

EXTERNAL REVIEW

on the Social Bond Report 2020 of
Cassa Depositi e Prestiti S.p.A.

10 April 2020

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Overall Evaluation of the Social Bond Report 2020

Cassa Depositi e Prestiti S.p.A. (CDP) commissioned ISS ESG to provide an External Review on its Social Bond Report 2020 by assessing:

1. The alignment of the CDP's Social Bond Report 2020 with the commitments set forward in CDP's Framework in line with the International Capital Market Association's (ICMA) Social Bond Principles (SBPs)
2. The alignment of the CDP's Social Bond Report 2020 with best market practices as described in the ICMA Harmonised Framework for Impact Reporting (HFIR).
3. Soundness of CDP's Social Bond Report 2020 KPIs – whether the indicators used align with best market practices and are a relevant reporting tool for the social bond issued.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1</p> <p>Alignment with framework commitment, in line with the SBPs</p>	<p>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.</p>	<p>Positive</p>
<p>Part 2:</p> <p>Alignment with best market practices, defined in the HFIR</p>	<p>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.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Soundness of KPIs reported</p>	<p>ISS ESG finds that the KPIs used in the Social Bond Report 2020 of CDP align with good market practices and with the SBPs.</p> <p>The Fund management reporting appropriately display the allocation of the total proceeds of the bond. The indicators chosen for the impact reporting are material and in line with suggested market guideline metrics, and information regarding sourcing and benchmarking are properly displayed.</p>	<p>Positive</p>

ISS ESG EXTERNAL REVIEW ASSESSMENT

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

The table below presents the findings of ISS ESG’s assessment of the Social Bond Report 2020 against CDP’s commitments set forward in its Framework and against ICMA’s Social Bond Principles (SBPs).

SBPs’ REQUIREMENTS	CDP’S GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK COMMITMENT	EVIDENCE IN CDP SOCIAL BOND REPORT 2020	FULFILMENT
1. Use of Proceeds			
1.1. Alignment with the project categories defined by the SBPs	The net proceeds will be exclusively allocated to finance or re-finance projects in the following categories: <ul style="list-style-type: none"> • Infrastructures and Development of Cities; • Education; • SMEs Financing; • Energy and Environmental Sustainability. 	In accordance to the eligibility criteria established in Framework, the proceeds have been used to finance or re-finance projects in the categories of: <ul style="list-style-type: none"> • Infrastructures and Development of Cities; • Education; 	✓
1.2. Sustainability objectives related to project categories	Social objectives and benefits are defined for each project category in CDP’s framework.	A detailed description of core social impacts for each target area is available in the report. <ul style="list-style-type: none"> • Infrastructure and Development of Cities - Employment impact: 15,514 full-time jobs created • Infrastructure and Development of Cities - Number of inhabitants benefiting from urban regeneration measures: 130,000 inhabitants from 745 municipalities • Education - Number of students benefiting from school and University building interventions: Approximately 587,000 	✓

1.3. Refinancing / Financing	An amount equal to the net proceeds from the issue of the Bonds will be exclusively allocated to finance or re-finance, in whole or in part, new and/or existing loans/projects.	CDP has achieved the full allocation of the proceeds, which have been assigned to existing and new loans. “Existing loans” are loans granted from 2014 until March 2019 (about 83% of the total). “New loans” are loans granted after the issuance of the Social Bond (about 17% of the total).	✓
1.4. Exclusion of harmful project categories	CDP will not allocate proceeds received from the issuance of Green, Social and Sustainability Bonds to recipients either directly operating, involved in the supply chain or distribution in a set of defined excluded sectors available in the framework.	As set out in the Annex A of our Framework, the proceeds have been not allocated in any of the excluded sectors.	✓
2. Process for project evaluation and selection			
2.1 Defined and transparent criteria for projects eligible for social bond proceeds	A dedicated Green, Social and Sustainability Bond Working Group has been established to create the Green, Social and Sustainability Bond Framework, manage any future updates to the Framework, including expanding the list of Eligible Categories and oversee its implementation.	CDP has set out, since the inaugural Framework and the inaugural Social Bond in 2017, a dedicated Working Group that defines the evaluation and selection of the eligible projects, manages any updates of the Framework and oversees its implementation.	✓
2.2 Summary criteria for project evaluation and selection publicly available	The eligibility criteria are made publicly available.	The eligibility criteria are made publicly available.	✓
2.3 Documented process to determine that projects fit within defined categories	CDP Green, Social and Sustainability Bond Working Group will review and approve, as appropriate, each proposed selected portfolio of loans/project based on the defined Eligible Categories listed by the Use of Proceeds.	All projects fit the eligible categories listed in the Use of Proceeds part of the framework.	✓

2.4 Documented process to identify and manage potential ESG risks	The Green, Social and Sustainability Bond Working Group identify and manage potential ESG risks associated with the project	In the case of projects more exposed to environmental and social risks, CDP acquires specific due diligence from external experts in order to assess the eligibility of the loan.	✓
2.5 Information on Responsibilities and Accountability	A dedicated Green, Social and Sustainability Bond Working Group has been established to create this Green, Social and Sustainability Bond Framework, manage any future updates to the Framework, including expanding the list of Eligible Categories and oversee its implementation.	As highlighted above, this has been respected by CDP	✓
2.6 Stakeholder involved in the process	The Green, Social and Sustainability Bond Working Group is composed of representatives from CDP's: <ul style="list-style-type: none"> • Finance department; • Relevant business departments; • Loans Portfolio Management; • Investor Relations department; and <ul style="list-style-type: none"> • Corporate Social Responsibility department. 	Stakeholder involvement has been confirmed by CDP.	✓
3. Management of Proceeds			
3.1 Social Bond Proceeds segregated or tracked by the issuer in an appropriate manner	The net proceeds and unallocated funds of the bond will be managed within the CDP liquidity portfolio The “Loans Portfolio Management” area of CDP will ensure an accurate allocation of net proceeds.	The proceeds have been fully allocated.	
3.2 Disclosure of intended types of temporary investment instruments for	Unallocated funds of the bond will be managed within the CDP liquidity portfolio and will be invested in accordance with CDP's risk rules in money market activity such as, for example, marketable securities.	The proceeds have been fully allocated.	

unallocated proceeds			
3.3 Procedure in case of divestment or postponement	In case of loan that would be no longer eligible with, CDP will use the net proceeds to finance other Eligible loans/projects which are compliant with the current Use of Proceeds section.	The proceeds have been fully allocated.	
3.4 Disclosure of portfolio balance of unallocated proceeds	CDP will produce a report on its Green, Social and Sustainability Bonds which will include the balance of unallocated proceeds, if any.	The proceeds have been fully allocated.	✓
4. Reporting			
4.1 Roles and responsibilities of each member/committee in the monitoring and reporting process	The Green, Social and Sustainability Bond Working Group will collect information from relevant departments and will produce the report.	The Green, Social and Sustainability Bond Working Group the Green, Social and Sustainability Bond Working Group	✓
4.2 Formalisation of monitoring and reporting processes	The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond and annually thereafter, at least until the full allocation of the proceeds,	The annual timeframe has been respected	✓
4.3 Use of Proceeds reporting	CDP will produce a report on its Green, Social and Sustainability Bonds which will include: <ul style="list-style-type: none"> the total amount of proceeds allocated per Eligible Categories/Loans/Projects; the bond proceeds allocated per region and sector of activity; the balance of unallocated proceeds, if any. 	The section "Fund management" of the Social Bond Report 2020 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the SBPs. <i>Further analysis of this section of the report is displayed in Part III of this report.</i>	✓

	The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond and annually thereafter, at least until the full allocation of the proceeds.		
4.4 Impact reporting	CDP will use qualitative or quantitative performance indicators to communicate the expected impact of its bond. This will be made available for each project category. The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond.	The section “Impact Reporting” of the Social Bond Report 2020 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the SBPs. <i>Further analysis of this section of the report is displayed in Part III of this report.</i>	✓
4.5 Means of disclosure: where the information is published	The framework is public and announces the report will be public	The report is intended to be available publicly	✓
4.5 External review	An SPO and verification of reporting and proceeds allocation will be carried out.	ISS ESG provides a verification on the Social Bond Report 2020.	✓

Opinion: 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.

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

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

The table below presents the findings of an ISS ESG assessment of the Social Bond Report 2020 against ICMA Harmonized Framework for Impact Reporting guideline.

COMPULSORY REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
The impact report should illustrate the expected impact made possible as a result of projects to which social bond proceeds have been allocated.	The assessment and measurement of the impacts generated by CDP's Social Bond covered the following areas: <ol style="list-style-type: none"> employment impact; number of students benefiting from school and University building interventions; number of inhabitants benefiting from urban regeneration measures. 	✓
Definition of core social impacts.	A detailed description of core social impacts for each target area is available in the report: <ul style="list-style-type: none"> Employment impact: 15,514 full-time jobs created Number of students benefiting from school and University building interventions: Approximately 587,000 Number of inhabitants benefiting from urban regeneration measures: 130,000 inhabitants from 745 municipalities 	✓

KEY OPTIONAL REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
Report on both the use of social bond proceeds, as well as the expected social impacts at least on an annual basis.	The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond and annually thereafter, at least until the full allocation of the proceeds.	✓
Provide a list of projects to which social bond proceeds	The Social Bond Report includes the total amount of proceeds allocated per eligible project category, project	✓

have been allocated, or report solely on a portfolio level	type within categories, per geographical breakdown (region), and per size class of municipalities.	
Define and disclose the period and process for including projects in their report	Existing and new loans have been included in the Social Bond. Existing loans are loans granted from 2014 until March 2019 (about 83% of the total). New loans are loans granted after the issuance of the Social Bond (about 17% of the total).	✓
Describe the approach to impact reporting	An annex describing the methodology used to evaluate each impact indicator is included in the report	✓
Indicate the total signed amount and the amount of social bond proceeds allocated to eligible disbursements.	A total of 750 million euros have been raised through CDP's Social Bond. 560 million euros have been allocated to "Education", while 190 million euros to "Infrastructure and Development of Cities", for a total allocated amount of 750 million euros.	✓

Opinion: 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.

PART III: SOUNDNESS OF KPIS REPORTED

Use of Proceeds Allocation report

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

Level and scope of reporting

ISS ESG finds that the allocation report section of the Social Bond Report of CDP aligns with good market practices and with the SBPs. The Use of Proceeds reporting occurred at the annual anniversary of issuance, after full allocation of the proceeds and is covering all proceeds covering through the bond. The funds allocation is displayed at the project category level, in a granular way thanks to the breakdown by type of intervention, by type of entities, by geographical regions and by size of municipalities.

Information reported

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

- The number of projects financed
- The number of beneficiaries' institutions financed (e.g. Municipalities, Universities)
- The average amount of financing provided to institutions financed
- The share of total investment per types of entities and per types of intervention, and
- A focus on the top-3 beneficiary Municipalities.

Impact report

Level and scope of reporting

ISS ESG finds that the impact report section of the Social Bond Report of CDP aligns with good market practices and with the SBPs. The impact reporting occurred at the annual anniversary of issuance, after full allocation of the proceeds and is covering all proceeds covering through the bond. The funds allocation is displayed at the bond level for one indicator, and at the project category level for the two others. Two case studies allow a qualitative description of the impact of the bond in addition to the quantitative impact indicators.

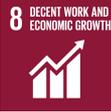
Information reported

ISS ESG finds that the quantitative impact indicators reported in this section of the Social Bond Report of CDP align with good market practices. Find below an assessment of the selection of those impact indicators against the ICMA Harmonized Framework for Impact Reporting.

ELEMENT	ASSESSMENT
<p>Choice of impact indicators</p>	<p>The impact indicators chosen by the issuer for this bond are the following:</p> <ul style="list-style-type: none"> a) employment impact; b) number of students benefiting from school and University building interventions; c) number of inhabitants benefiting from urban regeneration measures. <p>Those indicators are quantitative and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics per project categories published by the ICMA Harmonized Framework for Impact Report for Social Bonds. This aligns with best market practices.</p>
<p>Data sourcing</p>	<p>For all three impact indicators the issuer explicitly displays the database and the proxy used as a basis for the calculation of the impact indicator in the methodology document associated with the report. This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
<p>Baseline selection</p>	<p>The impact data is compared with reliable and relevant baseline data, and appropriately displayed in the report and methodological annexes. This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
<p>Scope of reported data</p>	<p>The impact data is presented at the bond level for indicator a), and at the Use of Proceed category level for indicators b) and c). Temporal references are appropriately displayed, which aligns it with best market practices.</p>

Mapping of the impact indicators with the UN Sustainable Development Goals

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

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
a) employment impact	
b) number of students benefiting from school and University building interventions	 
c) number of inhabitants benefiting from urban regeneration measures	

DISCLAIMER

1. Validity of the External Review: For CDP's Social Bond Report released in April 2020.
2. ISS ESG uses a proprietary methodology to assess the bond reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX: Methodology

ISS ESG Review of the Bond Reports

The external review of bond reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced.

On the basis of the information provided by the Issuer, ISS ESG assess the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting.

The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG for every single use of proceeds category.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which CDP's Social Bond contributes to related SDGs and has a positive association with their respective sub-targets.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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