

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF MEDIOCREDITO CENTRALE'S "SOCIAL BOND"

October 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter the "Second Party Opinion" or "SPO") on the sustainability credentials and management of the "Social Bond"² (the "Bond") proposed to be issued by Mediocredito Centrale ("MCC" or the "Issuer").

Our opinion is established according to our Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the ICMA's Social Bonds Principles ("SBP") voluntary guidelines edited in June 2018.

Our opinion is based on the review of the two following components:

1. **Issuer:** we have assessed the Issuer's ESG strategy in September 2019, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities³.
2. **Issuance:** we have assessed the coherence between the Bond and the Issuer's sustainability commitments, its alignment with the SBP 2018, and its potential contribution to sustainability.

Our sources of information are multi-channel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews held at MCC's offices in Rome.

We carried out our due diligence assessment from June 4th 2018 to February 20th 2019, updated in September and October 2019. We consider that we were provided with access to the appropriate documents and people we solicited. We consider that the provided information enables us to establish our opinion with a reasonable⁴ level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the intended Social Bond to be issued by MCC is aligned with the four core components of the Social Bond Principles voluntary guidelines 2018.

We express a reasonable assurance⁴ (our highest level of assurance) on the Issuer's commitments and on the contemplated Social Bond's contribution to sustainable development.

1. Issuer (see Part I)

- ▶ We reach a moderate assurance on MCC's capacity to integrate relevant ESG factors in its strategy and to account on them.
- ▶ As of today, no controversy related to ESG factors was identified for MCC.
- ▶ MCC is not involved in any of the 15 controversial activities screened under our methodology

2. Issuance (see Part II)

MCC has formalized its commitments and the characteristics relating to its first Social Bond in a Framework Document (the "Framework", which last updated version was provided to Vigeo Eiris on October 2nd, 2019). The Issuer has committed to make this document and the Second Party Opinion publicly accessible on its website, in line with good market practices.

We are of the opinion that the contemplated Social Bond is coherent with MCC's strategic sustainable development priorities and with its main sector issues, and contributes to achieving its social commitments.

Use of Proceeds

- ▶ The net proceeds of the Bond will exclusively be used to finance and/or refinance, in full or in part, loans financing eligible projects ("Eligible Loans") granted to Italian companies which support positively the economic activities in Deprived Areas of Italy, and in particular in the South. We consider that the Eligible Category of projects is clearly defined.
- ▶ The Eligible Category of projects is intended to contribute to two main social objectives, namely: employment support and contribution to socioeconomic advancement, and access to credit. These objectives are formalised in the Framework and considered clearly defined and relevant.

¹ This opinion is to be considered as a "Second Party Opinion" as described by the International Capital Market Association (www.icmagroup.org).

² The "Social Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ Namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

⁴ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section at the end of this document).

- ▶ The Issuer has committed to assess and quantify the expected social benefits of the Selected Loans annually starting one year after issuance. An area for improvement consists in defining ex-ante quantified social targets for the eligible category of projects.
- ▶ The targeted populations that will benefit from the Selected Loans have been clearly defined, namely: Italian companies which support positively the economic activities of the Deprived Areas⁵ of Italy.
- ▶ The issuer has not communicated transparently on the estimated percentage of refinancing for its first Bond. It however commits to disclose the actual percentage in the reporting, and has established in its Framework that, in the event of refinancing, the proceeds will be allocated to loans with a lookback period limited to 36 months before the issuance date. Areas of improvement include to communicate on the share of refinancing for its first Bond, and to limit the refinancing period to 24 months before the Bond issuance date, in line with good market practices.
- ▶ The Eligible Categories of projects are likely to contribute to one of the United Nations' Sustainable Development Goal (SDG), namely: Goal 8. Decent work and economic growth.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Selected Loans are formalized in the Framework. We consider that the process is reasonably structured, relevant and transparent.
- ▶ The process is based on explicit and relevant eligibility criteria (selection and exclusion).
- ▶ The identification and management of the material environmental and social risks associated with the Eligible Projects are considered good.

Management of proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering the allocation of funds, the social objectives (performance), and expected social benefits (impacts).

⁵ Defined by MMC as "either areas which have been impacted by natural disasters or regions of Italy where the GDP per inhabitant is lower than the national average."

MCC has committed that its Social Bond will be supported by external reviews:

- **A pre-issuance consultant review:** the hereby Second Party Opinion delivered by Vigeo Eiris, on the sustainability credentials and management of the Bond, covering all the features of the Bond.
- **An annual verification:** performed by an external auditor or any other independent third-party on an annual basis and until the full allocation of the proceeds, covering the proceeds allocated to eligible loans, the remaining balance of unallocated proceeds, the compliance of the Eligible Loans with the defined eligibility criteria and the impact reporting. The reporting will be made public on the Issuer's website (<http://mcc.it>).

This Second Party Opinion is based on the review of the Framework and commitments of the Issuer, according to our exclusive assessment methodology and to the Social Bond Principles voluntary guidelines (2018), limited to MCC's first Social Bond.

Paris, October 4th, 2019

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has carried out one audit mission for the Issuer until so far. No established relationship (financial or other) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the Projects to be financed by the Bond. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication of the final SPO is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

DETAILED RESULTS

Part I. ISSUER

MCC is a bank fully owned by the Italian State through Invitalia. The bank was created with the mission to increase the availability of financing to foster the economic growth, the creation of employment and development for the southern Italian areas.

Level of MCC's ESG strategy

We reach a moderate assurance on MCC's capacity to integrate relevant ESG factors in its strategy, and to account on them.

Domain	Comments	Opinion
Environment	We reach a weak assurance on MCC's existing capacity to integrate relevant environmental factors in its strategy. MCC has not formalized an environmental policy, even if some generic commitments are present in its Code of Ethics. The company does not appear to have set quantitative environmental targets.	Reasonable
	Concerning its lending policies, MCC has established the exclusion of companies convicted for environmental crimes in its Credit Policy.	Moderate
	Regarding reducing environmental impacts related to the transportation of its personnel, the Company has signed agreements with transportation companies, however the Company lacks of a dedicated policy backed by quantitative indicators.	Weak
Social	We reach a moderate, almost reasonable assurance on MCC's existing capacity to integrate relevant Social factors in its strategy, mainly due to a lack of formalization. The Company has made a formalized commitment in its Code of Ethics that forbids any form of discrimination based on nationality, language, gender, race, religious belief, political and trade union membership, physical/psychophysical conditions.	Reasonable
	MCC has committed to engage with customers responsibly. Its commitment covers most of the Company's responsibility including the management of complaints but lacks of customer satisfaction targets.	Moderate
	The Company has reported promoting labour relations notably through enhanced union dialogue.	
	MCC has stated promoting career management and training and that managers are evaluated on their performance in terms of human resources management.	Weak
The Company lacks of quantitative targets concerning the improvement of health and safety conditions for its employees.		
Governance	Concerning the promotion of the social and economic development, the Company's bylaws state that MCC objective is to support the economy in Italian deprived areas and has set a 50% minimum ratio of loans granted to the South of Italy compared to total loans granted.	Reasonable
	We reach a moderate assurance MCC's performance in the Governance pillar. The roles of Chairman and CEO are separated. 40% of directors are women and Board members have demonstrated professional experience in the company's sector of activity. However, no specific committee appears to be in charge of directors nomination.	
	The Company has set up an internal control committee that standard issues related to financial, operational, and legal risks but executives are part of this committee and CSR issues are not covered.	
Governance	Regarding executives remuneration, the Company has set up short and long term incentives linked with performance indicators, nevertheless the quantitative targets are not disclosed. MCC does not disclose the remuneration of its senior executives.	Weak
	Regarding business behaviour, MCC has adopted Anti-bribery and corruption policy and whistleblowing procedure. However, the Company does not appear to have a formal policy framing its lobbying practices.	

Management of stakeholder-related ESG controversies

As of today, no stakeholder-related controversy on ESG factors was identified for MCC.

Involvement in controversial activities

MCC is not involved in any of the 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on 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 Vigeo Eiris.

Part II. ISSUANCE

Coherence of the Bond

Context note: Specific Purpose Banks & Agencies are catalysts for the real economy. They foster social advancement, by implementing public policies on economic development, especially in strategic national sectors and deprived areas. They support small and medium-sized enterprises (SMEs), representing over 99% of businesses in the European Union, and medium-large enterprises, also in terms of internationalization.

Moreover, they support local authorities in financing their activities, in order to guarantee the access to public services to all citizens.

We are of the opinion that the contemplated Bond is coherent with MCC's strategic sustainable development priorities and with its main sector issues, and contributes to achieving its social commitments.

The MCC's commitment is highlighted in the company's By-laws, Code of Ethics and Corporate Governance Framework.

- By-laws: "The corporate objective of the Company is: increase the availability for the banking and financial system in the South of Italy, support creditworthy business initiatives, channel resources into economic initiatives that foster the creation of jobs in the South of Italy..."
- Code of Ethics: "The Bank promotes respect and enhancement social cohesion and environmental integrity and, through this Code, it is proposed to establishing and adopting principles and rules of conduct (...). In accordance with environmental protection legislation, the Bank takes measures to reduce the environmental impact of its activities and commits to put in place interventions aimed at raising awareness and respect for the environment".
- Corporate Governance and Responsible Investment Principles, covering the following topics: i) Shareholders responsibility and rights; ii) Corporate Governance Structure; iii) Remuneration; iv) Reporting, accounts and audit; v) Conflicts of Interest; vi) Internal communication flows.

The 2018-2020 Business Plan, as well as the materiality matrix developed in 2017-2018, have further fostered MCC's commitment towards sustainable development, targeting by 2020 relevant investments for Local Authorities, infrastructures and enterprises, acting as anchor investors also for private initiatives. MCC's Framework appears to be one of the tools to fulfil the Business Plan targets, in line with some of the most material issues emerged from the materiality matrix, such as Infrastructure and Development of Cities, Enterprise financing, Energy and Environmental Sustainability, Education.

By issuing a Social Bond to finance and refinance loans to selected companies, MCC appears to coherently respond to its commitment in terms of responsible growth, and it aligns with the main issues of its sector in terms of social responsibility.

Use of proceeds

The net proceeds of the Bond will exclusively be used to finance and/or refinance, in full or in part, one Eligible Category of projects: loans financing eligible projects (“Eligible Loans”) granted to Italian companies which support positively the economic activities in Deprived Areas⁶ of Italy, and in particular in the South. We consider that the Eligible Category of projects is clearly defined.

The eligible beneficiaries of those Selected Loans shall be:

- Enterprises with registered offices in Deprived Areas of Italy, or
- if not headquartered in Deprived Areas, they can be Enterprises which demonstrate a clear economic impact in Southern Italy, defined as
 - support investments, work, business initiatives in Southern Italy, or
 - contribute to creating value and employment in Southern Italy.

The Eligible Category of projects is intended to contribute to two main social objectives, namely: employment support and contribution to socioeconomic advancement, and access to credit. These objectives are formalized in the Framework and considered clearly defined and relevant.

The Issuer has committed to assess and quantify the expected social benefits of the Selected Loans annually, starting one year after issuance. An area for improvement consists in defining ex-ante quantified social targets, for the eligible category of projects.

The target populations that will benefit from the selected Eligible Loans have been clearly defined namely: Italian companies which support positively the economic activities of the Deprived Areas of Italy.

The issuer has not communicated transparently on the estimated percentage of refinancing for its first Bond. It however commits to disclose the actual percentage in the reporting, and has established in its Framework that, in the event of refinancing, the proceeds will be allocated on loans with a lookback period limited to 36 months before the issuance date. Areas of improvement include to communicate on the share of refinancing for its first Bond, and to limit the refinancing period to 24 months before the Bond issuance date, in line with good market practices.

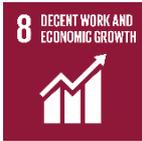
Eligible Category	Definition	Objectives and expected benefits	Vigeo Eiris' Analysis
Financing of companies which contribute to creating economic value and job opportunities in Deprived Areas, in particular in Southern Italy.	Loans to eligible companies, related to areas of Italy where GDP per inhabitant is lower than national average ⁷ or/and in areas affected by natural disaster	<p>Socioeconomic advancement</p> <ul style="list-style-type: none"> • increased GDP per capita • Employees retained⁸ in the companies benefiting from the Eligible Loans <p>Access to credit</p> <ul style="list-style-type: none"> • Companies benefiting from the Eligible Loans, broken down by the type of company (SME, Large company) 	<p>The definition of the Eligible Category is clear.</p> <p>The intended social objectives are clearly defined and relevant.</p> <p>The Issuer commits to evaluate and quantify the social benefits generated by the Selected Loans, but it has not assessed nor quantified the expected social benefits before the issuance. An area for improvement consists in defining ex-ante quantified social targets for each expected benefits.</p>

⁶ Defined by MCC as “either areas which have been impacted by natural disasters or regions of Italy where the GDP per inhabitant is lower than the national average.”

⁷ Gross Domestic Product per inhabitant. Source: Istat annual edition (Istituto nazionale di statistica).

⁸ Defined by MCC as the total number of employees of the companies.

In addition, Vigeo Eiris considers that the selected Eligible Loans are likely to contribute to one of the United Nations' Sustainable Development Goals (SDGs), namely: Goal 8. Decent work and economic growth.



UN SDG 8. Decent work and economic growth

The Issuer is likely to contribute to SDG 8 and its objectives of promoting inclusive and sustainable economic growth, employment and decent work for all. More precisely, SDG 8 targets include:

- 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
- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all. By using the Bond's proceeds to refinance the Selected Loans (SMEs and large companies financing), the Issuer is contributing to the UN SDG 8, with regards to the above-mentioned targets.

Evaluation and Selection Process

The governance and process for the evaluation and selection of the Selected Loans are formalized in the Framework. We consider that the process is reasonably structured, relevant and transparent.

The process for evaluating and selecting the Loans is clearly defined and formalised in the Framework Document.

The governance of this process is reasonably structured, based on relevant internal expertise and roles, with clearly defined responsibilities:

- MCC has set up an *ad hoc* Social Bond Working Group composed by representatives from several functions across the organization:
 - Finance department
 - Credit department
 - Market department
 - Compliance department
 - IT department
 - Planning department
 - Legal department
- The Social Bond Working Group has defined the evaluation and selection criteria and will oversee the Framework implementation, and its evolution in order to consider potential new Eligible categories.
- The Social Bond Working Group meets regularly in order to identify Eligible Loans, both new and refinancing operations. Representatives from the different Business Departments present the list of potential Eligible Loans/Projects and the Working Group decides on their status.

Traceability is ensured throughout the process, with a verification ensured by an internal system:

- The Social Bond Working Group tracks its decisions and the Issuers commits to keep the minutes of its meeting
- The Company has committed that an external reviewer will verify for each reporting the compliance of the Eligible loans with the eligibility criteria

The process is based on explicit and relevant eligibility criteria (selection and exclusion).

The selection criteria are based on the definition of the Eligible Loans, for which criteria are explicitly stated, including:

- Deprived Areas of Italy include:
 - Either areas which have been impacted by natural disasters (recognized by the State through a law as an area affected by natural disasters) or
 - Regions of Italy where the GDP per inhabitant is lower than the national average.
- The enterprises that demonstrate a clear economic impact in Southern Italy must comply with at least one of the following conditions:
 - Financing is dedicated to Investments done in the South
 - Financing is related to projects (orders, construction sites, services) located in the South
 - Financing is related to the acquisition of company or business branches located in the South
 - The borrower (company or group) has one unique operational office located in the South
 - The borrower (company or group) has an operating office located in the South representing at least 50% of its total value of production or total number of employees.
- Eligible Selected Loans must meet each of the following Exclusionary Criteria:
 - Enterprises financed are not operating in the business sectors listed in Annex hereto, such as, but not limited to, tobacco, gambling, weapons and munitions, alcohol (excluding beer and wine), pornography, fossil fuels.
- The Issuer has also defined relevant financial exclusion criteria (see Annex of the Framework), in particular to exclude the Loans financed by any other type of funding.

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

The process for identifying and managing environmental and social (“E&S”) risks is described in the Framework:

- The Issuer takes care that all selected Eligible Loans comply with relevant local laws and regulations. This assertion relies on the company’s credit approval process, which includes Know Your Customers (KYC) assessment with regards to the Banking regulation, Credit policies and Credit Regulations.
- The Issuer will implement a continuous reputational risk assessment of the companies that benefit from the Eligible Loans. Any company that will be subject to material reputational controversy⁹ will be excluded from the portfolio of Eligible Loans and replaced immediately.

To be aligned with best markets practices the Issuer should include in the future financing tools and programs some ESG criteria that the companies shall comply with in order to benefit from the Bond’s proceeds.

⁹ Defined by MCC as: a controversy which significantly impacts a client’s activity from an environmental and/or social stand point. This could include, and is not limited to, the non-respect of environmental rules set by the law or working conditions.

Management of proceeds

The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation process is clearly defined and the allocation of the net proceeds is transparent, in line with market practices:

- The net proceeds and unallocated proceeds will be temporarily invested in cash, deposits, and short-term liquid money market instruments, in accordance with MCC's Treasury policy.
- The Bank's "Guidelines for Financial Management" policy provides for the possibility of investing in Government Securities of The Economic and Monetary Union (EMU) countries with a maximum residual term of 48 months.
- MCC has committed to allocate 70% of the funds within 12 months of their availability.
- MCC has committed that unallocated proceeds will not be invested in any greenhouse gas intense activity or any controversial activity.

Areas of improvement include to define the period for the full allocation of the proceeds.

- In case of early repayment, or loans that mature before the maturity of the Bond, or if beneficiaries fail to respect Eligibility criteria, the proceeds from the Bond will be re-allocated immediately, towards alternative Eligible Loans.

Traceability and verification of the allocation of the proceeds appear to be ensured:

- The list of Eligible Loans will be flagged in the internal accounting systems and updated regularly according to the bank's rules of management. Its aggregated amount will be reconciled on a regular basis with the total amount of the Bond's net proceeds.
- The treasury department will be in charge of monitoring and revising the use of proceeds' database.
- The allocation process will be verified internally, under the supervision of the Social Bond Working Group.
- An external auditor appointed by MCC will verify, on an annual basis, the proceeds allocated to eligible loans and the remaining balance of unallocated proceeds.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering the allocation of funds, the social objectives (performance), and expected social benefits (impacts).

The process for data collection, monitoring, consolidating and reporting is clearly defined by the Issuer in the Framework, for financial and non-financial information, supported by relevant internal expertise:

- The treasury department will be in charge of monitoring and revising the use of proceeds' database. Besides, in accordance with its internal processes, the Issuer already assesses regularly the contribution of its activity to the economic support of the South of Italy (see "rationale" section of the Framework).
- Where information is available, some case studies will be selected in cooperation with relevant business departments, in order to add some qualitative information to the reporting.

The Issuer commits to transparently report on the Bond. The annual report will be made available on MCC's website (<https://en.MCC.it/investors>) and also publicly available, and will be updated and communicated until the full allocation of the proceeds. The report will be at category level (Bond issuance) and cover the allocation of funds and the social benefits of the Bond.

- Allocation of funds: the selected indicators are considered overall relevant

Reporting indicators
<ul style="list-style-type: none"> ▪ the total outstanding amount of Eligible Loans funded (in EUR M) ▪ the share of proceeds allocated to Eligible Loans (%) ▪ the share of unallocated proceeds (%) ▪ the share of total amount of proceeds used for refinancing (%)

An area of improvement includes to report on the type of temporary placements if any.

- Social benefits of the Loans: the selected indicators are considered relevant

Social Outputs and Outcomes	Social Impact
<ul style="list-style-type: none"> ▪ Breakdown of the outstanding amount of Eligible Loans : by region and by level of GDP per inhabitant ▪ Breakdown of the outstanding amount of Eligible Loans : by sector of activity ▪ Share of the selected Eligible Loans supporting Southern Italy, in % of the total portfolio of Eligible Loans ▪ Number of companies benefiting from the selected Eligible loans, in total and by size of company (i.e. SME, large company) 	<ul style="list-style-type: none"> ▪ Number of employees retained in companies benefiting from the selected Eligible Loans

The issuer has undertaken to present the underlying methodologies and/or assumptions used to calculate the quantitative evaluations, that will be provided together with the annual report.

The Issuer has committed that any changes of the Eligible Categories will be documented in an updated Social Bond Framework and published accordingly on its website.

In addition, MCC has committed to have an assurance report provided by its external auditor or any other appointed independent third party, annually and until the full allocation of the proceeds. The assurance report will be made public on the Issuer's website. For each reporting, the auditors will verify the allocated and unallocated proceeds, the compliance of the Eligible Loans with the defined eligibility criteria, and the impact reporting.

METHODOLOGY

In Vigeo Eiris' 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 organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on our generic "Specific Purpose Banks & Agencies" ESG assessment frameworks and on specific issues considering the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Direction of Sustainable Finance and/or the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in charge of the mission, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Ethics, and all the consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: In this SPO, the Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has not been assessed following the complete process of rating and benchmark developed by Vigeo Eiris. The assessment is limited to the integration of ESG factors in the Issuer's commitments and strategy, i.e. the content, visibility and ownership of its ESG policies.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris 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 they are public, documented and traceable.

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

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) is based on:

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

Part II. BOND

The intended Bond has been evaluated by Vigeo Eiris according to the Social Bond Principles Voluntary Guidelines 2018 and to Vigeo Eiris' methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations' Sustainable Development Goals (SDG) and to their targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based on material issues considered in Vigeo Eiris' ESG assessment methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the issuance. Vigeo Eiris has evaluated the reporting framework regarding its transparency, exhaustiveness and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com