

SECOND PARTY OPINION

on the sustainability of ICCREA Banca’s Green, Social and Sustainability Bond Framework

V.E considers that ICCREA Banca’s Green, Social and Sustainability Bond Framework is aligned with the four core components of ICMA’s Green Bond Principles 2021 (“GBP”) & Social Bond Principles 2021 (“SBP”)

Framework

Contribution to Sustainability :



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Expected impacts	Advanced			
ESG risks management	Advanced			

SDG Mapping



Characteristics of the Framework

Green/Social Project Categories	5 Green Categories 4 Social Categories
Target populations	Defined for each Social Category in the Framework
Project locations	Italy
Existence of framework	Yes
Share of refinancing	To be disclosed before each Bond issuance
Look back period	24 months

Issuer

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with ICCREA Banca’s strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer’s sustainability commitments.

Key findings

V.E considers that ICCREA Banca's Framework is aligned with the four core components of the GBP & SBP:

Use of Proceeds –aligned with GBP and SBP and best practices identified by VE

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations for social categories and the location of Eligible Projects.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all the Eligible Categories.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing before each Bond issuance. The look-back period for refinanced Eligible Assets will be equal or less than 24 months from the issuance date, in line with good market practices..

Evaluation and Selection - aligned with GBP and SBP and best practices identified by VE

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hereby SPO.
- Eligibility criteria (selection and exclusion) for assets selection have been clearly defined and detailed by the Issuer for all eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the Framework and the hereby SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all eligible categories (see page 25).

Management of Proceeds - aligned with GBP and SBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the framework within 24 months.

Reporting - aligned with GBP and SBP

- The Issuer has committed to report on the Use of Proceeds annually until full allocation and on a timely basis in case of material developments. The report and its verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the categories. The Issuer has also committed to report on material developments/issues/controversies related to the Eligible Assets.



- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects as well as the indicators used to report on environmental and social benefits until bond maturity.

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Green, Social or Sustainable Financial Bonds¹ (“Bonds”) to be issued by ICCREA Banca (the “Issuer” or “ICCREA”) in compliance with the Green, Social and Sustainability Bond Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of the ICMA’s Green Bond Principles (“GBP”) and Social Bond Principles (“SBP”) – both edited in June 2021 (referred together as the “GBP & SBP”).

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental and social commitments, the Bonds’ potential contribution to sustainability and their alignment with the four core components of the GBP & SBP 2021.
- Issuer²: we assessed the Issuer’s management of potential stakeholder related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V. E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from July 05 to **October 21st, 2021**. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Green, Social and Sustainable Financing Bonds” are to be considered as the bonds to be potentially issued, subject to the discretion of the Issuer. The name “Green, Social and Sustainable Financing Bonds” has been decided by the Issuer: it does not imply any opinion from V.E. The Issuer reports that issuances will include bonds in various formats and currencies, including senior preferred, senior non-preferred, subordinated bonds and secured bonds (such as Covered Bonds).

² ICCREA Banca is a part of V. E’s rating universe - the last ESG rating was performed in April 2017. In agreement with the Issuer, this Second Party Opinion does not include the 2017 assessment of its ESG performance.

³ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with ICCREA Banca's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

According to the United Nations Environment Programme Finance Initiative⁴ (UNEP FI) the banking sector⁵ plays a crucial role in promoting sustainable development. The sector can lead the way to a more sustainable economy by lending to economic activities that yield the best return from society's point of view and by guiding customers and stakeholders to manage social and environmental challenges and opportunities. As the global economy's largest sector by market capitalisation, banks have great potential to support society's transition to a low carbon and sustainable economy. Their action is key in the promotion of effective solutions for the development of sustainable finance products and services, and the minimisation of the negative impact of their investments and activities on environment, people, and society.

In addition, the OECD report "Financing Climate Futures"⁶ states that around USD 6.3 trillion of infrastructure investment is needed each year to 2030 to meet development goals, increasing to USD 6.9 trillion a year to make this investment compatible with the goals of the Paris Agreement. The urgent need to address this gap presents a unique opportunity in the coming years to move the climate and development agendas forward and develop infrastructure systems that deliver better services while also achieving climate and development goals.

As a result, by integrating environmental and social risks into the assessment of loans and project financing, as well as into their investment products, funds can influence customer behaviour towards more environmentally friendly activities and support projects with a high social outcome. The financial services sector can also effectively contribute to financial inclusion and to the reduction of inequalities by ensuring the accessibility of its products and services to a larger number of customers, including the most vulnerable such as women and people with disabilities.

ICCREA Banca appears to acknowledge the role of the banking sector to support projects with social and environmental benefits and decarbonising its activities.

In March 2020, the Board of Directors of ICCREA Banca approved the Sustainability Plan⁷ as a document integrated into the Group's 2020-2023 Business Plan. The Sustainability Plan is based on three pillars:

1. Territory: The Issuer discloses measures to support a fair and responsible economic development model in the territories in which it operates. Some of the relevant measures reported are through financial support for entrepreneurship, innovation, families, and micro realities. Moreover, the Issuer discloses commitments such as:
 - Support the entrepreneurial development of micro, small and medium-sized enterprises.
 - Support families and individuals, promoting the well-being of communities.
 - Promote the development of the local area by upgrading the economy of small municipalities.
 - Maintain its commitment regarding social exclusion and strengthen the role of the Issuer in promoting access to credit for families and small entrepreneurs.

⁴ UNEP FI website <https://www.unepfi.org/banking/banking/>

⁵ The annual investment in low carbon energy and energy efficiency would need to increase by a factor of five by 2050. Therefore, the financial system needs a transformation to deliver the scale and quality of investment needed in order to increase financing from all sources (especially private sources such as long-term debt finance and the large pools of institutional investor capital), reduce the cost of capital, enable catalytic finance from development finance institutions (DFIs), and accelerate the greening of the financial system.

⁶ OECD report "Financing Climate Futures-rethinking infrastructure" <https://www.oecd.org/environment/cc/climate-futures/policy-highlights-financing-climate-futures.pdf>

⁷ ICCREA Banca website <https://www.gruppoiccrea.it/Pagine/Sostenibilita/Piano-di-Sostenibilita.aspx>

- Create a mechanism for interception of European and regional resources to be allocated to the Ecological Transition and for distribution in the territories where the Issuer is located.
2. Environment: The Issuer reports on the adoption of a circular economy development model. Moreover, the Issuer discloses commitments such as:
- Direct financial resources towards sustainable activities both from an environmental and social point of view.
 - Assist members and clients in geographic areas subject to climatic events, to set up actions to adapt to climate change.
 - Strengthen and revitalize cooperation also with partners outside the company.
 - Support for local farmers: support sustainable of agriculture.
 - Reduce indirect environmental impacts, committing to ensure sustainability also in relations with suppliers.
 - Reduce direct environmental impacts through energy efficiency and optimization of the consumption of natural resources.
3. People and communities: The Issuer reports to contribute to the well-being of its employees and clients with welfare policies that includes ESG issues such as diversity, education, and culture, with measures such as:
- Support third sector bodies and non-profit organizations, also in the field of international cooperation.
 - Promote financial education of its members and customers and the training of younger customers.
 - Promote diversity of gender and culture in the operational staff as well as in the governing bodies of the company. Adopt the Group's Charter of Commitments on Human Rights against all forms of discrimination.
 - Ensure non-discrimination in the internal management of human resources through management actions and the organization of awareness events on gender equality, in collaboration with the cooperative credit associations involved in the issue
 - Promote corporate welfare, People care initiatives and the protection of health and safety in the workplace.

Since 2019, ICCREA Banca has been an associate member of the Forum for Sustainable Finance and reports to support and actively participate in the initiatives promoted by the Forum through sponsorship and direct collaborations. ICCREA Banca has been an ordinary member of CSR Europe⁸, the main European network for Corporate Social Responsibility (CSR) and it represents the European hub that incorporates multi-stakeholder initiatives for the promotion of the United Nations 2030 Agenda for Sustainable Development in Europe. The Head of Public Affairs & Sustainability of ICCREA Banca is a member of the Board of CSR Europe. Moreover, the Issuer has been an associate member of ASviS⁹ (Italian Alliance for Sustainable Development). The goal of ASviS is to raise awareness of the importance of the 2030 Agenda for sustainable development in Italian society, economic subjects and institutions and the consequent need to achieve the 17 Sustainable Development Goals (SDGs) that the Agenda provides.

⁸ CSR Europe website <https://www.csreurope.org/>

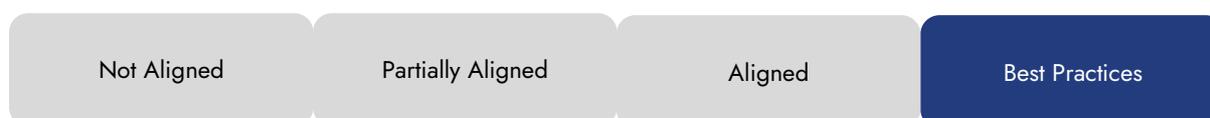
⁹ ASVIS website <https://asvis.it/>

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Green, Social and Sustainability Bond Framework which covers the four core components of the GBP & SBP 2021 (the last updated version was provided to V.E on **October 21st**, 2021). The Issuer has committed to make this document publicly accessible on ICCREA Banca's website¹⁰, in line with good market practices.

Alignment with the Green Bond & Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, new and/or existing loans/projects ("Eligible Assets") falling under five Environmental Categories and four Social Categories ("Eligible Categories"), as indicated in Table 1.

- Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations for social categories and the location of Eligible Projects.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all the Eligible Categories.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing before each Bond issuance. The look-back period for refinanced Eligible Assets will be equal or less than 24 months from the issuance date, in line with good market practices..

BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
- ⇒ Relevant environmental and social benefits are identified and measurable for all project categories.
- ⇒ The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance.
- ⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices.

¹⁰ ICCREA Banca website <https://www.iccreabanca.it/it-IT/Pagine/default.aspx>

Table 1. V.E’ analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer’s Framework

- Nature of expenditures: Construction, development, and maintenance of Eligible Assets.
- Location of Eligible Assets: Italy

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E’S ANALYSIS
Sustainable Water and Wastewater Management	<p>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects (according to technical screening criteria of EU Taxonomy¹¹) related to:</p> <ul style="list-style-type: none"> - activities that increase water-use efficiency and quality through water recycling, treatment, and reuse (including treatment of wastewater), while maintaining a high degree of energy efficiency. - construction, development, operation and maintenance of facilities, systems or equipment used for sustainable infrastructure for clean and/or drinking water, wastewater treatment and sustainable urban drainage systems. <p>Examples:</p> <ul style="list-style-type: none"> - Products and/or services that significantly increase effectiveness and efficiency of the resources’ consumption and enable a relevant saving of critical resources. - Improve residential access to water, including water supply infrastructure. - Modernize existing irrigation networks/systems. - Upgrade wastewater treatment plants to remove contaminants from wastewater or sewage and convert it into an effluent that can be returned to the water cycle 	<p><u>Water protection</u></p> <p>Development of efficient water systems</p> <p><u>Climate Change Adaption</u></p> <p>Development of adaptation and warning infrastructures</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>The Environmental Objective are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>

¹¹ Technical Screening Criteria described in sections 5.1, 5.2 and 5.3 of Taxonomy Regulation delegated act-2021-2800-annex-1 (Taxonomy Regulation and the EU Taxonomy Climate Delegated act, formally adopted on 4 June)

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Energy Efficiency	<p>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects for the construction, development and/or upgrade to equipment or technology such as:</p> <ul style="list-style-type: none"> - Services to improve energy efficiency of public lighting from traditional lighting to LED technology. - Smart grid, smart meters, smart thermostats. - District heating and cooling¹². 	<p><u>Climate Change Mitigation</u></p> <p>GHG emissions avoidance</p> <p>Energy savings</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>The Issuer declared in internal documentation that:</p> <ul style="list-style-type: none"> - The minimum reduction in energy consumption is 30%. <p>An area for improvement identified includes:</p> <ul style="list-style-type: none"> - Providing details on HVAC characteristics and a minimum threshold. <p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>
Renewable energy	<p>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects related to renewable energy projects, including the following technologies¹³:</p> <ul style="list-style-type: none"> - On shore and offshore wind farms - Solar Photovoltaic - Micro-hydraulic - Marine energy - Geothermal - Biomethane (methane produced by the fermentation of organic matter) 	<p><u>Climate Change Mitigation</u></p> <p>GHG emissions avoidance</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>An area for improvement includes, for hydropower projects:</p> <ul style="list-style-type: none"> - To clarify that project facilities are run-of-river plant and does not have an artificial reservoir or that the power density of the electricity generation facility is above 5 W/m². <p>The Environmental Objective is clearly defined relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>

¹² According to definition of “efficient district” laid down in art. 2, point 41 of Directive 2012/27/EU: efficient district heating and cooling’ means a district heating or cooling system using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat.

¹³ Technical Screening Criteria described in sections 4.1, 4.2, 4.3, 4.4, 4.5 (GHG emission intensity < 100g Co2e/kWh), 4.6 (geothermal facilities with GHG emission < 100gCo2e/kWh), 4.8 (1. Agricultural biomass used in the activity complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001.GHG emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex VI to Directive (EU) 2018/2001) of Taxonomy Regulation delegated act-2021-2800-annex-1

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Eco-Efficient and/or Circular Economy Adapted Product	<p>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects that enable circular economy principles:</p> <ul style="list-style-type: none"> - Extension of product life cycle (e.g. reuse, repair and/or products regeneration/ refurbishment) - Products made of compostable¹⁴/recycled material 	<p><u>Promotion of the circular economy</u></p> <p><u>Pollution prevention and control</u></p> <p>Promote eco-design, recycling, waste reduction and reuse of resources.</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>Area for improvement identified includes:</p> <ul style="list-style-type: none"> - Specifying the recycled characteristics of the material and potential certifications involved. <p>The Environmental Objective are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>
Sustainable Buildings	<p>Finance or refinance:</p> <ul style="list-style-type: none"> - Commercial and residential building refurbishment, according to the Italian law on energy efficiency improvement. - The construction, acquisition (including retail mortgages), development or renovation of new and existing buildings (including public service, commercial, residential and recreational) that have received or are expected to receive third-party sustainable certifications or verification such as LEED Gold or Platinum, BREEAM very good, HQE – very good/excellent, CASBEE – A(very good) / S(excellent) or equivalent, or buildings belonging to the top 15% Low Carbon residential or commercial buildings in Italy or buildings with Energy Performance Certificate (EPC) A or B or - Refurbished buildings which have achieved a minimum of 30% energy saving (or at least two steps of improvement in EPC label) compared to the baseline before the renovation. 	<p><u>Climate Change Mitigation</u></p> <p>GHG emissions avoidance</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>

¹⁴ Compostable material according to UNI EN 13432:2002/UNI EN 14995:2007

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Affordable Housing	<p>The financing and/or refinancing, in whole or in part, new and/or existing loans/projects related to construction, renovation or acquisition of social housing to provide decent housing to low-income population.</p> <p><u>Target Population:</u> Vulnerable population living in social and economic difficulties who cannot access adequate housing.</p>	<p><u>Access to Affordable Housing</u></p> <p>Improving access to affordable housing finance solutions and thus access to housing</p> <p>Increasing the supply of affordable housing units</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria, and the location of Eligible Assets.</p> <ul style="list-style-type: none"> - The Issuer communicated to V.E that the target populations will be families with incomes between EUR 25k to EUR 30k per year. - The definition of Eligible Family might vary depending on the different areas in Italy where the Housing Associations operate. However, they are all based on criteria set by local authorities to identify vulnerable target populations. - Households whose income complies with the resource requirements for access to social housing as defined by the law and regulations in force in Italy¹⁵. <p>The Social Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> - Microcredit - Young entrepreneurs - Female entrepreneurs <p><u>Target Population:</u></p> <ul style="list-style-type: none"> - Unemployed or underemployed individuals; - Children and young adults from underserved and underrepresented communities. 	<p><u>Access to essential services</u></p> <p>Financing of SMEs</p> <p><u>Access to essential services</u></p> <p>Increase access to education</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria, and the location of Eligible Assets.</p> <ul style="list-style-type: none"> - The Issuer communicated to V.E that the target populations will be unemployed or underemployed individuals such as: young entrepreneurs, female entrepreneurs, and students. Additionally, the Issuer commits to follow the National Labour Law in Italy and exclude to finance of controversial activities. - Young entrepreneurs are defined as young individuals or companies whose majority is owned by young individuals aged up to 35 years. According to the National Labour Law in Italy¹⁶, the minimum age at which a person may be employees at the end of compulsory schooling is 15 years of age.

¹⁵ Italian laws and articles defining social housing: Ministerial Decree of 04.22.2008 (Article 1, paragraph 2), Ministry for Infrastructures' Decree 3904, Law No. 431/1998, and the Law 167/1962.

¹⁶ ILO website https://www.ilo.org/ifpdial/information-resources/national-labour-law-profiles/WCMS_158903/lang-en/index.htm

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
			<ul style="list-style-type: none"> - The main sectors financed are represented by agriculture, manufacture, services, commerce, and tourism. Moreover, loans will not finance and/or refinance in controversial activities. - The Category also included Students Loans. <p>The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear, relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>
Affordable Basic Infrastructure	<p>Finance or re-finance, in whole or in part, new and/or existing loans/projects providing accessible public utility infrastructures and affordable services to the population.</p> <p><u>Target Population:</u> People living in urban agglomerations and underserved areas.</p>	<p><u>Access to essential services</u></p> <p>Increase access to healthcare services</p> <p>Increase access to education</p> <p>Increase access to other essential services</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria, and the location of Eligible Assets.</p> <p>The Issuer communicated to V.E in internal documentation that:</p> <ul style="list-style-type: none"> - “Basic infrastructure” includes schools, hospitals, sport facilities and elder care centres. - Development of quality and sustainable infrastructures for all that contributes to the improvement of living conditions in urban agglomerations and underserved areas supporting economic development and human well-being, focusing on affordable and equitable access for all. <p>The Social Objective is clearly defined and is relevant for all the Eligible Assets; this is set in coherence with sustainability objectives defined in international standards. The expected Social Benefits are clear, these are considered relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.</p>
SMEs financing	<ul style="list-style-type: none"> - Finance or re-finance, in whole or in part, new and/or existing loans/projects to companies/SMEs¹⁷, affected by natural disasters / health emergencies (such as 	<p><u>Economic and financial transition</u></p> <p>Financing of SMEs</p>	<p>The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria, and the location of Eligible Assets.</p>

¹⁷ SMEs definition according to EU: [https:// ec.europa.eu/growth/smes/sme-definition_en](https://ec.europa.eu/growth/smes/sme-definition_en)

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
	<p>COVID-19 pandemic¹⁸ etc.) and the related social and economic downturn</p> <ul style="list-style-type: none"> - Finance or re-finance, in whole or in part, new and/or existing loans/projects to fund SMEs¹⁹/micro enterprises in disadvantaged areas²⁰. 		<p>The Issuer communicated to V.E that the target populations will be companies and SMEs affected by natural disasters and/or health emergencies.</p> <p>The Social Objective is clearly defined and is relevant for all the Eligible Projects; this is set in coherence with sustainability objectives defined in international standards. The expected Social Benefits is clear, this is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>

¹⁸ When related to the Covid19 crisis, these financings fall under Government's SME guarantee scheme, as per Law Decree no. 23 of 8 April 2020 (the "Decreto Liquidità") and Law no. 27 of 24 April 2020, the "Decreto Cura Italia")

¹⁹ SMEs definition according to EU: [https:// ec.europa.eu/growth/smes/sme-definition_en](https://ec.europa.eu/growth/smes/sme-definition_en)

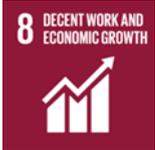
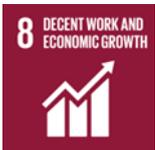
²⁰ Identification of disadvantaged areas based on per capita GDP vs national average.

SDG Contribution

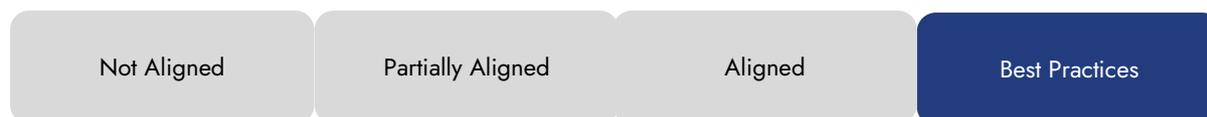
The Eligible Categories are likely to contribute to eleven of the United Nations’ Sustainable Development Goals (“SDGs”), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Sustainable Water and Wastewater Management		<p>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</p> <p>6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations</p> <p>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping, and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
Energy Efficiency and Renewable Energy		<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p>
		<p>The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.</p>
Eco-Efficient and/or Circular Economy Adapted Product		<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities.</p>
		<p>12.5 Substantially reduce waste generation through prevention, reduction, recycling, and reuse</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p>
Sustainable Buildings		<p>7.3 By 2030, double the global rate of improvement in energy efficiency</p>

ELIGIBLE CATEGORY	SDG	SDG TARGETS
		<p>9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities.</p>
		<p>11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries.</p>
		<p>The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.</p>
Affordable Housing		<p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p>
		<p>11.1 By 2030, ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums</p> <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries</p>
Affordable Basic Infrastructure		<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality, and affordable essential medicines and vaccines for all.</p>
		<p>4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p> <p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university.</p>
		<p>9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p>
		<p>11.7 By 2030, provide universal access to safe, inclusive, and accessible, green, and public spaces, in particular for women and children, older persons, and persons with disabilities</p>

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Socioeconomic Advancement and Empowerment		1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
		4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university
		5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources, in accordance with national laws.
		8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
		9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
SMEs financing		1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
		8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
		9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined by the Issuer and it is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the hereby SPO.
- Eligibility criteria (selection and exclusion) for assets selection have been clearly defined and detailed by the Issuer for all eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the Framework and the hereby SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all eligible categories (see page 25).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, an Internal Working Group (“the Working Group”) has been created. This Working Group is composed of representatives of:
 - The Treasury Department
 - The Balance Sheet Management Department
 - The Sustainability Department
- The Working Group is responsible for:
 - Review the assets that previously were selected by ICCREA’s Credit Department and will be included in the Portfolio defined in its Framework (Eligible Categories listed on Table 1 in Use of Proceeds) and ICCREA’s Sustainability policy.
 - Monitoring the Eligible Assets compliance with the selection and exclusion criteria established in the Framework on an annual basis, with the support of the Credit Department.
- The Treasury Department oversees Framework’s updates.
- The Finance Committee, based on the proposals submitted by the Working Group, will approve the allocation of the Eligible Assets to ICCREA’s portfolio.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process, including the procedures in case an asset is no longer eligible:
 - The Issuer reports that it will monitor the continued compliance of selected assets with the selection and exclusion criteria throughout the life of the Bond, annually. In case an Eligible Assets is no longer eligible; the Issuer commits to replace it with a new Eligible Asset within 24 months.
 - The Compliance Department will monitor ESG controversies on an ongoing basis and report them directly to the Board of Directors. The Issuer commits, in case of material controversy is found on an asset, to replace it with a new Eligible Asset within 24 months.
 - The decision-making process on Eligible Assets will be documented in minutes of the meetings between the Internal Working Group and the Finance Committee. The Group and the Committee will meet annually (e.g. year-end).

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental and social objectives defined for all Eligible Categories.

- The selection criteria are based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- The Issuer has committed to exclude loans, investment or projects involved in the following activities: alcoholic beverages and tobacco, environmental damage and deforestation, mining of non-ferrous metal ores, nuclear energy, extraction and distribution of natural gas, crude oil and other products deriving from oil refining, gambling and betting and sex industry, explosives, weapons and ammunition, chemicals, biomass energy, with the exception of natural biomethane, fur industry and animal maltreatment, plastic industry, tires reconstruction industry, intensive agro/hydro activity and coal.

The exclusion criteria are considered relevant and exhaustive as they cover the main topics in terms of environmental and social responsibility, in line with good market practices.

BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for assets selection are clearly defined and detailed for all the eligible categories.
- ⇒ The Issuer reports that it will monitor compliance of selected assets with eligibility and exclusion criteria specified in the Framework throughout the life of the bonds and has provided details on content/ frequency/duration and on procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the assets throughout the life of the bonds and has provided details on frequency, content, and procedures in case a controversy is found on an asset.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the framework within 24 months.

Management Process

- The net proceeds of the Bonds will be credited to the ICCREA Banca's treasury liquidity portfolio and will be managed in a specific sub-account on a portfolio basis.
- The Finance Committee will oversee the allocation of the proceeds of the Bonds under the Framework.
- The Issuer disclose an internal register to record and track all Bonds under the Framework, which will include a sub-register of Green Eligible Assets and a sub-register for Social Eligible Assets. The adjustment of the tracked proceeds will be done annually.
- In case the Eligible Assets portfolio is smaller than the Bonds' net proceeds outstanding, ICCREA has committed to fill the gap and load the Eligible Assets Portfolio with new asset production or existing unallocated assets, as soon as possible.
- The unallocated funds would be held within ICCREA's liquid management in accordance with its usual treasury investment strategy. The Issuer has committed to not invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- In case of assets postponement, cancelation, divestment, or ineligibility, or in case an Eligible Asset has matured, the Issuer has committed to replace the no longer Eligible Asset by a new Eligible Asset within 24 months.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the framework within 24 months.

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually until full allocation and on a timely basis in case of material developments. The report and its verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the categories. The Issuer has also committed to report on material developments/issues/controversies related to the Eligible Assets.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects as well as the indicators used to report on environmental and social benefits until bond maturity.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS
<ul style="list-style-type: none"> ⇒ Number of loans ⇒ Amounts invested (in EUR) ⇒ Loan Maturity ⇒ Direct or Indirect funding ⇒ Total Allocated amount vs total amount proceeds (in %) ⇒ Balance of unallocated proceeds (in EUR and %) ⇒ Description of the unallocated proceeds management ⇒ Overall refunding amount vs new funding (in % of allocated amount and in % of total amount) ⇒ Geographical distribution of the assets (at country level) ⇒ Share of co-financing (in %)

- Environmental and social benefits: The indicators selected by the Issuer to report on the environmental and social benefits are clear, relevant, and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Sustainable Water and Waste Management	<ul style="list-style-type: none"> - Water Savings - Water re-used, avoided - Total Water Demand - Leakage Level - Net average energy consumption 	<ul style="list-style-type: none"> - Amount of wastewater (m3) avoided, managed, and treated. - Volume of water (m3) saved - Net energy consumption decrease (kWh/m3)

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Energy Efficiency	<ul style="list-style-type: none"> - Energy savings in MWh (future projects: ex-ante estimation, past projects: ex-post annual measurement, where feasible) 	<ul style="list-style-type: none"> - CO2 emissions avoided (tons)
Renewable Energy	<ul style="list-style-type: none"> - Installed capacity (MW) - Estimated renewable energy production (MWh, future projects) - Renewable energy produced (MWh, past and future projects, where feasible) 	<ul style="list-style-type: none"> - CO2 emissions avoided (tons)
Eco-efficient and/or Circular Economy Adapted Products	<ul style="list-style-type: none"> - Amount of avoided waste products (tons) - Amount of recovered materials (tons) 	
Green Buildings	<ul style="list-style-type: none"> - Environmental Certifications/EPC labels obtained (for buildings, #) 	<ul style="list-style-type: none"> - CO2 emissions avoided (tons)
Affordable Housing	<ul style="list-style-type: none"> - Number of houses constructed or Renovated 	<ul style="list-style-type: none"> - Number of residents benefitting from intervention on houses - Number of new social, affordable, and shared ownership homes
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> - Number and type of initiatives supported - Number of microfinance loans - Number of loans to young and female entrepreneurs 	<ul style="list-style-type: none"> - Number of beneficiaries (if feasible) - Number of young/female entrepreneurs financed
Affordable Basic Infrastructure	<ul style="list-style-type: none"> - Number of built or refurbished infrastructures - Number of people in low-income areas, or from disadvantaged groups 	
SMEs financing	<ul style="list-style-type: none"> - Number of SMEs financed 	<ul style="list-style-type: none"> - Number of jobs retained on the financed SMEs benefitting from intervention

BEST PRACTICES

- ⇒ The issuer report will be publicly available at least until bond maturity.
- ⇒ The reporting will cover relevant information related to the allocation of Bonds proceeds and to the expected sustainable benefits of the categories. The Issuer has also committed to report on material development related to the assets, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
- ⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Assets will be disclosed publicly.
- ⇒ Environmental & Social benefits and impacts will be externally verified until bond maturity.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Sustainable Water and Wastewater Management	ROBUST	According to the report of the 2019 European Commission on Italy ²¹ , there has been limited progress regarding wastewater management. Italy is lagging in compliance with the Urban Wastewater Treatment Directive ²² (UWWTD). Reducing water consumption is considered a major stake for the sector especially in water scarce areas. The category will finance projects especially in the areas identified with a water stress situation. Although the category is positively impacting all its relevant stakeholders, the Issuer has not provided details on the minimum water efficiency or minimum water loss reduction or expected GHG emissions for water management of the assets financed to be considered eligible.
Energy Efficiency	ROBUST	The Eligible Projects will bring overall positive impact to Italy in which ICCREA Banca will invest in energy efficient technologies such as: LED technology, smart grids and district heating and cooling. No lock-in effect is expected. Although the category is positively impacting all its relevant stakeholders, the Issuer has declared in internal documentation that the minimum threshold to be reach for these projects in terms of energy savings will be 30%. The category is positively impacting all its relevant stakeholders. The Eligible Assets will adopt relevant technical thresholds to promote energy efficiency benefits. However, at this point in time, the Issuer has not provided details on HVAC characteristics and minimum threshold. V.E therefore cannot confirm that all eligible projects will adopt the best available technologies/alternatives.
Renewable Energy	ADVANCED	According to the European Energy Agency ²³ public electricity and heat production contributes to around 30% of all CO ₂ emissions and 26% of all GHG emissions in the EU-27. Financing renewable energies is one of the most important issues to avoid and reduce the energy and carbon footprint of all sectors. Investment in renewables remains key to achieving climate change mitigation goals. The eligible projects will contribute to addressing this challenge. The Issuer refers to the EU taxonomy thresholds that projects will follow under all subcategories.
Eco-Efficient and/or Circular Economy Adapted Product	ROBUST	Packaging and products sourcing are two of the key sources of environmental footprint for companies in all sectors. Although the category could potentially positively impact relevant stakeholders, there is no visibility on the certifications or parameters used to establish the biodegradable, compostable or biobased characteristics. Additionally, potential negative impacts might remain in the medium term as the recycled material used in packaging might not be 100% recyclable.
Sustainable Buildings	ADVANCED	The building and construction industry accounts for 36% of final energy use and 39% of energy and process-related CO ₂ emissions in 2018 ²⁴ when adding building construction industry emissions. Reduction of the energy and carbon footprint of buildings are therefore a key environmental issue for the construction and real estate sectors. Energy efficiency has a positive impact both locally, through reduced energy consumption, and globally, through reduced GHG emissions. The category includes new construction which has an absolute effect on energy consumption and on land use and therefore has a less positive impact compared with renovation. Most of the eligibility criteria defined for the Eligible

²¹ EC 2019 report – Italy https://ec.europa.eu/environment/eir/pdf/report_it_en.pdf

²² Urban Wastewater Directive Overview https://ec.europa.eu/environment/water/water-urbanwaste/index_en.html

²³ EEA-website <https://www.eea.europa.eu/data-and-maps/indicators/emissions-co2-so2-nox-from-1>

²⁴ EIA website https://iea.blob.core.windows.net/assets/3da9daf9-ef75-4a37-b3da-a09224e299dc/2019_Global_Status_Report_for_Buildings_and_Construction.pdf

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		Assets falling under this category are in line with best international standards for the sector to contribute to the claimed objective of climate mitigation.
Affordable Housing	ADVANCED	According to the OECD ²⁵ , housing policies affect well-being through a wide range of channels including access to decent shelter, environmental quality, efficient use of scarce resources, type, and extent of commuting, as well as its contribution to strong and resilient economic growth. Affordable Housing is an important issue in responding to a relevant social issue in Italy. The target population have been clearly identified in the Framework. Regions have the responsibility to define the requirements for access to social housing as well as rules for setting rents. In the case of public social housing, the eligibility is based on a set of criteria for registration in waiting lists in all Italian regions. Additionally, Eligible Assets are expected to provide structural long-term improvements and empowerment to the social conditional of the Italian population.
Socioeconomic Advancement and Empowerment	ADVANCED	The problem of unemployment in Italy became critical in the first years of the financial crisis which started in 2008. The crisis seriously affected the entire Italian working population, but the youngest part of the labour force. By January 2021, the Italian unemployment rate is 9% ²⁶ , placing the country as the country with the fourth highest unemployment rate among European Union countries. The unemployment rate in Italy stood at 8.3% for men, 10% for women ²⁷ and 30.9% ²⁸ for youth. As a result, microcredits, student loans, and financing young and female entrepreneurs are a relevant measure to respond to this social issue in Italy. The target population have been clearly identified in the Framework. Additionally, Eligible Assets are expected to provide structural long-term improvements to the social conditional and empowerment to the social conditional of the Italian population.
Affordable Basic Infrastructure	ADVANCED	According to the OECD ²⁹ , the access to high-quality and sustainable infrastructure is an essential determinant of people's well-being, equal opportunities, and a basic requirement for businesses to prosper. Affordable Basic Infrastructure is an important issue in responding to a social issue in Italy. The target population have been clearly identified in the Framework. Additionally, Eligible Assets are expected to provide structural long-term improvements to the social conditional of the Italian population.
SMEs financing	ADVANCED	According to the World Bank ³⁰ , small and medium enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for most businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. According to the World Bank estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which makes SME development a high priority for many governments around the world. Regarding the total global financial gap among regions, Europe and Central Asia only amounts 15% of the total global finance gap compare to East Asia And Pacific that accounts for the largest share (46%) of the total global finance gap and is followed by Latin America and the Caribbean (23%). Financing small and medium enterprises (SMEs) is an important issue in responding to a social issue in Italy. The target population have been clearly identified in the Framework. Additionally, Eligible Assets are expected provide structural long-term improvements to the social condition of the Italian population.
OVERALL ASSESSMENT		ADVANCED

²⁵ OECD report Italy <https://housingpolicytoolkit.oecd.org/www/CountryFiches/housing-policy-Italy.pdf>

²⁶ Statista website <https://www.statista.com/topics/6294/unemployment-in-italy/#:~:text=Italy%20is%20fourth%20in%20unemployed,last%20seven%20years%20in%202019.>

²⁷ Statista website <https://www.statista.com/statistics/575794/monthly-unemployment-rate-in-italy-by-gender/>

²⁸ Statista website <https://www.statista.com/statistics/776931/youth-unemployment-rate-in-italy/>

²⁹ OECD website <https://www.oecd.org/finance/sustainable-infrastructure-for-all.htm>

³⁰ World Bank website <https://www.worldbank.org/en/topic/sme/finance>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust³¹.

Since all projects will be located in Designated Countries of the Equator Principles (Italy), deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on other relevant documentation (e.g., construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

ESG DUE DILIGENCE

The Issuer has a formalised policy on the integration of sustainability risks in the provision of investment services³², which establishes the commitment, principles, and guidelines for the integration of ESG criteria in the decision-making and consultancy processes on investment or insurance. Based on this policy, the Issuer favours its investment choices to companies that adopt practices centred on the use of environmentally friendly production methods, on the guarantee of inclusive working conditions that are attentive to human rights and on the adoption of the best corporate governance standards. In addition, the Issuer reports to adopt an approach aimed at identifying, assessing, preventing and reducing potential reputational and operational risks deriving from investments actually operating in sectors deemed not socially responsible and characterised by low ESG ratings and/or involved in controversial events, which have led or may have negative impacts in the environmental sector, human rights, workers' rights, corruption, terrorism, etc. The Issuer reports to conduct constant monitoring of its investable universe, also by using external providers.

The Issuer reports integrating the traditional techniques of risk analysis and financial returns together with the analysis aimed at detecting policies, performances, practices, and sustainability impacts of the issuing companies, in order to avoid involvement, through investment activities, in companies considered not in line with the principles of the Group. In this context, criteria, tools, and activities are defined to identify, evaluate, and monitor the investments most exposed to ESG risks.

For the particular case of is the portfolio managed by the Group's BCC Risparmio&Previdenza S.G.R³³ (the "SGR"), the integration of ESG factors in the analysis process differs according to the type of financial instruments (funds or shares and bonds), integrated and formalised according to the logic of the investment decision-making process adopted by the SGR.

- For the investment in target funds, the analysis is divided into a quantitative part concerning the portfolio, and a qualitative part concerning the investment team and the process. The quantitative analysis of a portfolio includes an analysis of ESG factors which can have a material impact on the portfolio, and the model adopted aims to assess the degree to which the economic value of a company could be at risk due to ESG issues, by assigning a score to each feature analysed. The score deriving from the analysis of the ESG factors are all normalized and weighted to arrive at a synthetic judgment of the target background, according to the following classifications: Low, Neutral or High. The qualitative aspect concerns the analysis of the team and the investment process. The main factors considered are source of the data used; size of the team; presence of specialized ESG analysts; investment process (definition of the reference universe, negative and positive filters, qualitative investment analysis, stock selection, portfolio construction

³² https://www.gruppoiccrea.it/Documents/Sostenibilita/Informativa_materia_investimenti-ex_art3_SFDR_Allegato%204.pdf

³³ BCC Risparmio&Previdenza website <https://www.bccrisparmioeprevidenza.it/it-IT/Pagine/default.aspx>

and risk management); relevance of the ESG criteria with respect to traditional financial characteristics in the analysis; proxy voting and engagement activities; reporting.

In addition, ICCREA also has an exclusion list with regards to investments in shares and bonds including: Alcohol; Gambling; Tobacco; Nuclear Energy; Weapons. The Issuer excludes investing in listed companies which are involved in disputes related to: the environment (toxic or polluting emissions, land use, water exploitation); human rights; the violation of labour rights; the fraudulent management of companies; invasive/aggressive practices towards customers. The analysis takes place starting from the identification of companies present in the main international indexes that consider the ESG "exclusion" criteria indicated above and then applying further proprietary assessments.

ENVIRONMENTAL RISKS

The Issuer reports that certain environmental considerations such as having an ISO 14001 certification, an eco-design approaches in the whole life cycle of the product/services, are considered as positive aspects in Credit Selection of the Borrowers. The Issuer also reports that for projects related to Renewable Energy an Environmental Impact Assessment is led by Technical Advisor, including potential impacts on biodiversity.

However, V.E does not have a visibility on whether these environmental considerations are mandatory elements of the lending screening process to evaluate if a Borrower or projects are managed under an environmental management system, have undergone an environmental impact assessment, are certified to ISO 14001, or have undergone a Life Cycle Assessment, etc. An area for improvement consists in requiring borrowers to cover their projects under an EMS, and to conduct EIA of all the projects. An area for improvement also consists in establishing regular monitoring of environmental issues associated to the Issuer's lending including on environmental/industrial accidents, environmental inconveniences, and waste reduction and management.

SOCIAL RISKS

Human and Labour Rights

The Issuer has a formal commitment towards human rights in its Code of Ethics and Charter of Values. The Issuer also reports to have assessed human rights risks at a Group level without identifying significant areas of residual risks.

An area for improvement is to establish a mechanism to identify and manage human and labour rights and monitor the social performance of borrowers after lending.

Health and Safety

ICCREA relies on national legislation for specific risks and on relevant documentation (e.g., construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

An area for improvement is to establish control mechanisms to identify and manage health and safety issues and monitor its performance of borrowers after lending.

Non-discrimination

The Issuer reports to have a commitment to non-discrimination in its Ethical Code (Section 6.7), which specifies that the loans shall be granted without regard to race, gender identity, national origin, or any other prohibited factors. Regarding accessibility, the Issuer reports that in compliance with current legislation, but also to make services accessible to all users including customers with disabilities (including visual disabilities) and users with non-optimal abilities, has started a process of adaptation to international standards of accessibility to increase the protection of the risk associated with the release of inaccessible digital products/services.

Access to basic services and home safety conditions

An area for improvement is to provide visibility on how the Issuer assess that houses have access to basic services and comply with home safety regulations.

Community Involvement

ICCREA has a formalised commitment towards all its stakeholders within the Statute and the Charters of Values of Cooperative Credit. Dialogue with local stakeholders and communities is promoted by local BCCs (cooperative banks) affiliated to ICCREA as part of compliance with the principles of the Group. Dialogue is developed daily by BCCs in their relationship with members, during the Annual General Assembly, throughout workshops, conferences, financial education activities and meetings of Member Committees. At a more central level, the Public Affairs & Sustainability Organisational Unit monitors and promotes part of the activities at the local level in terms of community involvement initiatives such as financial education programs, for which budgeting, scheduling, approval and effective implementation processes are envisaged. In addition, the Issuer reports that 95% of BCC lending must be granted to local communities' residents.

Responsible Client Relations

In terms of transparency of communications with customers, the Issuer has special unit called 'UO Institutional Services' which ensures the Group complies with its transparency reporting obligations required by the intermediaries of various regulations (including MIFID, EMIR, MAD/MAR, CSDR, SFTR)³⁴. In addition, the Issuer has a Group Product Management Policy, which among other things, ensures the supervision of the relevant activities in the field of transparency of products and services throughout their life cycle, and also governs the Governance and of Control on banking products and services aimed at retail customers (POG) introduced by the Bank of Italy with the amendments to the transparency provisions, as well as on financial instruments (MIFID) and insurance products (IDD).

Regarding the management of customer complaints or disputes, ICCREA has adopted specific legislation to manage customer complaints which are managed by a Complaints Office, within the General Counsel, which ensures the handling of customer complaints for the Parent Company and issues the guidelines for the Companies of the Direct Perimeter and for the Affiliated Banks. Furthermore, the ICCREA Group maintains direct contact with the mutual banks and collects any reports also through annual customer satisfaction surveys. The Group also launched a feasibility project to implement customer listening activities - "Voice of the Customer" - to intercept and monitor the moments of the bank-customer relationship downstream of specific interactions, collecting and analysing customer feedback. To prevent customer over-indebtedness, the Issuer controls the borrower's credit capacity through its Credit and Financing policies.

BUSINESS ETHICS

ICCREA Banca complies with the Legislative Decree 231/2001³⁵, which introduced the principle of the administrative responsibility of companies for the crimes committed by the leaders and persons subject to their supervision (employees, suppliers, etc.) in the interest or for the benefit of the same institution. The offences include organised crime offences, corporate offences, corruption, violation of work safety regulations, environmental offences, tax offences, etc. Measures are reported to be aligned with international standards and guidelines such as the Wolfsberg Principles³⁶. The Wolfsberg Group is an association of thirteen global banks which aims to develop frameworks and guidance for the management of financial crime risks, particularly with respect to Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies. Moreover, ICCREA in compliance with the EU law, complies with the Legislative Decree n. 231/2007 which dictates the anti-money laundering regulatory framework for the Italian financial system. The Issuer discloses a Code of Ethics Conduct, Crime risk mapping matrix, Behavioural Protocols, and Internal disciplinary systems. Moreover, the Issuer reports to monitor the risks of money laundering and terrorist financing through an internal policy on the governance and management of the risk of money laundering and terrorist financing, which incorporates the guidelines on which the different management models applied within the individual Group companies are based, in compliance

³⁴ https://www.gruppoiccrea.it/Documents/DCNF%20GBCI%202020_DOCUMENTO.pdf

³⁵ Mondaq website <https://www.mondaq.com/italy/corporate-and-company-law/1037050/legislative-decree-no-23101-the-liability-of-companies-based-abroad>

³⁶ The Wolfsberg Group <https://www.wolfsberg-principles.com/>

with the applicable legislation. A whistleblowing system is available for all employees to report any violations regarding these matters.

The Issuer has also identified specific sectors that cannot be financed related to ethics and anti-money laundering³⁷ and are only financed if considered exceptional by the Board of Directors of the Companies of the Direct Perimeter and of the Affiliated Banks or by the subjects/executive decision-making bodies delegated by the latter. The activities include:

- Construction, distribution, and marketing of weapons (except for weapons intended for sporting or recreational activities), equipment and systems that can be used exclusively for war purposes. It is specified that for some cases appropriately identified within the Policy on Due Diligence for Affiliated Banks, any exceptions are not permitted.
- Construction, distribution and marketing of betting equipment, video-poker, slot-machines, etc.
- Setting up and management of gaming and betting rooms.
- All sectors relating to pornography.
- Gold.
- Money transfer.
- Management and administration trustees using omnibus accounts.

Any transactions in the above sectors must be accompanied by adequate reasons regarding their feasibility (for example, the importance of the initiative for the economic fabric, the morality of the shareholders, the main activity of the company with respect to that deemed not to be financed, etc.).

³⁷ https://www.gruppoicrea.it/Documents/DCNF%20GBCI%202020_DOCUMENTO.pdf

ISSUER

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against ICCREA Banca over the last four years.

Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity, or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and/or the Social Bond Principles - June 2021 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability, and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process are assessed by V.E on its transparency, governance, and relevance. The eligibility criteria are assessed on their clarity, relevance, and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability, and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness, and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;³⁸
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e., the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V. E's ESG assessment methodology, international standards, and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable³⁹ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures, or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications, or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).

³⁸ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

³⁹ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO, and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.



- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company’s reputation reduces with time, depending on the severity of the event and the company’s responsiveness to this event. Conventionally, V. E’s controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company’s involvement in any of them. The company’s level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

V.E’S ASSESSMENT SCALES

Scale of assessment of Issuer’s ESG performance or strategy and financial instrument’s Contribution to sustainability		Scale of assessment of financial instrument’s alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment: strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument’s practices go beyond the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved, fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible, no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

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