

EXTERNAL REVIEW

on the Social Housing Bond Report 2021 of
Cassa Depositi e Prestiti S.p.A.

24 February 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Social Housing Bond 2020
Relevant standards	<ul style="list-style-type: none">• (ICMA) Social Bond Principles, and ICMA Harmonised Framework for Impact Reporting (HFIR)• Social Housing Bond Report 2021
Scope of verification	<ul style="list-style-type: none">• Social Housing Bond 2020• CDP Green, Social and Sustainability Bond Framework
Lifecycle	<ul style="list-style-type: none">• Post-issuance verification
Validity	<ul style="list-style-type: none">• For CDP's Social Housing Bond Report released in February 2021.

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SCOPE OF WORK

Cassa Depositi e Prestiti S.p.A. (CDP) commissioned ISS ESG to provide an External Review on its Social Housing Bond Report 2021 by assessing:

1. The alignment of the CDP’s Social Housing Bond Report 2021 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 Housing Bond Report 2021 with best market practices as described in the ICMA Harmonised Framework for Impact Reporting (HFIR).
3. Soundness of CDP’s Social Housing Bond Report 2021 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
Part 1 Alignment with framework commitment, in line with the SBPs	<p>ISS ESG finds that the Social Housing Bond Report 2021 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 Housing Bond Report 2021.</p>	<p>Positive</p>
Part 2: Alignment with best market practices, defined in the HFIR	<p>ISS ESG finds that the Social Housing Bond Report 2021 is in line with ICMA’s Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.</p>	<p>Positive</p>
Part 3: Soundness of KPIs reported	<p>ISS ESG finds that the KPIs used in the Social Housing Bond Report 2021 of CDP align with good market practices and with the SBPs.</p> <p>The allocation reporting appropriately displays 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 methodology 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 Housing Bond Report 2021 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 2020 FRAMEWORK COMMITMENT	EVIDENCE IN CDP SOCIAL HOUSING BOND REPORT 2021	FULFILMENT
1. Use of Proceeds			
1.1. Alignment with the project categories defined by the SBPs	<p>The proceeds will be used to fund either loans, project finance, equity investments or other tools which fall in the following categories:</p> <ul style="list-style-type: none"> • Infrastructures and Development of Cities • Education • SMEs Financing • Social Housing • Energy and Environmental Sustainability. 	<p>In accordance to the eligibility criteria established in Framework, the proceeds have been used to fund equity investments in the category of:</p> <ul style="list-style-type: none"> • Social Housing 	✓
1.2. Sustainability objectives related to project categories	<p>Social objectives and benefits are defined for each project category in CDP's framework.</p>	<p>A detailed description of core social impacts of Social Housing projects is available in the report.</p> <ul style="list-style-type: none"> • Social housing built: 4,226 housing units • Bed space created in student homes and elderly care facilities: 1,788 places • Total number of beneficiaries: 11,412 people • Employment created and maintained (principally for the construction and redevelopment of the buildings): 17,065 jobs 	✓

1.3. Refinancing / Financing	<p>The proceeds will be used to fund either loans, project finance, equity investments or other tools which fall in the following categories:</p> <ul style="list-style-type: none"> • Infrastructures and Development of Cities • Education • SMEs Financing • Social Housing • Energy and Environmental Sustainability. 	<p>CDP has achieved the full allocation of the proceeds within one year of issuance.</p> <p>All proceeds have been used to support equity investments in the “Fondo Investimenti per l’Abitare” (FIA) for Social Housing projects.</p>	✓
1.4. Exclusion of harmful project categories	<p>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.</p>	<p>As set out in the Annex A of CDP’s Framework, the proceeds have been not allocated in any of the listed excluded sectors.</p>	✓
2. Process for project evaluation and selection			
2.1 Defined and transparent criteria for projects eligible for social bond proceeds	<p>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.</p>	<p>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</p>	✓
2.2 Summary criteria for project evaluation and selection publicly available	<p>The eligibility criteria are made publicly available.</p>	<p>The eligibility criteria are made publicly available.</p>	✓
2.3 Documented process to determine that projects	<p>CDP Green, Social and Sustainability Bond Working Group will review and approve, as appropriate, each proposed</p>	<p>All projects fit the eligible categories listed in the Use of Proceeds part of the framework.</p>	✓

fit within defined categories	selected portfolio of loans/project based on the defined Eligible Categories listed by the Use of Proceeds.		
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	The risks associated with the projects are assessed by the asset management company which is responsible for the specific investment in line with the Fund rules that set the eligibility criteria	✓
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; • Investor Relations and Rating Agencies department; and • Sustainability 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 by the Green, Social and Sustainability Bond Working Group that will ensure an accurate allocation of net proceeds.	The proceeds have been fully allocated.	✓
3.2 Disclosure of intended types of temporary investment instruments	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	The proceeds have been fully allocated.	✓

for unallocated proceeds	activity such as, for example, marketable securities.		
3.3 Procedure in case of divestment or postponement	In case of loan/project that would be no longer eligible with, CDP will use the proceeds to finance/re-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 collected the information and produced the report.	✓
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 section "Funds Allocation" of the Social Housing Bond Report 2021 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>	✓

	<ul style="list-style-type: none"> the balance of unallocated proceeds, if any. <p>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.</p>		
4.4 Impact reporting	<p>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.</p> <p>The Bond Report will be published within one year from the date of the issuance of each Green, Social and Sustainability Bond.</p>	<p>The section “Impact Reporting” of the Social Housing Bond Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the SBPs.</p> <p><i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	✓
4.5 Means of disclosure: where the information is published	<p>The framework is public and announces the report will be public</p>	<p>The report is intended to be available publicly</p>	✓
4.5 External review	<p>An SPO and verification of reporting and proceeds allocation will be carried out.</p>	<p>ISS ESG provides a verification on the Social Housing Bond Report 2021.</p>	✓

Opinion: ISS ESG finds that the Social Housing Bond Report 2021 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 Housing Bond Report 2021.

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 Housing Bond Report 2021 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 Housing Bond covered the following areas: <ul style="list-style-type: none"> • Social housing units realized or in progress • Bed space created in student homes and elderly care facilities • Total number of beneficiaries • Employment created and maintained (principally for the construction and redevelopment of the buildings) 	✓
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"> • Social housing realized or in progress: 4,226 housing units • Bed space created in student homes and elderly care facilities: 1,788 places • Total number of beneficiaries: 11,412 people • Employment created and maintained (principally for the construction and redevelopment of the buildings): 17,065 jobs 	✓

KEY OPTIONAL REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
Report on both the use of social bond proceeds, as well as the expected social	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.	✓

impacts at least on an annual basis.		
Provide a list of projects to which social bond proceeds have been allocated, or report solely on a portfolio level	The Social Housing Bond Report 2021 includes the total amount of proceeds allocated per eligible project category (in this case only Social Housing), the type of projects within the Social Housing category including percentages on their current status and type of development (greenfield or brownfield).	✓
Define and disclose the period and process for including projects in their report	CDP has achieved the full allocation of the proceeds within one year of issuance. All proceeds have been used to support equity investments in the “Fondo Investimenti per l’Abitare” (FIA) for Social Housing projects.	✓
Describe the approach to impact reporting	Impact indicators are calculated on a projects category level. 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 Housing Bond, 100% of which were allocated to the Social Housing category.	✓

Opinion: ISS ESG finds that the Social Housing Bond Report 2021 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 Housing Bond Report 2021 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 through the bond. The funds allocation is displayed at the project category (in this case only Social Housing), giving details about the type of projects within the Social Housing category and including percentages on their current status and type of development (greenfield or brownfield).

Information reported

ISS ESG finds that the allocation report section of the Social Housing Bond Report 2021 of CDP aligns with good market practices by providing information on:

- The number of projects financed, divided in “completed”, “underway”, and “to be built” infrastructure. The issuer also gives indication on whether the infrastructure consists of acquisition of existing buildings or construction in brownfield of newly developed areas.
- The average amount of financing provided to each initiative.
- The share of total investment per types of intervention in the Social Housing category. These include affordable housing infrastructure but also student housing, elderly care facilities and temporary accommodations.

CDP developed its social housing projects in Italy, with a majority of projects in the center-north area.

Impact report

Level and scope of reporting

ISS ESG finds that the impact report section of the Social Housing Bond Report 2021 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 through the bond. The funds allocation is displayed at the project category level for all four indicators. A 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 Housing Bond Report 2021 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
Choice of impact indicators	<p>The impact indicators chosen by the issuer for this bond are the following:</p> <ul style="list-style-type: none"> a) Social housing units realized or in progress b) Bed space created in student homes and elderly care facilities c) Total number of beneficiaries d) Employment created and maintained (principally for the construction and redevelopment of the buildings) <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. The indicator d) “employment created and maintained” is relevant, even if is an indirect effect of the construction of social housing.</p>
Data sourcing	<p>For all four impact indicators the issuer will display the database and the proxy used as a basis for the calculation of the impact indicator in the methodology document associated with the report. ISS ESG also verified the indicators calculation portfolio on a confidential basis.</p> <p>This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
Baseline selection	<p>The impact data is compared with reliable and relevant baseline data, as verified by ISS ESG. The relevant information will be appropriately displayed in the report and methodological annexes.</p> <p>This aligns with best market practices and with the suggestion of the ICMA Harmonized Framework for Impact Report for Social Bonds.</p>
Scope of reported data	<p>The impact data is presented at the Use of Proceed category level for all four indicators. Temporal references are appropriately displayed, which aligns it with best market practices.</p>

Additional comments







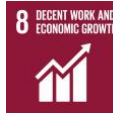
CDP also included within its report a “Social Rating”, which is a methodology evaluating most of the initiatives underlying the Integrated System of Real Estate Funds (SIF), to assess the social performance of projects using analysis criteria based on their characteristics and their social and environmental content.

CDP includes the result of this rating mechanism in its Social Housing Impact Report 2021, together with high-level methodological details.

ISS ESG does not express any views on the rating itself, but considers positively the additional screening and impact analysis taken by CDP.

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) Social housing units built	 
b) Bed space created in student homes and elderly care facilities	 
c) Total number of beneficiaries	 
d) Employment created and maintained (principally for the construction and redevelopment of the buildings)	

DISCLAIMER

1. Validity of the External Review: For CDP's Social Housing Bond Report 2021 released in February 2021.
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.
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ANNEX 1: 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 SPO

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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