



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green, Social and Sustainability Bonds Framework

Credito Emiliano S.p.A.

10 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green, Social and Sustainability Bonds
Relevant standards	<ul style="list-style-type: none">Green Bond Principles and Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)
Scope of verification	<ul style="list-style-type: none">Credem¹ Green, Social and Sustainability Bonds Framework (as of May 10, 2023)Credem Selection Criteria (as of May 10, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged.

¹ The term Credem refers to Credito Emiliano Banking Group and Credemholding, as issuing entities under the framework.

CONTENTS

SCOPE OF WORK	3
CREDEM BUSINESS OVERVIEW	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT.....	6
PART I: ALIGNMENT WITH GBP, SBP, and SBG	6
PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE	8
A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BONDS TO THE UN SDGs	8
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA.....	15
PART III: LINKING THE TRANSACTIONS TO CREDEM’S ESG PROFILE.....	19
A. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH CREDEM’S SUSTAINABILITY STRATEGY	19
B. CREDEM’S BUSINESS EXPOSURE TO ESG RISKS	21
ANNEX 1: Methodology	24
ANNEX 2: ISS ESG Corporate Rating Methodology	25
ANNEX 3: Quality management processes	25
About this SPO	26

SCOPE OF WORK

Credito Emiliano SpA (“the Issuer” or “Credem”) commissioned ISS Corporate Solutions (ICS) to assist with its Green, Social and Sustainability Bonds by assessing three core elements to determine the sustainability quality of the instruments:


1. Credem’s Green, Social and Sustainability Bonds Framework (as of May 10, 2023) – benchmarked against the International Capital Market Association's (ICMA) GBP, SBP and SBG.
2. The selection criteria – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transactions to CREDEM’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

CREDEM BUSINESS OVERVIEW

Credito Emiliano S.p.A provides banking and financial services. It is classified in the Commercial Banks & Capital Markets industry, as per ISS ESG’s sector classification. It operates through the following business segments: Commercial Banking, Asset Management, Bancassurance, Trading, ALM Treasury, and Corporate Center and Other. The Commercial Banking segment encompasses the central commercial business support functions, which include Credemleasing, Credemfactor, Banca Credem Euromobiliare Private Banking, Euromobiliare Asset Management SGR, Credem Private Equity SGR, Credemtel, Euromobiliare Fiduciaria, and Avvera. The Asset Management segment incorporates the financial statements of Euromobiliare Asset Management SGR, Credem Private Equity SGR, Euromobiliare Fiduciaria and Euromobiliare Advisory Sim. The Bancassurance segment comprises Credemvita and Credemassicurazioni. The Trading segment includes the trading activity. The ALM Treasury segment includes banking risk management book and investment portfolio. The Corporate Center and Other segment includes Magazzini Generali delle Tagliate, as well as all departments supporting the commercial banking and finance segments. The company was founded in 1910 and is headquartered in Reggio Emilia, Italy.

Credem, operating parent company of Credito Emiliano Banking Group (the “Credem Group” or the “Group”), is controlled by Credito Emiliano Holding S.p.A, “Credemholding”, a non- operating financial holding company, with a 78.83% stake in Credem. The proceeds of each green, social or sustainability bond issued from Credemholding will be allocated to the eligible assets booked on the balance sheet of any of the entities of the Credem Group, as the case may be. Credemholding currently acts as the Group’s Issuer for subordinated issuances only. In case of an issuance, Credemholding will on-lend the proceeds of the notes to Credem under a subordinated bond, which will have the same characteristics of the bond issued by Credemholding and is intended to qualify on a standalone and consolidated basis of Credem.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part 1: Alignment with GBP/SBP/SBG</p>	<p>The Issuer has defined a formal concept for its Green, Social and Sustainability Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA Green and Social Bond Principles, and the Sustainability Bond Guidelines.</p> <p><i>* The following category (Non-Profit Organizations - companies partly State-owned) is assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green or social categories by investors.</i></p>	<p>Aligned*</p>
<p>Part 2: Sustainability quality of the Selection criteria</p>	<p>The Green, Social and Sustainability Bonds will (re-)finance eligible asset categories which include: Renewable Energy, Green Buildings, Pollution Prevention and Control, Clean Transportation, Sustainable Management of Living Natural Resources and Land Use, Green Assets Backed by State Mechanisms, SMEs Financing, Healthcare System, Non-Profit Organizations, Social Housing.</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p>  <p>Other use of proceed categories improve the operational impacts of Credem’s borrowers and mitigate potential negative</p>	<p>Positive</p>

² The evaluation is based on the Credem’s Green, Social and Sustainability Bond Framework (May 10, 2023 version), and on the ISS ESG Corporate Rating updated on the January 30, 2023 and applicable at the SPO delivery date.

³ Pollution Prevention and Control, Renewable Energy, Clean Transportation, Green Buildings, Energy efficiency, Sustainable Management of Living Natural Resources and Land Use, Green Assets Backed by State Mechanisms, Socioeconomic advancement and empowerment, Healthcare system, Non-profit organizations, Social housing

	<p>externalities of their sectors on one or more of the following SDGs:</p> <div data-bbox="687 376 906 483" style="text-align: center;">  </div> <p>The environmental and social risks associated with those use of proceeds categories are <i>well managed</i>.</p>	
<p>Part 3: Linking the transaction(s) to Credem's overall ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Green, Social and Sustainability Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, and SBG

This section evaluates the alignment of the Credem's Green, Social and Sustainability Bonds Framework (as of May 10, 2023) with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

GBP, SPB, SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Credem's Green, Social and Sustainability Bonds Framework is aligned with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines.</p> <p>The Issuer's green and social categories align with the project categories as proposed by the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines. Criteria are defined in a clear and transparent manner. The Issuer will report on the distribution of proceeds by project category, environmental and social benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful projects categories, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Credem's Green, Social and Sustainability Bonds Framework is aligned with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines.</p> <p>The project selection process is defined and structured in a congruous manner. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it, which is in line with best market practice. The issuer identifies the alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and references any green standards or certifications used, in line with best market practice.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds proposed by Credem’s Green, Social and Sustainability Bonds Framework is aligned with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green, Social, and Sustainability Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer commits to track the proceeds collected by having an internal information system. The issuer discloses ESG criteria and the nature of temporary investments, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Credem’s Green, Social and Sustainability Bonds Framework is aligned with the Green Bond Principles, the Social Bond Principles, and the Sustainability Bond Guidelines.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Credem explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until all the bonds mature.</p> <p>The Issuer is transparent on the level of impact reporting, the information reported, the frequency of the impact reporting, the scope, and the duration, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BONDS TO THE UN SDGs⁴

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.

The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

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 3-point scale (see Annex 1 for methodology):



Each of the Green, Social and Sustainability Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Pollution prevention and control</p> <p><i>All separated collection and transport of non-hazardous waste if segregated at source: always eligible if is collected for reuse or recycling</i></p>	Contribution	
<p>Pollution prevention and control</p> <p><i>Landfill gas capture and energetic utilization: methane leakage is controlled and landfill permanently closed and has not been opened after 8 July 2020</i></p>	Contribution	

⁴ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

Renewable energy

Equipment, development, production, construction, operation, distribution of:

- wind, solar photovoltaic
- geothermal energy (source eligible if life cycle emission (LCE) threshold below 100gCO₂e/kWh)
- concentrated solar power (facilities shall have no more than 15% of electricity generated from non-renewable sources)
- hydropower (Exempted from LCE requirements if power density above 5W/m₂ or if run of river plant without artificial reservoir (LCE requirement being an emission threshold below 100gCO₂e/kWh). Only hydropower plants with a scale of power production below <1000MW are eligible)
- energy storage capacity from wind, solar photovoltaic, concentrated solar power, geothermal, and hydropower

Contribution



Clean transportation

- Passenger interurban rail transport, road passenger transport, and freight rail transport (trains and passenger coaches have zero direct (tailpipe) CO₂ emissions, and trains and wagons are not dedicated to the transport of fossil fuels)
- Motorbikes, passenger cars and light commercial vehicles (For vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. For vehicles of category L, the tailpipe CO₂ emissions equal to 0g CO₂e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.)

Contribution



- Infrastructure required for zero direct emissions transport
- Infrastructure dedicated to public passenger transport: train stations, rails and rail-related infrastructures, bus stops, infrastructures related to metro and tramway in urban or suburban areas
- Infrastructure and equipment for active mobility (walking and cycling)

Green buildings

The acquisition of new or existing residential or commercial buildings:

- Built before 31 December 2020, the building has an Energy Performance Certificate (EPC) class A or above

or

- Built before 31 December 2020, the building is within the top 15% in Italy of the most carbon efficient buildings (kg CO₂.e/sqm)⁵
- Construction and/or acquisition of buildings built after 31 December 2020, the Primary Energy Demand (PED) is at least 10% lower than the threshold set for nearly zero-energy building (NZEB)

Contribution



Green buildings⁶

The acquisition of new or existing commercial buildings with the classifications:

- LEED "Gold" or above
- BREAM "Very Good" or above
- HQE "Excellent" or above

Contribution



Energy efficiency

Acquisition of fiscal incentives dedicated to the improvement of energy efficiency for

Contribution



⁵ Analysis provided by CRIF to the real estate in Italy of the top 15% buildings in primary energy demand, [Credem technical Report CRIF.pdf](#)

⁶ The review is limited to certifications spelled out in the framework

buildings introduced by Italian or other EU governments⁷

Sustainable management of living natural resources and land use⁸

Financing of certified organic agriculture including activities related to Grana Padano and Parmigiano Reggiano production sector

Eligible certifications include any certification provided by a certified body of IFOAM, (such as: EU label, Agriculture Biologique, Demeter, etc.)

Contribution



Sustainable management of living natural resources and land use⁹

Agricultural activities as well as practices and use of forests and forest land contributing to enhancing biodiversity, or halting or preventing the degradation of soils and other ecosystems, deforestation and habitat loss (agricultural certificates related to this eligible category: FSC, PEFC, IFOAM or Proterra)

Contribution



Green Assets backed by State mechanism¹⁰

SACE Green Guarantees (loans awarded by Credem with SACE guarantee to companies with the purpose of financing project finalised to support the following Environmental Objectives, as defined by the European and Italian regulation in terms of New Green Deal: Climate changes mitigation, Adaptation to climate changes, Water and marine resources protection, Circular economy, Pollution prevention and reduction, Biodiversity and ecosystem protection and reactivation)

Contribution



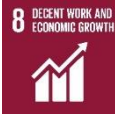

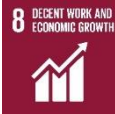



⁷ Example provided by Credem. Tax Credit Superbonus, Ecobonus and Sismabonus: Superbonus and Ecobonus provide benefits for the implementation of specific actions aimed at energy efficiency (thermal insulation of external walls, replacement of winter air conditioning systems on common areas, replacement of winter air conditioning systems), and static consolidation or reduction of seismic risk of buildings. Eligible interventions also include (i) the installation of photovoltaic systems and (ii) electric vehicle charging infrastructure in buildings.

⁸ The review is limited to certifications spelled out in the framework.

⁹ The review is limited to certifications spelled out in the framework.

¹⁰ For this category, the Issuer is relying on a local program ([the SACE Green Guarantees](#)) aimed at financing Italy's Green New Deal. To be eligible for SACE intervention under the Green New Deal, projects are expected to meet the parameters (eligibility criteria) set out in the European Regulation and taxonomy. We have reviewed the eligibility criteria set by SACE and assessed them as generally providing a contribution to the SDGs highlighted. However, it is worth noting that (i) not all projects financed will contribute to all SDGs (e.g., a solar projects will contribute to SDGs 7 and 13 while wastewater management will contribute to SDG 6), (ii) criteria for some projects would need to be more precisely defined to be considered as having a clear environmental benefit according to our methodology (e.g., interventions to ensure the conservation, restoration and sustainable use of terrestrial freshwater ecosystems) and (iii) there is a lack of visibility on the amount that will be allocated to those projects (without clear environmental benefits).

SOCIAL CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Assets backed by State mechanism</p> <p><i>Sabatini's Green Assets (assets financed by the Italian Minister of Economic Development that support the purchase (or acquisition in the case of financial leasing transactions) of machinery, plant and new equipment for productive use, with low impact environment, as part of programs aimed at improving the eco-sustainability of products and production processes). Limited to micro, small, and medium enterprises¹¹</i></p>	Contribution	
<p>Socioeconomic advancement and empowerment</p> <p><i>Loans granted to SMEs with the Government Guarantee assigned till the 30-06-2022 to support client's difficulties due to the Covid – 19 crisis.</i></p>	Contribution	
<p>Socioeconomic advancement and empowerment</p> <p><i>Loans to SMEs located in areas with a GDP per capita below National average or in areas impacted by natural disasters.</i></p>	Contribution	
<p>Socioeconomic advancement and empowerment</p> <p><i>Loans granted to SMEs run by women</i></p>	Contribution	
<p>Healthcare system</p> <p><i>Financing of public health infrastructure including development, acquisition of buildings, facilities or equipment related to public hospitals</i></p>	Contribution	
<p>Healthcare system</p> <p><i>Financing¹² of healthcare services including more generally to SMEs operating in the healthcare sector</i></p>	Contribution	

¹¹ Ministero delle Imprese e del Made in Italy, [Circolare direttoriale recante la disciplina dei contributi e dei finanziamenti per l'acquisto di nuovi macchinari, impianti e attrezzature da parte di PMI](#). page 1, Dicembre 6, 2022.

¹² Financing is limited to SMEs

Non-profit organizations

Loans to finance companies partly State-owned dedicated to financing projects aiming at having a positive social impact in the following sectors: Healthcare; Environmental protection; Schools; Art and recreational activities.

No net impact

Non-profit organizations

Loans to finance Non-Profit Organizations dedicated to financing projects aiming at having a positive social impact in the following sectors: Healthcare; Environmental protection; Schools; Art and recreational activities.

Contribution



Social housing

CONSAP mortgages loans¹³

Contribution



Social housing

Loans that promote accessibility to housing in Italy dedicated to individuals with an income below the national average pro – capita annual income:

- First-time buyers that have a low annual income
- Self-employed that have low annual income
- Later life loans/Lending into retirement that have low annual income
- Low-income beneficiaries

Contribution



Social Housing

Loans that promote accessibility to housing in Italy dedicated to individuals with an income below the national average pro – capita annual income: First-time buyers that have a medium annual income

Contribution

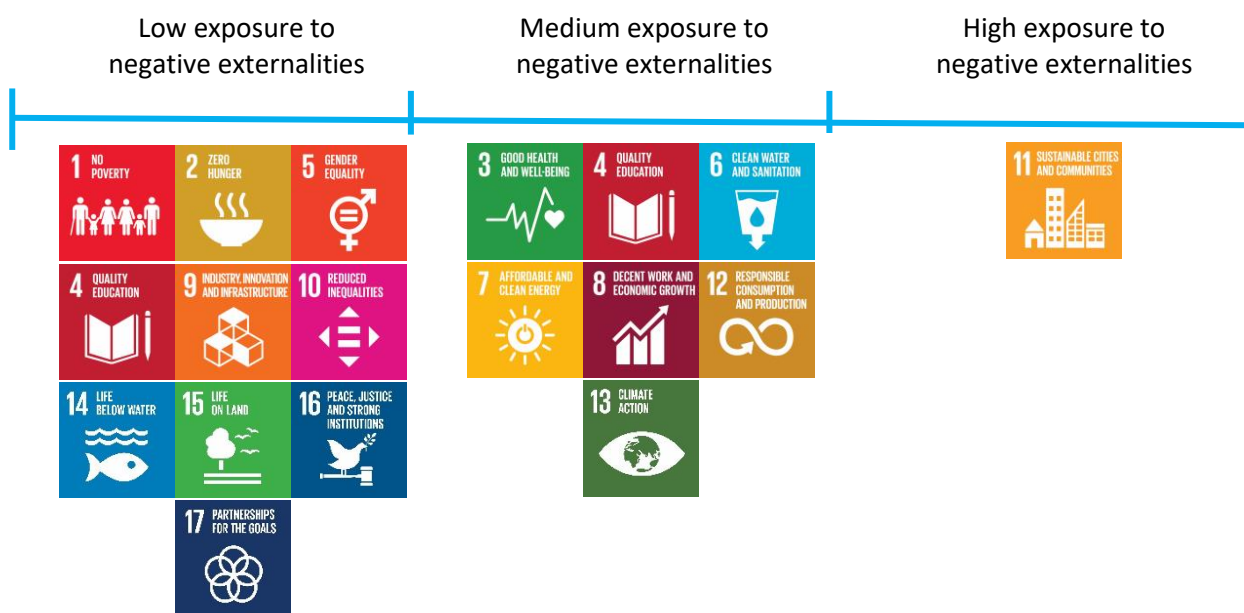


¹³ Consap Mortgages is based on a stated mechanism and include a level of revenue threshold for beneficiaries. More information are available on: <https://www.consap.it/fondo-prima-casa/>



2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities¹⁴ in the Real Estate sector (financed by Credem) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ¹⁵	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Building</p> <p><i>Renovation measures consisting of installation, maintenance, repair of energy efficiency equipment, or of instruments and devices for measuring, regulation and controlling energy performance of buildings with an improvement of energy efficiency by 30% can be expected</i></p>	✓	 

¹⁴ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

¹⁵ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The table below evaluates the selection criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Italy¹⁶.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

Credem has started integrating considerations on ESG risks in all its processes, according to its Sustainability Policy. Products that are deemed to be highly exposed to ESG risks are excluded, while for minor risks, the issuer checks whether they are appropriately managed. In 2023, Credem started collecting ESG data, information, and scores (ESG Score, Environmental Score, Physical Risk Score, Transition Risk Score) on its whole credits portfolio. The Issuer will integrate these indicators in the credit process in the future, starting with the Large Corporate/Corporate segment. For the latter segment, the Issuer defined a list of ESG indicators with a focus on the degree of exposure to the impacts generated by Climate and Environmental factors on the sustainability of counterparties and credit portfolios. Additionally, the integration of Climate and Environmental risks into the credit approval and resolution processes is defined and in use on the Large Corporate and Corporate segments. Finally, the Issuer will start monitoring these risks across its portfolio.

ESG Guidelines into financing process for most sensitive sectors¹⁷ financed under the Framework

ESG Guidelines into financing process for Forestry and Agriculture

Only sustainable forestry recognized by FSC and PEFC certifications in accordance with the Framework will be eligible for financing or re-financing. Risks associated with forestry projects, such as the responsible use of fertilizers and pesticides, soil erosion, and reforestation with native species, are covered by the FSC and PEFC. The PEFC also addresses risk management related to fire. However, the Issuer does not have any internal guidelines for the environmental and social risk assessment for its lending and investment in forestry and agriculture projects.

ESG Guidelines into financing process for Agriculture/Agriculture (with animals)

The Issuer will only finance and re-finance assets certified organic (EU Organic, Bio, IFOAM, Proterra). The EU Organic regulation covers (almost) all agriculture projects and the related risks such as water resources, water contamination, soil erosion and fertility, responsible use of pesticides, herbicides, and fertilizers, alternatives to pesticides, herbicides, and fertilizers, crop rotation and crop residues. The Proterra certification also covers some relevant topics such as water contamination, and the use

¹⁶ We rely on the geographical location of the projects/loans to assess the E&S management risk system in place through national regulation. For the loans receiving the use of proceeds generated under this framework, Credem will only consider borrowers located in Italy (e.g. having their legal residence or the head office in the country). However, there is no assurance that the borrowers exclusively operate in Italy. As Credem assumes that a significant share of the projects financed will indeed be carried out in Italy, we will also rely on national legislation for the purpose of assessing the KPIs. For the green buildings category, only buildings in Italy will be eligible.

¹⁷ The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

of fertilizers. However, Credem does not have any internal guidelines for the environmental and social risk assessment for its lending and investment in the agriculture/farming sector.

Labour, Health and Safety

- ✓ Most assets financed will be located in Italy, high health & safety and labour standards are ensured by the relevant national legislation and the European Union's mandatory social standards.

Biodiversity and Community dialogue

- ✓ Most assets financed will be in Italy. Thus, the Issuer ensures that its environmental impacts and impacts on the communities have been mitigated and reduced as Italy is considered a Designated Country according to the Equator Principles.

Inclusion

- ✓ The Issuer's Code of Conduct states that discrimination based on sex, race, language, personal and social conditions, religious and political orientations are prohibited. The Issuer's Code of Conduct also applies to access to credit, meaning that no one from the target population will be excluded from accessing the services.

Data protection and information security

- ✓ The Issuer has an information security management system (ISMS) in place, which is set up according to the main international Information Security Standards and best practices. However, the Issuer is not certified for ISO27001, as its stakeholder does not request for it. Nevertheless, the Issuer has integrated ISO 27001 and other security certificate requirements that may be required depending on applicable sector-specific regulations (e.g., card payments industry standards) into its ISMS. The issuer commits to performing security due diligence activities on third parties in the selection and implementation process. Included in the due diligence activities are "security posture" evaluation questionnaires about third parties and security reviews/tests on the security levels of the Information and Communication Technology services being implemented by third parties..

Responsible treatment of customers with debt repayment problems

- ✓ The issuer has specific risk monitoring controls in place. The activation is based on early warning indicators and intercepts events/situations of potential default, thus leading to the development of control actions that are carried out with respect to the customer. The sales network is part of training activities in order to manage potential situations of first difficulties on the part of customers. The Issuer offers the option to renegotiate or restructure debts to clients experiencing repayment problems. All measures are offered under no detrimental conditions (no higher interest rates, no special commission, or request to sell collaterals at below market value). Additionally, Credem guarantees that

all alternative options are examined before undertaking foreclosure as a last resort. The Network Relationship Managers, perform an advisory function with regard to the customer's needs and debt situation, as does the manager (of the central office). Clients may be assisted by consumer associations which, on behalf of the clients themselves, deal directly with the bank in order to identify the most appropriate solutions for resolving problems. The client also has access to Mediation or Assisted Conciliation Bodies in Italy to which clients may turn in order to settle out-of-court any disputes that may arise with the bank. All the documentation and information provided to customers aims to be clear and transparent, but there are not any particular internal guidelines/policies about the use of small prints. When a loan is refused, the manager (who maintains the customer relationship) will be provided with the reasons why the loan was not granted. For private loans, a letter of rejection is sent to the client with the motive of rejection. For corporate loans, the rejection letter is not automatically produced, but the client can refer to the manager for further information regarding the rejection. Furthermore, Credem has educational content publicly available on their website for clients¹⁸.

Sales practices

✓ The issuer has Transparency Provisions that ensure sales personnel are not pursuing their own interests or those of the intermediary to the detriment of customers with respect to potential commissions. The provisions include anchoring to quantitative and qualitative criteria; no incentives to offer a specific product or a specific category or combination of products that are not suited to the client's financial objectives and needs or that entail higher costs than another product that is also appropriate, consistent and useful with respect to the client's interests, objectives and characteristics; appropriate balancing with respect to the fixed component of the remuneration; being subject to correction mechanisms that allow it to be reduced or eliminated in the event of conduct that has caused or contributed to significant harm to customers or a significant breach of the Transparency Provisions. The sales personnel has access to information sheets for each product detailing cost characteristics, target market, sales and after-sales procedures, including sales restrictions. The Issuer revises the Sales process internally at least annually including clients' complaints.

Responsible marketing

✓ The Issuer, in its Code of Conduct, is committed to being transparent with regard to risks connected to the products offered; with regard to the economic conditions of the products/services offered, also with reference to the composition of expenses and accessory tax charges; with regard the necessary assistance to improve the use and facilitate the understanding of its products/services, as well as those marketed by the bank on behalf of third parties. The issuer also has internal guidelines and policies in order to ensure the compliance with "Disposizioni sulla trasparenza delle operazioni e dei servizi bancari e finanziari, correttezza delle relazioni tra intermediari e clienti" by the Bank of

¹⁸ <https://www.credem.it/content/credem/it/scopri-credem-banca/educazione-finanziaria.html>, e-learning for under 30; <https://www.credem.it/content/credem/it/scopri-credem-banca/educazione-finanziaria/webinar/educazione-economica-e-parita-di-genere.html>, webinars.

Italy¹⁹. Documents provided under this guideline include information on the intermediary, the characteristics and typical risks of the operation or service, a complete list of the economic conditions offered, the contractual clauses concerning: the right of withdrawal due to the customer and the intermediary, the maximum times for closing the relationship (“Fogli informativi”). All the documentation and information provided to customers aims to be clear and transparent, but there are not any particular internal guidelines/policies about the use of small prints. When a loan is refused, the manager (who maintains the customer relationship) will be provided with the reasons why the loan was not granted. For private loans, a letter of rejection is sent to the client with the motive of rejection. For corporate loans, the rejection letter is not automatically produced, but the client can refer to the manager for further information regarding the rejection.

Exclusion criteria

The group-wide policies exclude involvement in speculative derivatives on food commodities and non-conventional weapons. For the purpose of the Green, Social and Sustainability Bonds Framework further sectors are excluded. Any kind of investment directly related to fossil fuel, to nuclear energy generation, and to the armament sector are excluded from eligible green loans. SMEs associated with the sector of alcohol, animal maltreatment, armament, gambling, fossil fuel and tobacco are excluded from eligible social loans. Additionally, the Issuer prohibits doing businesses with: persons included in the official counter-terrorism lists issued by the UN, EU, OFAC or included in external lists of undesirable persons provided for this purpose by Credem or Group Companies; countries which, due to a high risk of money laundering and terrorist financing and/or considering also the geopolitical context, involve difficulties and high costs for the performance of sufficiently thorough due diligence to identify the profile of the counterparties of the customers' transactions, as well as the classification of the goods under the commercial transactions; trust companies, trusts, anonymous companies or controlled through bearer shares based in high risk third countries, as identified by the European Commission; the so-called "shell banks"; entities for which it is not possible to comply with customer due diligence obligations, except in cases where abstention is not possible because there is a legal obligation, or the execution of the transaction by its very nature cannot be postponed or abstention may hinder the investigation. Lastly, it prohibits the sale of products and services for which an approval process has not been complied with, including risk assessments in the anti-money laundering area, as well as the opening or maintenance of anonymous or numbered accounts and deposits under fictitious names.

¹⁹ <https://www.credem.it/content/credem/it/footer/trasparenza.html>, different documents and guides to be provided to customers, which contain relevant information.

PART III: LINKING THE TRANSACTIONS TO CREDEM'S ESG PROFILE

A. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH CREDEM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

In 2019, the Credem Group has adopted a sustainability strategy inspired by the UN 2030 development agenda. Specific targets have been set in the environmental, social, and governance sphere both for internal operations and regarding its banking activities.

In its Non-Financial-Disclosure²⁰ (compiled based on the GRI standard) Credem Group annually publishes their goals and the progress on each goal. Priorities for the Group are:

- defining strategic KPIs;
- committing to define emission reduction targets on its portfolio in line with the established objectives by the Paris Agreement and in line with credit and investment policies;
- increasing the commercial offer with new ESG products/services.

For their goal to be carbon-neutral by 2025 by compensation of 100% of CO₂ emissions through afforestation projects, Credem Group has in 2021 quantified their carbon footprint, which expresses in CO₂ equivalent the total greenhouse gas emissions associated directly or indirectly with the organisation (Scope 1, 2 and 3), through a carbon assessment process. That assessment process is aimed at refining the inventory of emissions generated and the simultaneous drafting of a 2020-23 carbon reduction roadmap. Credem Group has defined the following specific targets for reducing environmental impacts for 2020-2023:

- -10% of the organisation's internal energy consumption (GJ)
- -12% energy consumption external to the organisation (GJ)
- -12% Scope 1 direct emissions (tCO₂eq)
- -19% indirect Scope 2 location-based emissions (tCO₂eq)
- -10% indirect Scope 3 emissions (tCO₂eq)

Credem Group also adheres to the Principles for Responsible Investments (UNPRI) promoted by the United Nations Organisation.

Within the Group, several bodies are involved in sustainability:

- the Board of Directors, with specific tasks and responsibilities associated to the Non-Financial Statement (NFS);
- the Group Risk and Sustainability Committee, which analyzes and supervises the Non - Financial Statement reporting process and supports the Board of Directors in the monitoring of environmental, climate and social risks;
- the Group Sustainability Committee, whose functions are related to the definition of ESG KPIs (Key Performance Indicators) and to the application and management of the sustainability strategy of the Group;

²⁰ Credem, [Non-Financial-Disclosure \(Italian Version\)](#), March 2022.

- the Institutional Relations and Sustainability Department, that oversees the implementation and achievement of the sustainability objectives and monitors the activities for the preparation of the NFS;
- The Internal Audit Department which verifies the adequacy of the reporting process and the compliance with current legislation and ensures the consistency of the structure and type of data contained in the NFS; in 2022 the department has also defined an ESG Control Framework which will be applied starting from 2023;
- The Board of Statutory Auditors for the compliance with legislation and the adequacy of the organizational, administrative, reporting and control systems.

In line with its environmental commitments, as of year-end 2021, Credem invested EUR 600 million in green bonds targeted at low carbon investments and led to 9600 t CO₂eq. per year avoided emissions.

Rationale for issuance

Credem's Green, Social and Sustainability Bonds Framework creates transparency about Credem's financing and develops relationships with long-term investors, as well as creating synergies internally between the different departments on sustainability topics.

The update of the Issuer's Green, Social and Sustainability Bonds Framework includes recent market development, namely on the regulatory front: CREDEM has for the update taken into account the Substantial Contribution Criteria of the European Taxonomy to develop the eligibility criteria of the use of proceeds categories and added some use of proceeds categories (Social housing) or eligible products (tax incentives put in place by state mechanisms).

Opinion: *The key sustainability objectives and the rationale for issuing Green, Social and Sustainability Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

B. CREDEM'S BUSINESS EXPOSURE TO ESG RISKS

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

The Issuer is classified in the Commercial Banks & Capital Markets, as per ISS ESG's sector classification. 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
Customer and product responsibility
Sustainable investment criteria
Labour standards and working conditions
Business ethics

ESG performance of the Issuer

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Credem 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 company's production process.

ISS ESG determined that, based on the information provided by the Issuer, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

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 Commercial Banks & Capital Markets industry are as follows: Failure to mitigate climate change impacts, Failure to prevent money laundering, Failure to pay fair share of taxes, and Anti-competitive behaviour.

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

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes Second Party Opinions which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided (“Recipient”). ISS does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. Neither ISS or ICS will have any liability in connection with the use of these Second Party Opinions, or any information provided therein.
4. Statements of opinion and value judgments given by ISS are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the Second Party Opinion is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above. Statements of opinion and value judgments given by ISS are based on the information provided by the Recipient during the preparation of the Second Party Opinion and may change in the future, depending on the development of market benchmarks, even if ISS is requested by the Recipient to provide another Second Party Opinion on the same scope of work.
5. This Second Party Opinion, certain images, text and graphics contained therein, and the layout and company logo of ICS, ISS ESG, and ISS are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. The use shall be deemed to refer in particular to the copying or duplication of the Second Party Opinion wholly or in part, the distribution of the Second Party Opinion, either free of charge or against payment, or the exploitation of this Second Party Opinion in any other conceivable manner.

The Recipient that commissioned this report may have purchased self-assessment tools and publications from ICS or ICS may have provided advisory or analytical services to the Recipient. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any Recipient’s use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG (“DB”) owns an approximate 80% stake in ISS Hold Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (“Genstar”) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies is available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2023 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: Methodology

Green/Social KPIs

The Green/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 Credem’s Green, Social and Sustainability Bonds.

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

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/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 or that the information provided did not fulfil the requirements of the Green/Social Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Credem (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, the extent to which Credem’s Green, Social and Sustainability Bonds Contributes to related SDGs has been identified.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

Credem commissioned ICS to compile a Green, Social and Sustainability Bonds SPO. The Second Party Opinion process includes verifying whether the Green, Social and Sustainability Bonds Framework aligns with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines and to assess the sustainability credentials of its Green, Social and Sustainability Bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- ICMA Social Bond Principles
- ICMA Sustainability Bond Guidelines

ISSUER'S RESPONSIBILITY

CREDEM's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

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.

This independent Second Party Opinion of the Green, Social and Sustainability Bonds to be issued by Credem has been conducted based on a proprietary methodology and in line with the ICMA Green and Social Bond Principles, and Sustainability Bond Guidelines.

The engagement with CREDEM took place in March and May 2023.

ISS' 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 behavior 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 this 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.

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

For more information on this specific Green, Social and Sustainability Bonds SPO, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Marta Farina
Sr. Associate
ESG Consultant

Project support

Claudia Muñoz Carmona
Associate
ESG Consultant

Project support

Kathinka Gruber
Associate
ESG Consultant

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of ISS ESG SPO Operations