Social Bond Report 2018

cassa depositi e prestiti

since 1850

Social Bond Report
November 2018

- **CDP issued its Inaugural Social Bond in November 2017, the first one ever launched by an Italian issuer, mainly subscribed by foreign and socially responsible investors (SRIs)**
- **CDP's Social Bond's contribution to sustainability and alignment with the Social Bond Principles has been confirmed by Vigeo Eiris at issuance, as Second Party Opinion Provider**
- **For this Social Bond issuance, the proceeds have been exclusively allocated to the financing of Italian SMEs located in economically deprived areas or hit by earthquakes**
- **Proceeds have been fully allocated with more than 2,800 SMEs financed**
- **The Social Bond has had an estimated employment impact of about 17,500 full time equivalent jobs, split into 6,200 retained and 11,300 created**

The aim of this document is to give investor full transparency on the proceeds allocation at the anniversary date of the issuance as specified in CDP Social Bond Framework.

Vigeo Eiris confirmed, as of 21 November 2018, that the proceeds of CDP's Inaugural Social Bond have been fully allocated to loans that meet the Eligibility Criteria outlined in the CDP Social Bond Framework.

The Social Bond Principles

1. Introduction

In November 2017, Cassa depositi e prestiti S.p.A. ("CDP") issued its Inaugural Social Bond, dedicated to support employment generation through the financing of Italian Small and Medium Enterprises ("SMEs") in Deprived Areas as defined under CDP Social Bond Framework (the "Framework") and in accordance with the Social Bond Principles issued by the International Capital Market Association (ICMA).

This transaction represents the first ever Social Bond issued in Italy, as well as the first issuance in Europe dedicated to areas affected by natural disasters.

With this inaugural transaction, CDP aims to promote the achievement of the United Nations Sustainable Development Goals (UN SDGs), particularly SDG 8 which aims at "**promoting of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**".

CDP Inaugural Social Bond – Transaction highlights

Issuer	Cassa depositi e prestiti S.p.A.
Size	Eur 500 Mn
Issue date	21 November 2017
Maturity date	21 November 2022
Coupon	0.750% fixed, annual
Second Party Opinion	Vigeo Eiris

The deal was well received by the market with more than 150 institutional investors involved. Foreign investors responded with great interest, subscribing for more than 70% of the total issue, with a significant presence of responsible investors (SRIs), clear evidence of the market recognition of CDP's Social commitment. The final book collected order demand for about Eur 2.25 billion, equal to about 5x the supply.

Eligibility Criteria

CDP provides liquidity to SMEs on the basis of specific agreements with the Italian Banking Association (ABI) that facilitate SMEs access to credit through the banking system, granting uniform and transparent terms of financing conditions.

The proceeds of CDP Inaugural Social Bond have been allocated to finance/refinance loans exclusively devoted to new investments and working capital to enterprises that meet all the following Eligibility Criteria:

1) Small-Medium Enterprises (SMEs), with less than 250 employees;
2) located in Deprived Areas, defined as:
   i. Italian regions with a level of GDP lower than the national average [1]; and/or
   ii. areas within Italy which have been impacted by natural disasters [2];
3) not operating in any business sector listed in the Exclusionary Criteria;

as described in the Framework, available on CDP's website at: https://en.cdp.it/investors/

External Review

The Inaugural CDP Social issuance was supported by a Second Party Opinion issued by Vigeo Eiris. The Opinion states that the bond is a "Social Bond" with positive contribution to sustainable development, aligned with the Social Bond Principles.

Vigeo Eiris reached a reasonable [3] level of assurance on the Social Bond's contribution to sustainability, and it stated that:

- CDP displays an overall good ESG performance and it achieves an advanced performance for its Social pillar;
- the Social Bond Framework is coherent with CDP's main ESG strategic priorities and is considered to be good.

1 This category includes Marche, Umbria, Abruzzo and all the Regions in Southern Italy (Source: "Conti economici territoriali", 2016, ISTAT).
2 As identified by the legislative decrees no. 74/2012 ("2012 Emilia Earthquake"), no. 186/2016 and 205/2016 ("2016 Abruzzo Lazio Marche Umbria Earthquake").
3 Definition of Vigeo Eiris' scales of assessment: Level of Assurance: Reasonable, Moderate, Weak.

As stated in its Social Bond Framework, CDP has appointed a Second Party Opinion Provider, Vigeo Eiris, to review the compliance of eligible loans with the Eligibility Criteria described in the Framework as well as the allocation process.

Vigeo Eiris has reviewed the eligible SMEs loan portfolio and, based on the assurance procedures conducted, **confirmed that**, as of 21 November 2018, **the proceeds of CDP's Inaugural Social Bond have been fully allocated to loans which meet the Eligibility Criteria** defined in the CDP Social Bond Framework.

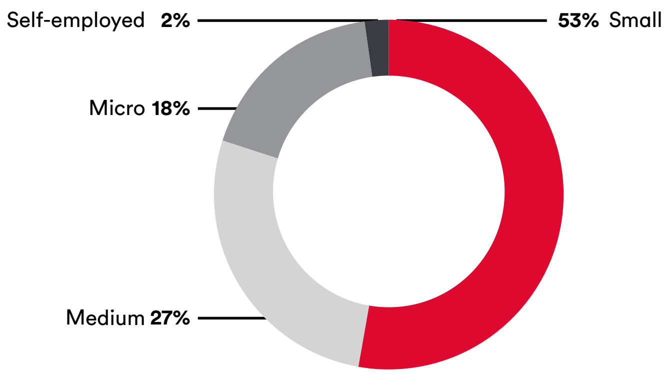
The Vigeo Eiris's Opinion about this Report is available on CDP's website at: https://en.cdp.it/investors/

2. Bond Proceeds Allocation

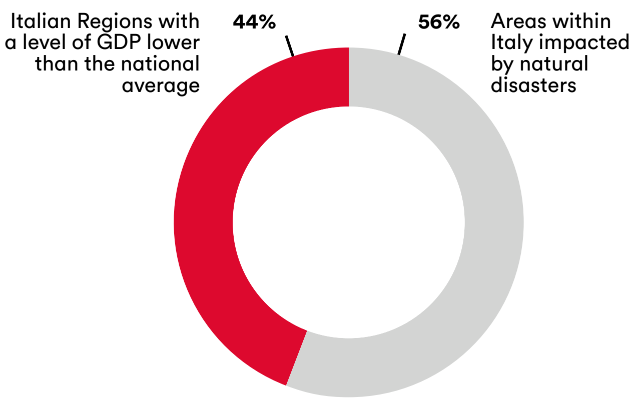
The allocation of the Inaugural Social Bond proceeds is based on the SMEs loan portfolio reporting, as of 30 June 2018, sent by the banks to CDP according to the agreements signed with ABI. The evaluation and selection process of the eligible loans has been overseen by the CDP Social Bond Working Group, composed by representatives from Finance, Business, Investor Relations and Corporate Social Responsability departments.

During the first year of the Social Bond's life, **CDP has reached the full allocation** of the proceeds that have been allocated to existing[4] and new[5] loans, respectively for 87% and 13%.

DISTRIBUTION BY TYPE OF COMPANY



DISTRIBUTION AMONG DEPRIVED AREAS[6]



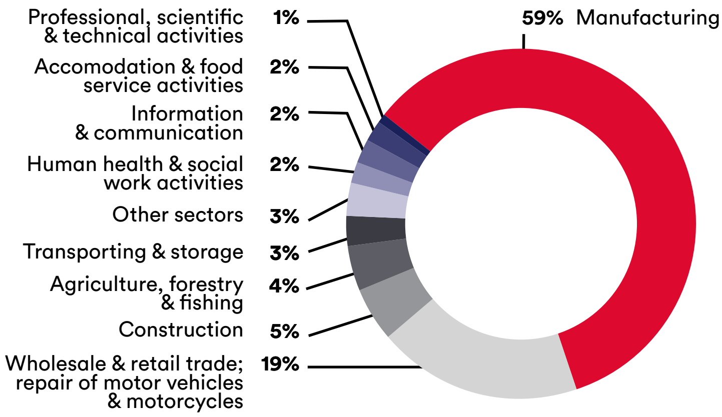
Approximately 53% of the financed SMEs are Small enterprises, with between 10 and 49 employees. Micro and Medium-size enterprises benefited, respectively, from about 18% and 27% of the proceeds.

About 56% of the proceeds were allocated to SMEs located in Areas impacted by the last years earthquakes.
The Italian Regions with a level of GDP lower than the national average benefited from about 44% of the proceeds.

4 "Existing loans" means the loans, complying with the Eligibility Criteria, signed from 2014.
5 "New loans" means the loans, complying with the Eligibility Criteria, signed after the Social Bond issuance.
6 SMEs located in Umbria, Marche and Abruzzo are eligible for both criteria and benefited from around 16% of the proceeds overall. These Regions, for the purposes of this Report, have been included in the category "Italian Regions with a level of GDP lower than the national average".

SMEs operating in the Manufacturing sector benefited from 59% of the funds deriving from the issue. The relevance of the manufacturing sector is due to the fact that the bond includes as target companies also enterprises located in areas affected by the earthquakes[7]. Some of these regions, such as Emilia-Romagna and parts of Veneto, are characterized by the presence of a large number of manufacturing companies that biases the distribution by sector of activity. The second most funded sector is that one relating to Wholesale and retail trade (19%), followed by the Construction sector (5%).

DISTRIBUTION BY ACTIVITY SECTOR[8]



3. Impact Reporting

In accordance with the aim to promote the SDG 8, “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, CDP Social Bond generates a noteworthy employment impact.

The estimated job impact of the loans supported is about 17,500 full time equivalent jobs, split into 6,200 retained jobs and 11,300 created.

Social Bond Impact Allocation - Key portfolio details

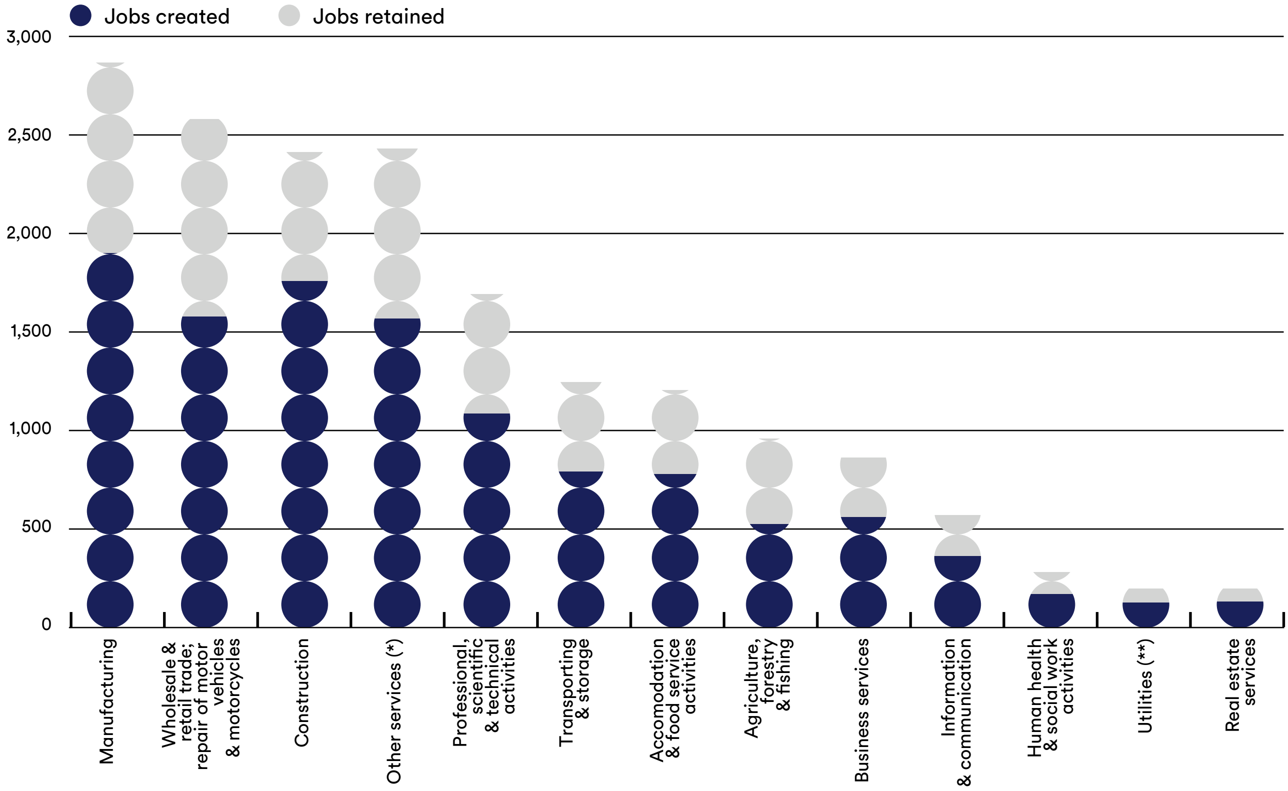
Number of SMEs financed through the banking system	2,837
Estimated jobs created and retained[9]	17,592
Estimated number of employees for each SMEs (average)	21.8
Loan size (average)	Eur 158,000

The impact on the national employment was calculated in order to estimate the direct, indirect and induced effect of the CDP’s financing linked to the Social Bond. The direct and indirect impact was calculated using approaches of the input-output type, while the so-called Keynesian multiplier (induced effect) was calculated using the SAM (Social Accounting Matrix). For more information about the methodology, click here.

The sectorial distribution of the employment impact partly differs from the sectorial distribution of the SMEs loan portfolio. The main impact is concentrated in manufacturing, trade and construction sectors, but the outstanding sector “Other services” plays a relevant role too. Actually, the matrix impact estimates indirect and induced effects other than the direct ones, so it activates segments that are not necessarily directly financed with the Social Bond funding. On the other hand, the investments financed by the loans issued mainly concern some kinds of investment (plant, equipment, purchase of property) that stimulate demand in sectors other than the one of enterprise activity.

7 Please refer to footnote 2.
8 An exclusion list has been developed to ensure that SMEs operating in “controversial” activity sectors (i.e. alcohol, tobacco, gambling, weapons, etc.) are excluded from the Social Bond allocation.
9 Estimate conducted by CDP Research department. For more information about the methodology, please refer to the document published on CDP’s website.

EMPLOYMENT IMPACT



(*) Other services includes branches such as financial services, entertainment and personal services.
(**) Includes codes listed in section D and E of the NACE codes list (Classification of Economic Activities in the EC).

4. Case studies: Luchino

SME located in an Italian region with a level of GDP lower than the national average

Location	Modica (RG), Sicily
ATECO description	Manufacture of cocoa, chocolate and sugar confectionery
Number of employees	3
Loan size	Eur 20,000
Loan duration	5 years

"Luchino" is a young and dynamic company located in Modica, city of the famous chocolate made with a very old recipe and recognized, in 2018, as protected geographical indication (IGP) from the European Union.

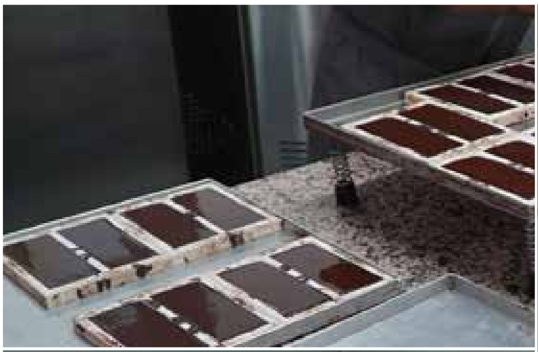
The chocolate of Modica is still processed with the cold method, used by the Mesoamericans and widespread in Europe through the Spaniards, that gives a special rough, sapid and grainy consistency to the taste.

From 2009, combining tradition and innovation, in his laboratory Giacomo Rizza also known as "Luchino" has created this homemade chocolate and also lines of organic, gluten-free or vegan chocolate, with a unique raw material, the Peruvian organic cocoa.

"Luchino" carefully handles the selection of first quality ingredients, organic and certified raw materials coming from controlled cultivation systems, without using pesticides and chemical products.

Luchino has several certifications, including ISO 9001 and the ICEA certification as a controlled biological operator.

- CDP funds have been used to buy a **new machinery for processing chocolate**.
- Due to this investment, "Luchino" improved its productivity (from 800 to 2,800 chocolate bars per day).
- CDP contributed to increase the number of employees with one new job.



LUCHINO
CIOCCOLATERIA ARTIGIANALE

4. Case studies: Ferropol Coating

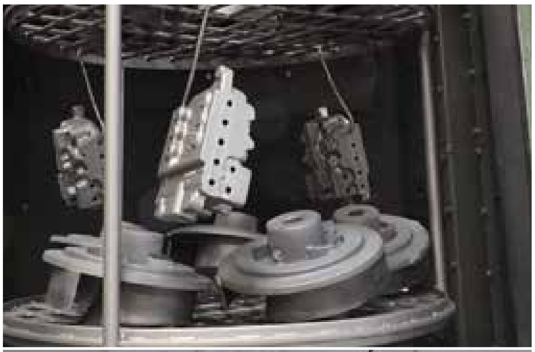
SME located in an area within Italy which have been impacted by earthquakes

Location	San Felice sul Panaro (MO), Emilia-Romagna
ATECO description	Treatment and coating of metals
Number of employees	102
Loan size	Eur 240,000
Loan duration	5 years

In 1969 Aldino Molinari and his wife Diana Scannavini founded Ferropol, a company that deals mainly with supplies and construction equipment, especially with reinforced concrete cages. During the 80's, the crisis in the sector led to the drastic decision to cease operations to enter the metalworking sector through the purchase of new systems for the surface treatment of metals and especially sandblasting machines for cast-iron casting and anti-corrosion immersion installations.

In 1996 the company was inherited by their sons Andrea and Raffaele, who in the following months decided to relaunch by investing in new machineries for industrial painting and hydraulic finishing with the aim of making the name Ferropol known nationally and internationally in a few years, through the new Ferropol Coating brand. In 2012, following the earthquake that affected the industrial area of Modena, the company took the opportunity to redefine the investments and started, thanks also to regional incentives, the construction of an additional 5,000 square meters plant with new robotic systems to increase the productivity of the company using new production technologies.

- CDP funds have been used to buy a **new robotic system.**
- Due to the investments in recent years, the company's turnover has increased by 50% between 2016 and 2017.
- CDP contributed to increase the number of employees with at least 20 new jobs.



Cassa depositi e prestiti S.p.A.

Registered office
Via Goito 4
I - 00185 Rome

Share capital euro 4,051,143,264.00 fully paid up

Tax identification number and
Companies' Register of Rome no. 80199230584
VAT no. 07756511007
Rome Chamber of Commerce no. REA 1053767

Tel. +39 06 42211

cdp.it

Milan office
Via San Marco 21 A
I - 20121 Milan

Brussels office
Rue Montoyer 51
B - 1000 Brussels