

Social Bond Report 2020



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Social Bond Report 2020

- **Following the inaugural Social Bond in 2017 and the Sustainability Bond in 2018, CDP placed its second “Social Bond”, issued in accordance with the “CDP Green, Social and Sustainability Bond Framework”**
- **The proceeds raised from the issuance have been mainly allocated to financing public-school buildings safeness and urban redevelopment initiatives**
- **The funds have been fully allocated with 1,632 municipalities financed**
- **The Social Bond has had an estimated employment impact in over 15,000 full-time jobs created and preserved**
- **About 587,000 students and 130,000 inhabitants reached thanks to school and university building and urban regeneration**
- **The CDP Social Bond’s contribution to sustainability and its alignment to the Social Bond Principles have been confirmed by ISS ESG, as a Second Party Opinion Provider**

The purpose of this document is to provide to investors full transparency regarding the allocation of funds within one year after the issuance, as specified in the “CDP Green, Social and Sustainability Bond Framework¹” (the “Framework”).

ISS ESG has confirmed that as of 10 April 2020, the Social Bond Report is aligned with the ICMA’s Social Bond Principles and ICMA’s Harmonised Framework for Impact Reporting.

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

1. Introduction

In March 2019, Cassa Depositi e Prestiti S.p.A. (“CDP”) issued its second Social Bond, for financing initiatives in support of school buildings and urban redevelopment. More specifically, the proceeds have been destined to the construction, safety and earthquake-proof upgrading of public buildings, especially those used for schools at all educational levels (universities included). Interventions have also been made with regard to urban renewal with initiatives aimed to improve municipal buildings, public parks with adjacent playing areas, sport centres, cycle paths and recreational facilities and children’s centres.

Since its establishment, CDP has been providing financial support to the State and local authorities, using funds raised through postal savings channel and bond funding. This activity is classified as a “service of general economic interest” and is therefore carried out in compliance with accessibility, predetermination, uniform treatment and non-discrimination principles.

With the issue of the Social Bond, CDP wanted to allocate the proceeds to the financing of projects included in two of the four “*Eligible Categories*” defined within the Framework, named “*Infrastructure and Development of Cities*” and “*Education*”.

Eligibility Criteria

In accordance with the criteria established in 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 have been used to finance/re-finance loans dedicated to the:

- construction, upgrade, safeness and earthquake-proof

External Review

ISS ESG has released an External Review on the CDP Social Bond Report in which it confirms the positive contribution to the sustainable development and its alignment with the SBPs. The metrics and the key



These categories, which also include work carried out by CDP in support of public entities, contribute to the achievement of two *Sustainable Development Goals* set by the United Nations (“UN SDGs”): the number 4. “**Quality Education**”, which aims to “*provide quality, fair and inclusive education and learning opportunities for all*” and the number 11. “**Sustainable Cities and Communities**”, which aims to “*make cities inclusive, safe, sustainable and sustainable*”.

CDP Social Bond – Main characteristics

Issuer	Cassa Depositi e Prestiti S.p.A.	The issue was well received by the market, with over 100 institutional investors involved, of which around 40% from outside Italy. The final book showed orders of around 1.7 billion euros, 2x the offer.
Nominal amount	750 million euros	
Issue Date	21 March 2019	
Maturity Date	21 March 2026 (7Y)	
Coupon	2.125% fixed, annual	
Second Party Opinion	Vigeo Eiris	

- upgrading of public-school buildings, from kindergartens to universities;
- urban redevelopment interventions, safety and regulatory adaptation of non-school buildings and public spaces.



performance indicators (KPIs) chosen by CDP for impact reporting, and the underlying methodologies adopted for its calculation, are material and consistent with the commitments of CDP’s Framework.

In particular, as of 10 April 2020, ISS ESG's opinion is as follows:

- 1. Alignment with framework commitment, in line with the SBPs:** ISS ESG finds that the Social Bond Report 2020 respects the commitments set forward in the Framework by CDP and remains aligned to the Social Bond Principles. All key requirements defined by the SBPs have been disclosed in the framework and have then been respected in the Social Bond Report 2020.
- 2. Alignment with best market practices, defined**

in the HFIR: ISS ESG finds that the Social Bond Report 2020 is in line with ICMA's Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.

- 3. Soundness of KPIs reported:** ISS ESG finds that the allocation report section of the Social Bond Report of CDP aligns with good market practices and with the SBPs.

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>.

2. Funds Allocation

After one year from the issuance, CDP has achieved the **full allocation** of the proceeds, which have been assigned to existing² and new³ loans.

The allocation of the proceeds has been carried out with the support of the involved business unit in relation to the disbursements made in favour of **Municipalities, Unions of Municipalities, Metropolitan Cities, Mountain Communities, Provinces, Regions and "Liberi Consorzi Comunali"**.

To the beneficiary entities already mentioned, should also be added ten Italian Universities.

The assessment and selection of eligible financing has been carried out and supervised by a Working Group mainly made up from members of CDP's Finance, Business and Sustainability departments.

To better identify beneficiaries and analyse the generated impacts, each loan granted to territorial entities other

than Municipalities has been reclassified and attributed to the site of the intervention.

Each disbursement in favour of Local Authorities, distinct from Municipalities, have been reclassified and reconducted to the place of intervention. It has been made with the aim to better identify the benefits therefore improve the impact generated analysis.

The following table shows several portfolio highlights:

Number of projects financed	3,334
Number of Municipalities financed	1,632
Number of Universities financed	10
Average amount of financing provided to Municipalities	Eur 40,221.83
Average amount of financing provided to Universities	Eur 1,686,023.73

² "Existing loans" are loans granted from 2014 until March 2019 (about 83% of the total).

³ "New loans" are loans granted after the issuance of the Social Bond (about 17% of the total).

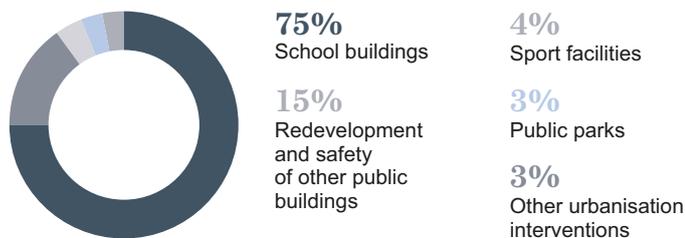
In terms of **type of projects financed**, **75%** of the entire portfolio is represented by interventions dedicated to **school building** at all educational levels, with different objectives: **construction** of new school buildings, **upgrade**, **safeness** and **earthquake-proof upgrading** of existing school buildings.

This 75% percentage includes **2,103 interventions** among **1,196 Municipalities** and **Universities**, spread throughout the country, accounting in total for about **560 million euros**.

The remaining **25%** of the funds has been allocated to projects aimed to guarantee to all the citizens the access to **urban infrastructures** and **safe public spaces**. More in detail, these interventions were focused on:

- **redevelopment** and **safeness of non-school public buildings** (about 15%);
- **renovation** and **regulatory adaptation** of sport facilities, such as **stadiums**, **sport centres**, **swimming pools** and **municipal gyms** (about 4%);

Breakdown by type of intervention



- **care** and **management** of **public parks** and **playing areas** (around 3%);
- other initiatives destined to the **upgrading**, **extraordinary maintenance** or **renovation** of buildings intended to **recreational** and **entertainment facilities** or **children's centres** and to the **construction**, **requalification** and **upgrade** of **cycling infrastructures** (around 3%).

Municipalities which benefited were **745**, accounting for a total of circa **190 million euros** granted to finance **1,231** interventions.

For what concerns the type of entities been financed, **74% of the total loans** (around **560 million euros**) has been provided to **Municipalities** located throughout Italy. These are followed by **Universities**, which have been allocated **26%** of the proceeds accounting totally to about **190 million euros**. Among these interventions, can be found some of the most known public Italian universities such as Università degli Studi di Roma "Tor Vergata", Università degli Studi Milano - Bicocca and Università degli Studi di Napoli "Federico II".

The interventions were mainly addressed to build up new campuses, student accommodations, offices, teaching rooms, research laboratory and libraries. In other cases, the funds have been allocated to properties renovations or adaption to regulatory requirements of buildings already in place.

Geographical breakdown of the financing provided



Regions	%
Lazio	16.98
Lombardy	15.50
Campania	12.03
Piedmont	9.13
Friuli-Venezia Giulia	7.50
Tuscany	7.08
Veneto	5.18
Emilia-Romagna	4.81
Abruzzo	3.81
Calabria	3.80
Liguria	3.80
Sicily	2.79
Marche	2.55
Apulia	2.55
Umbria	1.71
Sardinia	0.73
Basilicata	0.54
Molise	0.18
Aosta Valley	0.05
Trentino-South Tyrol	0.01

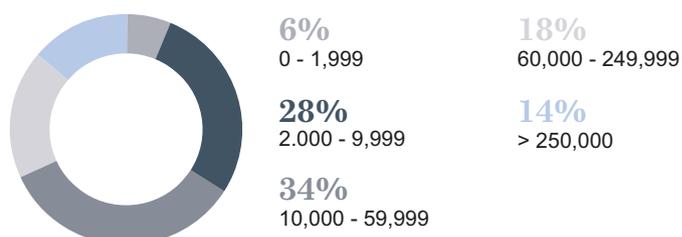
In terms of geographical distribution of the overall portfolio, around **17%** of the financing was allocated to **Lazio**, followed by **Lombardy (15%)** and **Campania (12%)**. These regions are also the top three ranked with reference to the disbursements granted for financing projects related only to **school building**.

Piedmont ranks first in terms of interventions in favour of **urban redevelopment** and **safeness of non-school public buildings**, with around **30 million euros** disbursed (17% of the total). Follow **Lombardy** and **Friuli-Venezia Giulia** with **9%** and **8%** of the loans respectively allocated in this category.

Overall **1,632 Italian municipalities**, also through financing granted to Metropolitan Cities, Unions of Municipalities, Provinces, Regions, Mountain Communities and “Liberi Consorzi Comunali”, benefited from the realization of **3,334 projects**.

About **70% of these municipalities** have a **population of less than 10,000 inhabitants**, the most prevalent size class in Italy.

Breakdown by size class of the Municipalities



3. Impact Reporting

The assessment and measurement of the impacts generated by CDP's Social Bond covered the following areas⁴:

- employment impact;
- number of students benefiting from school and University building interventions;
- number of inhabitants benefiting from urban regeneration measures.

a. Employment impact

With reference to the portfolio as a whole, the **employment impact** generated by the funding provided is estimated at around **15,514 full-time jobs**, 25% of which in municipalities with less than 10,000 inhabitants and a further 26% for university building projects.

Employment impact by type of financed entity

Type of financed entity	Volume of funding (%)	Estimated number of jobs created and maintained	Jobs created and maintained on average by type of beneficiary
Municipalities with 0-1,999 inhabitants	5	717	2
Municipalities with 2,000-9,999 inhabitants	21	3,201	4
Municipalities with 10,000-59,999 inhabitants	25	3,883	9
Municipalities with 60,000-249,000 inhabitants	14	2,121	32
Municipalities with >250,000 inhabitants	10	1,597	160
Universities	26	3,996	31
Total	100	15,514	9

b. Number of students benefiting from school and university building projects

Approximately **587,000** students benefited from the school and university building projects financed from the proceeds of the CDP issue, for a total of **2,103 interventions**. Of these, about **54%** are in **municipalities with less than 2,000 inhabitants**, while **29%** are **university students**. The average amount paid per student is about **1,350 euros**.

32% of the students who benefited from the interventions attend primary school and a further **23%** attend **secondary schools**. Compared to the total number of students enrolled in the reference school year⁵, overall, the proceeds from the issue of the Bond made it possible to support **6.1%** of students (including children enrolled in public nurseries and universities). This incidence is significant in the case of **primary schools (7.2%)** and **secondary schools (8.0%)**.

Beneficiary students by type of financed entity

Type of financed entity	Volume of funding (%)	Beneficiary students (number)	Beneficiary students (%)	Average amount (Eur/student)
Municipalities with 0-1,999 inhabitants	60.7	317,341	54	1,576.5
Municipalities with 2,000-9,999 inhabitants	1.3	25,418	4	378.5
Municipalities with 10,000-59,999 inhabitants	1.8	50,106	9	399.1
Municipalities with 60,000-249,000 inhabitants	1.4	20,585	4	827.3
Municipalities with >250,000 inhabitants	0.4	6,090	1	337.4
Universities	34.4	167,843	29	1,246.5
Total	100	587,383	100	1,350.1

⁴ Estimate by CDP's Sustainability area. For more information on the methodology used, see the document published on the CDP website.

⁵ For kindergartens and childhood schools the reference school year is 2017-2018; for the remaining types of schools and universities the reference school year is 2019-2020.

Beneficiary students by type of school

School type	Number of interventions	Volume of funding (%)	Beneficiary students (number)	Beneficiary students (%)	Beneficiary students on total students enrolled (%)
Kindergarten	63	2	3,956	1	2.8
Childhood school	325	8	27,333	5	2.5
Primary school	948	32	185,044	32	7.2
Secondary school	567	17	133,004	23	8.0
High school	170	6	70,203	12	2.7
Universities	31	34	167,843	29	10.4
Total	2,103	100	587,383	100	6.1

In order to offer more details at a **regional level** regarding the total number of students reached, it can be noted that the regions most impacted are **Piedmont (15%)**, **Friuli-Venezia Giulia (11%)** and **Campania (15%)**. These regions are those, together with Umbria, where the incidence compared to the total number of students enrolled is higher.

Beneficiary students by Region

Regions	Beneficiary students (number)	Beneficiary students (%)	Average amount (Eur/student)	Beneficiary students on total students enrolled (%)
Piedmont	85,590	14.6	1,549	13.3
Aosta Valley	90	0.02	68	0.5
Liguria	16,206	2.8	1,093	7.6
Lombardy	53,629	9.1	1,696	3.8
A.P. of Trento	481	0.1	105	0.5
Veneto	31,918	5.4	1,413	4.5
Friuli-Venezia Giulia	62,072	10.6	1,685	34.4
Emilia-Romagna	27,219	4.6	1,532	3.7
Tuscany	43,462	7.4	1,191	7.1
Umbria	17,248	2.9	926	11.6
Marche	14,953	2.5	1,385	5.7
Lazio	53,701	9.1	1,396	5.6
Abruzzo	20,869	3.6	1,457	8.7
Molise	661	0.1	1,352	1.4
Campania	90,432	15.4	1,221	8.5
Apulia	20,912	3.6	684	3.0
Basilicata	5,460	0.9	720	6.2
Calabria	16,712	2.8	1,644	5.1
Sicily	20,414	3.5	989	2.3
Sardinia	5,357	0.9	1,119	2.2
Italy	587,383	100	1,350	6.1

c. Number of inhabitants benefiting from urban regeneration measures

Funding for **urban regeneration measures** as a whole, amounting to some **190 million euros**, was allocated to **745 municipalities** in 19 regions. Of these, almost

30% went to **municipalities with less than 10,000 inhabitants** and about another **25%** to **municipalities with less than 60,000 inhabitants**. Overall, it is estimated that the population that has benefited from these interventions is about **130,000 inhabitants**.

Relevance of each category of municipality per intervention (%)

Intervention types	Municipalities categories by number of inhabitants					Total (Eur/million)	Weight (%)
	< 2.000	< 10.000	< 60.000	< 250.000	> 250.000		
Redevelopment and safeness other public buildings	8.2	19.6	29.9	23.3	19.1	110,293,921.9	58
Sport centres	10.4	24.4	24.4	17.5	23.2	33,555,977.5	18
Public parks	6.6	22.6	37.4	20.2	13.2	26,137,194.4	14
Children's centers	9.5	11.3	14.2	4.5	60.5	10,494,464.7	5
Recreational and	4.5	66.1	6.0	23.4	0.0	5,079,383.0	3
Cycle paths	0.0	22.3	26.4	17.7	33.6	3,846,176.0	2
Total interventions	8.1	21.7	28.4	20.7	21.1	189,407,117.5	100

The **redevelopment and safeness** of non-school public buildings, which represent the most heavily financed category in this segment of the portfolio (**58.2%**), were mainly carried out in municipalities with less than **60,000 inhabitants (29.9%)**, followed by **municipalities with less than 250,000 inhabitants (23.3%)**, among which **Turin** is particularly important.

On the other hand, with regard to the interventions aimed at the **management of sports facilities and public parks**, which together represent **almost 30%** of the total volume disbursed, the size classes of municipalities that have benefited most from these interventions are the

average ones, with population ranges between **10,000 and 60,000 inhabitants**. **More than 60% of the funding** dedicated to children's centres (about **5.5%** of the total) was allocated to the cities of **Milan** and **Turin**. The interventions aimed at the maintenance or renovation of **recreational facilities** (such as cinemas, theatres and auditorium) and the redevelopment of **cycling mobility infrastructure** both account for about **5%** of the portfolio. In the case of entertainment facilities, 66% of the interventions were concentrated in municipalities with less than 10,000 inhabitants, while for those in favour of cycling more than 33% were in larger municipalities.

4. Case studies



Novara is the **second largest city** in **Piedmont**, it is an important centre of attraction for several towns around, given the presence of important industries, craft and agriculture firms.

Over the last years, the Municipality of Novara has started a series of **urban redevelopment initiatives** with the aim to achieve high hygienic-sanitary standard level and safeness through the optimization of **city's markets** and urban settings. Specifically, the intervention refers to the structure of **Viale Dante's market**: a large historical architectural ensemble.

The market represents a **pole** around which rotate most of the **small and medium neighboring commercial activities** as it benefits from a **high turnout** during the opening hours. The attendances are mainly old or low-income people therefore it is important to look on this redevelopment as a tool able to: improve **social cohesion**, favor **economic development** and in the meantime achieve a **tangible environmental improvement**.

City	Novara
Region	Piedmont
Number of inhabitants ⁶	104,279
Amount disbursed	Eur 2,277,783.95
Type of intervention	Renovation and structural reinforcement of the covered market of Novara

The structural, plant and architectural adaptation interventions therefore also allowed a "**social redevelopment**" with considerable positive effects on the urban regeneration, on the **commercial activities** and on the **socio-cultural balance** of the area.

The market, reachable from the habitants of the historical center (circa **30,000 people**) by walk, represents the only alternative to the large food distribution. Within the market there are **380 stalls** (45% of the whole stalls available in Novara) which are managed by small traders and local SMEs.

Among all the local markets, Viale Dante's surely represents the most frequented with almost **2,000 visitors per day** due to its **strategic location**.

⁶ Source: ISTAT (2019)



Santo Stefano di Magra

Santo Stefano di Magra is an Italian town of circa 10,000 inhabitants. It is the fifth Municipality for number of inhabitants located in the province of La Spezia (Liguria).

In this specific case, CDP has financed three projects aimed to provide **earthquake-proof upgrading** to three different schools. Specifically, those institutes are the two elementary schools “**Cesare Arzelà**” located in Ponzano Madonnetta and “**XXIX Novembre**” located in Ponzano Belaso and the high school “**A. Schiaffini**” in Santo Stefano di Magra.

Each school has been subject of **static** and **dynamic analysis**, background checks and verifications aimed to determine the building’s **index of seismic vulnerability**. Thanks to the analysis has been possible to lay down an **earthquake-proof upgrading project**.

City	Santo Stefano di Magra (SP)
Region	Liguria
Number of inhabitants ⁷	9,901
Amount disbursed	Eur 290,761.92
Type of intervention	Schools earthquake-proof upgrading

The aim of these interventions, essential in a fragile territory like the Italian one, was to **increase** the **vulnerability index** of each school, in compliance with the most recent "Technical standards for construction", issued by the Ministry of Infrastructures.

A total of **580 students** benefited from these projects.

⁷ Source: ISTAT (2019)

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