domains considered in the ex-ante impact evaluation assessment. Additionality elements considered in this analysis are related to ability to intervene in market gaps/failures and to mobilize additional financial and non-financial resources, both private and public.
- In each investment proposal, a detailed impact assessment section is included. In this section, the expected contribution to specific outcomes is outlined according to the priorities defined by the Italian International Cooperation Governance and the CDP’s impact strategy.
- The Joint Development Cooperation Committee, which oversees the final decision regarding the initiatives proposed, receives from CDP a detailed analysis which includes the contribution of CDP in terms of additionality and the outcomes expected within the impact value chain generated.
PRINCIPLE 4 - Assess the expected impact of each investment, based on a systematic approach

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact.

In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

- CDP has an impact assessment model based on a quality/quantitative approach and designed to assess the expected positive outcome and potential negative impact produced by initiatives eligible for financing.
- In detail, the ex-ante assessment phase produces a score associated to each initiative, which summarizes the net expected impact. This assessment follows two level of analysis. The first one is focused on verifying the alignment of the initiative with the priority areas identified by the Group in terms of Material Matrix and SDGs. The second level is based on three dimensions of analysis: (i) counterpart/client with respect to sustainability issues; (ii) project expected outcomes; (iii) additively.
- The ex-ante assessment takes into account the specific characteristics of each business line, considering the nature of the counterparties, the financial instruments and the areas of operation.
- For International Development Finance activities of CDP, the ex-ante assessment is required in the two decisional steps needed to reach the final approval over each operation. These are the CDP’s Internal Investment Committee and the Joint Development Cooperation Committee.

PRINCIPLE 5 - Assess, address, monitor, and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- CDP conducts the assessment of the potential environmental and social impacts of International Development Finance activities in accordance with all the relevant internal procedures and principles. In particular, the methodology regarding the identification and assessment of risks and environmental impacts complies with the criteria and guidelines expressed in CDP’s Risk Regulation and related documents.
• In screening the potential environmental and social risks and impact of these activities, CDP will consider and include direct and indirect, induced, long-term and cumulative impacts and will take into account the activities’ areas of influence including associated facilities and third-party impacts. The adverse impacts identified in the assessment, will be managed according to the principles of Mitigation Hierarchy which prioritize avoidance, followed by minimization, restoration and compensation.

• The Identification and Assessment of E&S risks and impacts comprises: (i) ex-ante analysis of the projects, consisting of the screening of the preliminary information about the transaction and assignment of the risk category; (ii) identification of the necessary mitigation and compensation measures; (iii) monitoring, through the examination of the documents produced by the project, to identify critical situations and propose corrective actions².

• The E&S Assessment procedure is defined in a specific internal policy.

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<th>PRINCIPLE 6 - Monitor the progress of each investment in achieving impact against expectations and respond appropriately</th>
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<td>The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.</td>
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<th>PRINCIPLE 7 - Conduct exits considering the effect on sustained impact</th>
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<td>When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.</td>
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• CDP is working in order to implement a monitor system able to identify progresses and evolution of each investment with respect to impact expectations. In this respect, CDP has started to ask to its counterparts/client to provide periodically specific information regarding target reached and development KPIs useful for internal analysis.

• When evaluating an exit, CDP Cooperazione Internazionale allo Sviluppo is committed to considering the effect of its decisions over the persistence of development impact reached. This can affect the exit timing, structure, and buyer selection. CDP is in any case obliged to evaluate the impact of its decision on the economic and financial outcomes of each operation.

PRINCIPLE 8 - Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- CDP uses its own system for impact scoring to analyze the expected outcomes of its new commitments. At the same time, ex-post evaluations are conducted in order to assess the gap between the outcomes effectively reached and the ex-ante expectations.

- In its Integrated Annual Report CDP gives evidence of the results of its activities, both at portfolio and at single-investment level. In a specific section of the Report the CDP's financial contribution to SDGs is presented. This contribution is estimated through a methodology internally developed, following the Theory of Change approach.

PRINCIPLE 9 - Independent verification

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

- This Disclosure Statement affirms the alignment of CDP Cooperazione Internazionale allo Sviluppo approach to the Principles and will be updated annually.

- CDP will conduct the independent verification of its alignment with the Principles every second year. The first assessment will therefore take place in September 2021.