

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Social Bond Framework

Istituto per il Credito Sportivo  
1 July 2022

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Social debt instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• Social Bond Principles (06.2021)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Istituto per il Credito Sportivo Social Bond Framework (as of 08.06.2022)</li><li>• Istituto per il Credito Sportivo Selection Criteria (as of 08.06.2022)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as there is no material change to the Framework</li></ul>

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## SCOPE OF WORK

Istituto per il Credito Sportivo (“the Issuer” or “ICS”) commissioned ISS ESG to assist with its Social debt instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Istituto per il Credito Sportivo’s Social Bond Framework (08.06.2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBP).
2. The Selection criteria– whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).
3. Social debt instruments link to Istituto per il Credito Sportivo’s sustainability strategy – drawing on Istituto per il Credito Sportivo’s overall sustainability profile and issuance-specific Use of Proceeds categories.

## ISTITUTO PER IL CREDITO SPORTIVO BUSINESS OVERVIEW

Istituto per il Credito Sportivo operates as a bank. It is classified in the Specialized Finance industry, as per ISS ESG’s sector classification.

Istituto per il Credito Sportivo (ICS) is a public-social bank that offers financial products and services focused on the development of sports facilities, sporting activities, heritage, and cultural infrastructure. ICS loans extend in major seven categories that include municipalities, parishes, sports federations, notfor-profit entities, corporates, consumer households<sup>1</sup>, and universities. In 2021, the company achieved total loans of approximately 341,9 million euros in the cultural and sports field.

<sup>1</sup> Exclusively for its current and former employees.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<b>Part 1:</b> <b>Alignment with SBP</b>	The issuer has defined a formal concept for its Social debt instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Social Bond Principles.	<b>Aligned</b>
<b>Part 2:</b> <b>Sustainability quality of the Selection criteria</b>	<p>The Social debt instruments will (re-)finance eligible asset categories which include: sport infrastructure, cycle paths, culture, emergency aid.</p> <p>Emergency aid, and Sport infrastructures use of proceeds categories have a significant contribution to SDGs 8 'Decent work and economic growth', 10 'Inclusion'. Sport infrastructure (cycle paths), Culture (museums and heritage), and Emergency aid use of proceeds categories have a limited contribution to SDGs 1 'No poverty', 3 'Good health and wellbeing', 7 'Affordable and clean energy', 11 'Sustainable cities and communities', 13 'Climate action'. Culture (cinema and theatres) use of proceeds category has no net impact on SDGs.</p> <p>The environmental and social risks associated with those use of proceeds categories are well managed.</p>	<b>Positive</b>
<b>Part 3:</b> <b>Social debt instruments link to issuer's sustainability strategy</b>	The Use of Proceeds financed through this Social debt instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social debt instruments is clearly described by the issuer.	<b>Consistent with issuer's sustainability strategy</b>

<sup>2</sup> ISS ESG's evaluation is based on the Istituto per il Credito Sportivo's Social Bond Framework (8 June 2022 version), and on the ISS ESG Indicative Corporate Rating and applicable at the SPO delivery date.

## ISS ESG SPO ASSESSMENT

### PART I: ALIGNMENT WITH SOCIAL BOND PRINCIPLES

This section describes ISS ESG's assessment of the alignment of the Istituto per il Credito Sportivo's Social Bond Framework (dated 08.06.2022) with the Social Bond Principles.

SOCIAL BOND PRINCIPLES	ALIGNMENT	ISS ESG'S OPINION
1. Use of Proceeds	✓	<p>ISS ESG considers the Use of Proceeds description provided by Istituto per il Credito Sportivo's Social Bond Framework as <b>aligned</b> with the Social Bond Principles.</p> <p>The Issuer's social categories align with the project categories as proposed by the Social Bond Principles, Criteria are defined in a clear and transparent manner, social benefits are described and quantified.</p> <p>In line with best market practices, the Issuer has an exclusion list in place for its investment.</p>
2. Process for Project Evaluation and Selection	✓	<p>ISS ESG considers the Process for Project Evaluation and Selection description provided by Istituto per il Credito Sportivo's Social Bond Framework as <b>aligned</b> with the Social Bond Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer transparently discloses the responsible parties for the project evaluation and selection. Stakeholders from various internal departments are involved, in line with best market practices.</p>
3. Management of Proceeds	✓	<p>ISS ESG finds that the Management of Proceeds proposed by Istituto per il Credito Sportivo's Social Bond Framework as <b>aligned</b> with the Social Bond Principles.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer</p>

		<p>discloses the temporary investment instruments for unallocated proceeds.</p> <p>In line with best market practice, the issuer discloses the intended nature of investments for temporarily unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p style="text-align: center;">✓</p>	<p>ISS ESG finds that the allocation and impact reporting proposed by Istituto per il Credito Sportivo’s Social Bond Framework as <b>aligned</b> with the Social Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. Istituto per il Credito Sportivo explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer commits to also publish an impact report, in line with best market practices.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE SOCIAL DEBT INSTRUMENTS TO THE UN SDGs

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.







#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 5-point scale (see Annex 1 for methodology):

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the social debt instruments's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:


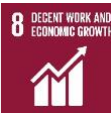

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Sport infrastructures</b> not limited to, but serving as an example: school gyms, municipal sports centers, grassroots sport infrastructures in areas with a Social Vulnerability Index <sup>3</sup> higher than Italian national mean and where the Social Return of the Investment is > 1	<b>Significant Contribution<sup>4</sup></b>	
	<b>Limited Contribution</b>	
<b>Sport infrastructures cycle paths</b> in areas with a Social Vulnerability Index <sup>3</sup> higher than Italian national mean and where the Social Return of the Investment is > 1	<b>Significant Contribution<sup>5</sup></b>	
	<b>Limited Contribution</b>	  

<sup>3</sup> calculated through the combination of seven elementary indicators (1. percentage of the population aged six and over without educational qualifications; 2. incidence of families with potential economic hardship; 3. incidence of families with potential welfare difficulties; 4. index of homes in severe overcrowding; 5. incidence of families with six and more members; 6. incidence of single-parent young and adult families; 7. percentage of young people aged 15-29 who are not active and non-student) with data provided by the Italian statistical institute (ISTAT).

<sup>4</sup> This project category is assessed as having a significant contribution to SDG 10, beyond the SDGA proprietary methodology.

<sup>5</sup> calculated through the combination of seven elementary indicators (1. percentage of the population aged six and over without educational qualifications; 2. incidence of families with potential economic hardship; 3. incidence of families with potential welfare difficulties; 4. index of homes in severe overcrowding; 5. incidence of families with six and more members; 6. incidence of single-parent young and adult families; 7. percentage of young people aged 15-29 who are not active and non-student) with data provided by the Italian statistical institute (ISTAT).

<sup>6</sup> This project category is assessed as having a significant contribution to SDG 10, beyond the SDGA proprietary methodology.

<b>Culture</b> museums, cultural heritage	<b>Limited Contribution</b>	
<b>Culture</b> cinemas and theaters	<b>No Net Impact</b>	
<b>Emergency aid</b> existing Loans to SMEs and non-profits regarding Social Eligible Categories with liquidity needs stemming from the health emergencies (COVID-19 pandemic) and the related social and economic downturn	<b>Significant Contribution<sup>7</sup></b>	
	<b>Limited Contribution</b>	

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI	
KPIs RELEVANT FOR SPORT CLUBS, SPORT AND CULTURAL FACILITIES, SMEs FINANCING AND EMPLOYMENT GENERATION	
<b>Labor, Health &amp; Safety</b>	
✓	All assets financed will be in Italy. High labor, and health & safety standards are ensured under national legislation as aligned with the European Union mandatory social standards.
KPIs RELEVANT FOR SPORT CLUBS, SPORT AND CULTURAL FACILITIES	
<b>User safety</b>	
✓	Under this Framework, the issuer is selecting buildings located in the Italy where health and safety standards are in place for users of the relevant infrastructure.
<b>Inclusion</b>	
✓	Non-discriminatory access to sport clubs and sport facilities is regulated under the Italian law. The issuer has a due diligence process in place to understand diversity, inclusion, and accessibility are managed at the project level by municipalities.
KPIs RELEVANT FOR SPORT AND CULTURAL FACILITIES	
<b>Site location</b>	

<sup>7</sup> This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.



- ✓ The issuer checks on the presence of public transportation within a 300m radius from the infrastructure financed.

#### Energy efficiency

- ✓ The issuer offers financing products (Sport Common Green Good and Green Loan) dedicated to energy efficiency interventions for existing sport facilities. For all loans the issuer runs a questionnaire which also covers energy efficiency measure to be implemented in the projects.

#### KPIs RELEVANT FOR SME FINANCING AND EMPLOYMENT GENERATION

##### Environmental aspects of production and operation

- ✓ The issuer checks whether companies and non-profits financed have an environmental management system in place.

##### Exclusion of controversial activities

- ✓ The issuer excludes various sectors under this framework: production and marketing of weapons (with the exception of hunting or sporting weapons), gamble, tobacco, coal, nuclear energy, pornography, fur industry and animal maltreatment, any other activities that are not considered social or environmentally friendly.

#### KPIs RELEVANT FOR ALL LOANS

##### Responsible marketing

- ✓ The issuer is committed to providing clear and balanced information with regard to its products, their cost, and the risks connected to them.

##### Responsible sales practices

- ✓ The issuer is committed to selling its products taking into consideration the clients' interests and needs. ICS staff is committed to avoid sales of products which might not be adequate for clients' interest. Moreover, the issuer's incentive system is defined in accordance with corporate objectives and values, including sustainable finance objectives. Finally, ICS does not have agents or financial promoters thus reducing the risk of sales malpractices.

##### Responsible treatment of clients with debt repayment problems

- ✓ In case of clients with debt repayment problems, the issuer offers redefinition of contractual terms, in the form of an extension or a repayment plan for overdue amounts to be regularized, as a first step. The issuer does not normally resort to the sale of non-performing loans as current practice. A comprehensive set of measures in place to prevent indebttness is missing.

## PART III: SOCIAL DEBT INSTRUMENTS LINK TO ISTITUTO PER IL CREDITO SPORTIVO'S SUSTAINABILITY STRATEGY

### A. ISTITUTO PER IL CREDITO SPORTIVO'S BUSINESS EXPOSURE TO ESG RISKS

**Methodological note: Please note that Istituto per il Credito Sportivo is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Specialized Finance sector based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.**

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

#### *ESG risks associated with the Issuer's industry*

Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

#### ESG KEY ISSUES IN THE INDUSTRY


Sustainability impacts of lending and other financial services/products
Products and services with social and environmental benefits
Customer and product responsibility
Employee relations and work environment

#### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating methodology, ISS ESG assessed the current sustainability performance of the issuer to be medium. Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

#### *Sustainability impact of products and services portfolio*

The issuer provided ISS ESG with the revenue breakdown of its products/services portfolio, based on audited information. Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>8</sup>	DIRECTION OF IMPACT	UN SDGS
Financing of fitness centers, equipment, and programs	97%	CONTRIBUTION	

*Breaches of international norms and ESG controversies*

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Specialized Finance industry are as follows: Failure to mitigate climate change impacts, Failure to pay fair share of taxes and Failure to conduct human rights due diligence.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

<sup>8</sup> Percentages presented in this table are not cumulative.

## B. CONSISTENCY OF SOCIAL DEBT INSTRUMENTS WITH ISTITUTO PER IL CREDITO SPORTIVO'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

ICS's stated vision for the upcoming years is to significantly expand the country's sports and cultural infrastructure. This will be realized through the provision of financial instruments to support both sporting and cultural organizations. According to ICS, the company intends to actively support local business and not-for-profit entities.

In December 2019, the Board of Directors of ICS approved the Strategic Plan 2020-2023. The Strategic Plan mandates the bank to pursue a full sustainability approach embracing its strategy, Risk Appetite framework (RAF), loan origination, credit policies and pricing.

During 2021, and in line with its identity as a social bank for the sustainable development of sport and culture, ICS adopted a Sustainable Development Plan, approved by the Board of Directors and developed along five strategic guidelines, 12 objectives and 47 actions to be undertaken between 2022-2023. The Plan was built through the Benefit Impact Assessment (BIA) conducted on ICS's ESG performance.

ICS has adopted specific guidelines for its sustainable development, committing itself to five common-benefit goals:

- becoming a leader in social responsibility and sustainable development for the sport and cultural sectors;
- being recognized as the primary and principal interlocutor of Public Administration, influencing actions, initiatives, and public measures;
- preparing customers for a transition to an economy based on sustainability principles, integrating their criteria into behavior, strategic decisions, and policies;
- adopting a management strategy that constantly combines economic results with social and environmental returns, applying ex ante measurements and monitoring each individual initiative according to defined sustainability criteria;
- creating a place where people aspire to work, promoting a meritocracy, responsible participation, and an intergenerational and intercultural sustainability focus, as well as working on the development and support of new generations.

In the course of 2022, ICS incorporated these sustainable development guidelines into corporate governance documents and a code of ethics in order to formally mandate management and involve all stakeholders in the implementation of these guidelines. The Sustainable Development Plan also requires the implementation of robust methods to measure the impact generated by ICS's lending activity. As a result, the SROI indicator was implemented in order to place a value on the social benefits of the lending activity throughout the lifespan of the financed projects.

### *Rationale for issuance*

ICS recognizes that sustainable investments and financing need significant scaling up in order to reach the United Nations' Sustainable Development Goals, and the objectives of the Paris Agreement. ICS

states that it aims to contribute to a growing market of sustainable bonds, to stimulate the market for sustainable investments and financing and to contribute to the transition to a more socially inclusive economy. This is in alignment with the Sustainable Development Plan in which ICS commits to collect and disburse financial resources whilst focusing on the social and environmental impact generated by those investments.

By establishing this Framework, ICS states it wants to provide fixed-income investors with an opportunity to support the objectives in this area, as well as to help investors' meet their own responsible investment objectives.

*Contribution of Use of Proceeds categories to sustainability objectives and key ESG industry challenges*

ISS ESG mapped the Use of Proceeds categories financed under this Social debt instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Specialized Finance industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings industry. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
All kind sport infrastructures	✓	✓	Contribution to a material objective
Cycle Paths	✓	✓	Contribution to a material objective
Culture	✓	✓	Contribution to a material objective
Emergency aid	✓	✓	Contribution to a material objective

**Opinion:** ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds is clearly described by the issuer.

## DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
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## ANNEX 1: Methodology

### ISS ESG SOCIAL KPIS

The ISS ESG Social Bond KPIS serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Istituto per il Credito Sportivo’s Social debt instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIS.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIS.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Istituto per il Credito Sportivo (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### 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 Istituto per il Credito Sportivo’s Social debt instruments contributes to related SDGs.

## ANNEX 2: Quality management processes

### SCOPE

Istituto per il Credito Sportivo commissioned ISS ESG to compile a Social debt instruments SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the Social Bond Principles and to assess the sustainability credentials of its Social debt instruments, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- Social Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by the Issuer

### ISSUER'S RESPONSIBILITY

Istituto per il Credito Sportivo's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the project category level

### ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social debt instruments to be issued by Istituto per il Credito Sportivo based on ISS ESG methodology and in line with the ICMA Social Bond Principles.

The engagement with Istituto per il Credito Sportivo took place from May to July 2022.

### ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.



## 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 SPO 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/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific social debt instruments SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

#### Project lead

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Associate  
ESG Consultant

#### Project support

Giorgio Teresi  
Associate  
ESG Consultant

#### Project supervision

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Associate Director  
Head of ISS ESG SPO Operations